

ROUTES OUT OF SOCIALISM AS PATH-DEPENDENT PROCESS: CENTRAL EUROPE'S EXPERIENCES AND LESSONS FOR CUBA

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Although a so-called “transition to market economy and democracy” in Central and Eastern Europe has lasted for fifteen years, several issues remain far from being unambiguous. First, contrary to many optimistic linear visions characteristic of an early “transitology,” the exit out of socialism turned out to be a complex, difficult, open-ended, historical process. As a matter of fact, there is no single real model of transition, but rather there have been as many distinct transitions as post-socialist countries. Second, what has emerged to date in the transition countries is not Western-type liberal democracies and mature capitalism, but different variants of post-communism. Third, even the countries widely considered as “success stories,” such as Poland and the Czech Republic, have experienced a worrying increase in the levels of corruption. Accordingly, the Corruption Perception Index computed by Transparency International went from 5.6 in 1996 to 3.5 in 2004 for Poland, and from 5.4 to 4.2 for the Czech Republic. This means that presently, corruption in Poland is a bit higher than in Mexico and comparable to Peru and Sri Lanka, and the Czech Republic is as corrupt as El Salvador and Trinidad and Tobago. However, over the same period, the level of corruption remained stable in Hungary (4.8) and slightly diminished in Estonia (from 5.7 to 6.0) and Slovenia (from 5.5 to 6.0),¹ with both the latter countries being less corrupt than Italy and Greece. In general, a slightly pessimistic as-

essment by Schwartz et al (2000: 231) seems to adequately match the situation in many post-communist countries:

Despite much apparent social and political change, many of these circumstances persist. The multiparty systems that have replaced the totalitarian regimes have not instituted true democracy or effective laws to protect human rights. The political elites remain corrupt, showing favoritism rather than rewarding merit, undermining trust, acting paternalistically, and exhibiting little concern for the basic problems that confront the average citizen.

This paper rejects a constructivist vision of transition as an implementation of institutional design aimed at the imitation and transplant of ready Western models, and proposes to explore it as a spontaneous path-dependent and path-contingent historical process, in which civilizational patterns, old institutional legacies, and agency interplay. In this way, we rule out both constructivist and rigid path-dependence determinism, opting for a more flexible approach.

This paper is organized as follows. The first section briefly summarizes the theories of institutional change that have underpinned the processes of systemic transformation. The second section presents the conceptual and analytical framework, which is based on the idea of “continuity in change” and focuses on one concept of path-dependence, which is

1. Such a divergence suggests that a rise in corruption has not been an unavoidable consequence of transition, but rather had to do with country-specific institutional developments.

most suitable to explore the process of systemic transformation. The third section presents two cases of institutional path-dependence. The last section contains some reflections on policy measures aimed at the reduction of the negative unintended consequences of the transformation process.

TRANSITION TO MARKETS AND DEMOCRACY: A CRITICAL ASSESSMENT

As I noted above, an early vision of transition as a uniform “road to democracy and market economy” proved to be inadequate, since in reality there emerged several different trajectories of systemic transformation. The explanations of both this failure and of the emergence of “post-communism” are associated with implicit or explicit theories of institutional change, which can be divided into two main categories: (1) agency-centered theories; and (2) structure-based theories (Johnson 2003).

The first stance predominated during the early phase of systemic transformation and was related to a strategy of “shock therapy” (Sachs 1993, Hanson 1998, Åslund 1995, Goldman 1994, Nelson 1993, Berg 1994). Its advocates were primarily neoclassical economists and rational choice theorists, who considered that bold and correct policy choices could overcome the legacies of the past. Consequently, they put emphasis on the role of political elites, bargaining, and incentives in the process of institutional design. Meanwhile, they downplayed the uniqueness, tenacity, and persistence of some old institutional arrangements, and insisted on the importance of rapid economic and political change, believing that newly-designed institutions would successfully replace the broken down old ones.²

Therefore, system-transforming reforms were viewed as a process of creative institutional destruction imposed by the decision-makers in a top-down way. In this view, the self-interested response of economic agents was expected to stimulate rational profit-seeking

behavior and market activity. The road to an advanced capitalist economy was to be the same regardless of the starting point, and the future already had been designated. The standard reform package included stabilization, liberalization, and privatization (SLP), and was expected to bring about soon a set of positive outcomes independently of the broader socio-cultural context of any given country. A main prescription was to apply that package as soon and as intensively as possible taking advantage of the so-called “extraordinary period” (Balcerowicz 2000). The target-image of a market economy was extremely simplistic (market forces were considered as the only way of regulation) and many advocates have represented a kind of “market dogmatism” as a symmetric reversal of a former “central planning dogmatism.”³

To prove empirically the adequacy of “shock therapy,” in several writings some measures of economic performance have been regressed on initial conditions and various indicators of “reform progress.” Any failure of a standard reform package was attributed to its inconsistent, partial, and wavering application by the ruling elite. However, at the ontological level, a technique of cross-section regressions assumes the nature of causal relations, which does not always match the real world (Hall 2003). Ragin (2000) calls attention to some configurations where this might occur. As regards the process of a systemic transformation, four of them seem to be especially relevant.

- First, an increase in x causes an increase in y in some cases, but does not have this effect in others, where y is caused by an entirely different set of variables, w .
- Second, an increase in x is associated with an increase in y at one point in time, t_i , but not at another point in time, t_{ii} .
- Third, an increase in x causes an outcome y in some cases, but an entirely different outcome in other cases.

2. Such a belief was linked to the idea that communism was nothing more than an imposed episode, which disturbed a natural development path of affected countries. By removing the distortion, each post-communist country would rapidly recover a broken path.

3. Interestingly, an intellectual shift from “planning only” to “market only” was characteristic of some scholars who formerly were fervent supporters of socialism.

- Fourth, an outcome y depends on the value of many other variables v , whose values are in turn jointly dependent on each other.

Structure-based theories have been advanced mostly by evolutionary economists and sociological and historical institutionalists. They emphasize the path-dependent nature of institutional change, the persistence of old institutions, and the subsequent emergence of hybrid institutional structures.

First, they recognize that after the demise of communism, there is no institutional void or “blank slate” (Braguinsky and Yavlinsky 2000: 23). On the contrary, “coercive power and the function of social coordination were transferred to those power-tier institutions and informal constraints that survived the collapse of communism.”

Second, institutional legacies, initial conditions, and inherited cultural patterns matter, and explain difficulties faced by the designers of new institutional settings (Stark and Bruszt 1998). Consequently, it is not transition, but rather systemic transformation consisting of “rearrangements, reconfigurations, and recombinations, which yield new interweaving of the multiple social logics that are a modern society.” An example of such recombination or bricolage constitutes the emergence of hybrid forms of ownership in many post-communist countries (Chavance and Magnin 1997, Staniszki 1999). The followers of this approach emphasize the special characteristics of an exit out of communism, which is defined as a “refolution” or a “gentle demise.” They also take into consideration country-specific ways out of communism, and argue that those different extrication paths have affected later national developments.⁴

Third, communism was not only a transitory and inconsequential historical episode, which can be rapidly erased and thrown away in the junkpile (Murrell

1995). Instead, it generated significant social, economic, and cultural legacies, which in conjunction with some pre-communist residues, have shaped systemic transformation paths up to the present (Poznanski 1997). Accordingly, the evolutionary process of institutional change inevitably causes numerous unexpected consequences during attempts at institutional design. As a consequence, instead of a unique road with a clear-cut end, one should expect a plurality of systemic transformations.⁵

Fourth, communism in spite of enforced and accelerated industrialization, did not bring about comprehensive and deep modernization, but in some respects, it led to a neo-traditionalization of affected societies (Elster et al. 1998, Staniszki 1999). Elster et al. (1998) argue that the impact of the imposition of communism differed depending on the existing level of development of a given society. If the latter was highly advanced and imbued with bourgeois values (like Czechoslovakia, East Germany, Slovenia, and Estonia), it displayed strong incompatibility with an enforced communist value system. Consequently, on one hand, under communism, most elements of modern society were destroyed, and an institutional wasteland was created. However, on the other hand, after the collapse of communism, no shelters able to preserve considerable remnants of communist legacies were formed.⁶ By contrast, the more backward and more traditional a given society was at the outset of communism, the more compatible and receptive to the above system it became. In the case of middle-levels of development (like Hungary and Poland), the weak bourgeoisie and its ethos were rapidly destroyed, and many basic perceptions and worldviews of agrarian society have survived. Finally, in fully agrarian and traditional societies (like Romania, Bulgaria, Albania, and most of former Yugoslavia), “an industrialized and urbanized but only

4. For instance, Poland’s way out was based on a compromise between the old and the new elites, Hungary’s on electoral competition, East Germany was simply absorbed by West Germany, and in Czechoslovakia, the old ruling elite capitulated.

5. Such an assessment well matches an observed reality, since there have been an increasing diversity among post-communist countries.

6. However, in both Baltic countries, the significant Russian minorities have preserved both pre-communist traditional and communist-imposed cultural values. As a consequence, in civilizational terms, Latvia and Estonia are typical “cleft” countries (see Huntington 1996).

selectively modernized peasant society has emerged.” Owing to an absence of modern cultural patterns, these last societies were best-fitted to Soviet-imposed communism, and have faced more obstacles during systemic transformation.⁷

Fifth, according to the most comprehensive, imaginative and creative sociological theory of systemic transformation advanced by Staniszkis (1999), both the demise of communism, and the emergence of post-communism and its essence, can be better explained by recourse to a general social history (especially following de Tocqueville and Weber) than to the history of communism. Consequently, in this approach, a “revolution from above,” which ended the old communist order is compared to the abolishment of feudalism and the emergence of early capitalism in Western Europe. This author transposes the famous statement of de Tocqueville: “revolution in its social aspects ended before it started,” since “the feudal formula was abolished only when feudals shifted themselves on the top layers of the new, already functioning, hybrid formula of early capitalism. That new formula added to reproduction of social hierarchy with an appendix of coopted intellectuals mastering the revolutionary rhetoric of discontinuity.” A “capital redeployment” and a “nomenklatura privatization,” implemented in Hungary and Poland under late socialism, indicate that actually, the germs of post-communism emerged inside an old, vanishing system. Finally, in both cases, the key motives behind the choice of particular institutional strategies was the propensity to preserve the social status acquired earlier, and the desire to reduce risk and increase chances of survival in the face of foreign competition. From the epistemological point of view, the author proposes an “evolutionary theory of step-wise change,” highlighting discontinuities and discrete

evolutionary processes extended in time. Importantly, the causative links are stochastic in nature, which allows avoiding a deterministic bias, characteristic of some path-dependent approaches (Mahoney 2000, Mahoney and Snyder 1999).

Sixth, Buravoy and Krotov (1992) especially focus on a wider social and cultural environment, which constrains policy choices and affects institutional changes. They also call attention to the fact that conditions of uncertainty associated with the transition typically reinforce old networks and patterns as people turn back toward the familiar and the safe.

While agency-based theories have been criticized for voluntaristic, ahistorical, and a too “quantitative” approach (differences across various countries are only of degree and not of kind), structure-based theories have been blamed for advancing built-in historical determinism, considered to be especially problematic when applied to periods of extraordinary politics. Consequently, the crucial problem is to assess the role of choice and chance in post-communist transformations without discounting the importance of past paths and the variety of transformation processes.

Social structures, types, and attitudes are coins that do not really melt. Once they are formed they persist, possibly for centuries, and since different structures and types display different degrees of ability to survive, we almost always find that actual group and national behavior more or less departs from what we should expect it to be if we tried to infer it from the dominant forms of the productive process

—J. Schumpeter, 1947

At the outset of a new regime, rulers create institutions, but later, institutions shape rulers

—Montesquieu, 1750

7. Elster et al. (1998: 302) emphasize that both traditional agrarian societies and communism-ruled ones are inhospitable to “what Weber called legal authority. In both societies domination through the prerogatives of particular persons or groups preponderate.” Moreover, contrary to the countries included in the first and second groups, the latter have not historically belonged to the Western civilization (Huntington 1996). All of them except for Albania have shared with Russia the main traits of the Slavic Orthodox civilization, and accordingly, became more receptive to the implantation of strongly “Russified” communism. By contrast, in the cases of Central Europe, Baltics, and Croatia and Slovenia, this imposition constituted an adverse “civilizational shock,” and in addition, provoked strongly nationalistic anti-Soviet and anti-Russian resentments.

CONCEPTUAL AND ANALYTICAL FRAMEWORK

In spite of conceptual diversity in relation to the term “path dependence,” most analysts tend to agree on two points, which have meaningful implications for historical and institutional causal analysis (Hall 2003). First, it is commonly accepted that causal developments of great importance for an ultimate outcome often occur early in the long causal chain that leads to that outcome, perhaps even in the distant past. Second, a key development in the distant past (whether a fateful choice or a crucial event) often affects a case so deeply that it alters the impact of subsequent developments, thereby vitiating the assumption that they can be expected to have the same impact across cases. Furthermore, interaction effects build up over time, carrying cases down such different paths that it is unreasonable to assume that an x occurring today has the same effect, y , across all settings. This standpoint perceives the world not as a field of the operation of timeless causal regularities, but as a branching tree whose tips represent the outcomes of events, which unfold over time. Consequently, timing, place, and sequence matter a lot in the sense that an impact of x will depend on whether it occurs in location z or r , and whether it happens before or after w . Thus, path dependence processes are characterized by self-reinforcing mechanisms or in other terms, they represent a cumulative, circular causality chain.

To assess more adequately the mechanisms of path dependence, it seems useful to distinguish between different analytical levels. Drawing on Ekiert (2003) and modifying some terms proposed by the author, I consider that the first level can be defined as civilizational, and it refers to phenomena of “longue durée,” which represent a foundational component of continuity, and generate an encompassing and enduring

background for all social, economic, and cultural activities. Huntington (1996: 43–44), summarizing the main definitional traits of civilization, emphasizes that, first, “civilization is the broadest cultural entity, and it involves the worldviews, values, norms, institutions, and modes of thinking to which successive generations in a given society have attached primary importance.” Second, civilization is comprehensive in a sense that none of its constituent units can be fully understood without reference to the encompassing civilization, which is a “totality.” Therefore, civilization embeds everything else. Third, though civilizations are mortal, they also are very long-lived, evolving and adapting as “the most enduring of human associations.”⁸ Fourth, civilizations being cultural entities are compatible with different political and economic compositions, which vary over time within a given civilization. However, a coherent evolution requires the congruence between the above systems and a set of core primary values, which defines a given civilization at the deepest level, and gives it codes of meanings.⁹ Fifth, civilizational zones can include either only one political entity (the case of Japan) or several nation-states as in the case of the West. In the latter case, national cultures can differ in many secondary aspects, but they must share a core primary set of paradigms. I consider that at this level, owing to an overreaching embeddedness, path dependence should be interpreted as a process of change constrained and delimited by a given pattern of civilization. This means that in the short or medium terms, social actors can engage in a randomized trajectory of trial-and-error in search of new institutional solutions resulting in unpredictable experimentation (Kitschelt 2003). However, in the longer run, those experiments will prevail, which are consistent with ever-lasting civilizational core parameters. In the same vein, those transplanted institutions,

8. As notes Huntington (1996: 44): “Empires rise and fall, governments come and go, civilizations remain and survive political, social, economic, even ideological upheavals. ...Political systems are transient expedients on the surface of civilization, and the destiny of each linguistically and morally unified community depends ultimately upon the survival of certain primary structuring ideas around which successive generations have coalesced and which symbolize the society’s continuity.”

9. This is analogous to the “primary level of culture,” which contains deeply internalized, irreflexibly, and spontaneously used cognitive mental models, and codes of communication and social behavior (Hall 1983: 25). Thus individuals coming from different civilizations actually cannot fully understand each other, because their primary cultural sets of values vary substantially.

which are perceived as contradictory to a core value set of a recipient civilization, will be either deeply modified or rejected. Consequently, a recent gradual reversal of liberal democracy in Russia is by no means a surprise or anomaly, because it represents a path adjustment and a return to a historical pattern of the Russian Orthodox civilization. Similarly, a reversed process by Slovakia of the recovery of a trajectory of democracy and market reforms in the late 1990s, can be interpreted as an adjustment to its historical model of civilization.¹⁰ It should be recalled that before the First World War, the post-communist countries of Central and Eastern Europe (except Serbia, Bulgaria, and partly Romania since the late 1870s) formed part of four empires: German, Austro-Hungarian, Russian, and Ottoman. While the two former represented the Western civilizational pattern, by contrast, the Russian Empire belonged to the Slavic Orthodox civilization, and the Ottoman one was Islamic.¹¹ Using Huntington's criterion to distinguish between the West and non-West (Huntington 1996), it is easily observable that after the fall of communism, the West-oriented countries (that is, Protestant and Catholic) have performed the best, being followed by Orthodox, and finally by Islamic ones.

At the institutional level, the meaning of path dependence is associated with the definition of institution, and mechanisms of institutional change and reproduction. Instead of the early version of institutional economics (North 1990), I draw on a more comprehensive and more sophisticated institutional theory advanced by Aoki (2001). According to his game-theoretical approach, "institution is conceived as a

self-sustaining system of shared beliefs about a salient way, in which the game in the society is repeatedly played." Assuming the environment marked by incomplete and asymmetric information, and bounded-rational, retrospective social agents, institutions by the very fact of their existence, control agents' individual action-choice rules by coordinating their beliefs. Since coordination proceeds only in summary and shared ways, institutions can be viewed as summary representations of the equilibrium of the game. In each domain, states of equilibrium are socially constructed realities, and they are endogenous to this domain. In functional terms, institutions not only constrain, but also enable and inform. There is a circular process of institutionalization that takes the form of a constantly self-reproducing state of equilibrium through a cognitive mechanism of formation and reconfirmation of mental models. According to this framework, institutional change is mostly cognitive in nature (social agents revise and readapt their mental models and action choice profiles), and can be generated both by exogenous (to a given domain) and endogenous cumulative processes. In this view, a process of transition starts with an emergence and spread of new shared beliefs, and comes to rest when "continually revised subjective game models of agents become consistent with each other and simultaneously equilibrated."

The period of transition can be further divided into two subperiods: (1) the relatively short, turbulent phase of institutional crisis (a cognitive disequilibrium among the critical mass of agents); and (2) the subsequent phase in which the new choices profiles are placed under the evolutionary pressure of selec-

10. Róna-Tas and Börócz (2000) note: "In many respects, the post-socialist countries seem to have returned to the trajectory that was interrupted by the state socialist takeover in 1948. To anyone who takes a look at the geography of economic success and failure since state socialism fell, this pattern is quite apparent. The more successful countries at the end of the 1990s were the ones that were more developed before 1948 and that had been part of the Habsburg Empire forty years before that. ... By contrast, countries in the eastern and southern flanks of the region, which suffered from backwardness before state socialist rule, are again finding themselves left behind."

11. Some countries (like Poland and Romania) were under the impact of two different civilizations, and what later became Yugoslavia, was fragmented into three civilizational patterns. In a recent paper (Zukowski 2004), I found that in the case of Poland, the interregional cultural divergences, which emerged in the distant past, have persisted up to the present, and have affected socio-economic performance after the demise of communism. Interestingly, Róna-Tas and Börócz (2000) exploring the emerging business elites in four post-communist countries found that "the experience of grandparents who lived most of their lives before communism is of substantially greater influence than that of their parents." Thus, as both studies suggest, "people carry mentalities over generations."

tion. The first subperiod is marked by a process punctuated by occasional juncture points, but in the course of the second one, institutional change appears gradual. In general, institutional evolution seems to be more analogous to the biological process of punctuated equilibria. The inclusion of crucial elements of the evolutionary theory of social change allowed taking into consideration routines, habits, emulation, and adaptive learning by social agents.

However, owing to four crucial factors, institutions display strong persistence. These are: (1) cognitive inertia; (2) feedback mechanism between institutionalization and competence development of the agents; (3) imputation of political power to agents in a way conducive to the status quo; and (4) inter-linkages of institutions and complementarities.

We pretend to work and they pretend to pay us.

— Popular saying in socialist countries

Human beings are lazy animals.

— L. Trocki, 1921

The value of elective campaign had largely evaporated. If in its true functions it has given 'the government of the people, by the people, and for the people,' it gives in its present hollow form only 'government of politicians, by politicians, and for politicians.'

— P. Sorokin, 1949

TWO ILLUSTRATIVE EXAMPLES

The first example is drawn from a long-term observation and inside knowledge of "really existing socialism." I assume that there are two types of social agents who differ in their attitude toward work. The agents of the first type, labeled E, are guided by an internalized high work ethic (inherited from a pre-communist past and culturally transmitted across generations), and they willingly comply with their duties regardless of any material and non-material rewards. In contrast, the agents of the second type, labeled D, are motivated by disutility of work effort,

and they tend to minimize their effort regardless of the given material reward. According to the reality of Soviet-style socialism, we will make some further assumptions. First, owing to full employment policy, and compulsory work, all the agents must be employed, and cannot be dismissed on the ground of efficiency considerations (however, they may be easily fired for political reasons). Second, as a consequence of the latter, there is a large "unemployment on the job," and the D-type agents display low work effort and low labor productivity. Third, because of the application of so-called "socialist justice and equality," all agents receive identical wages W . Fourth, the wage level does not depend on work effort and productivity, and accordingly, it is perceived by the agents as fully exogenous. Fifth, the product generated by the E-type agents exceeds the value of their wages, while output produced by the D-type agents is lower than their wage level. Sixth, for simplicity, we assume that the only productive factor is work effort, which entirely determines the level of output and productivity. Thus, productivity is a measure of work effort. Seventh, we assume nonrandom social interactions and resulting social segmentation (at least to a significant degree), which means that the agents of each type interact only with those of the same type. Accordingly, through cultural inter-generational transmission based on intra-group conformism, the segment composed of E-type agents can survive in a hostile institutional environment.¹²

On the one hand, the authorities are interested in tolerating the behavior of D-type agents in spite of their negative contribution to output generation, because the latter provide political support and show loyalty to the socialist rulers. However, on the other hand, they also must protect the E-type agents, even if they are politically suspect, since they are net contributors to social product. The ruler (the agent R) badly needs the surplus produced by agents E to cover the costs of maintaining the dictatorial and op-

12. This outcome would not be plausible within the framework of the conventional evolutionary theory, which would predict a gradual extinction of E-type agents. However, as Bowles (2001) shows in his formal model, both norms-based and incentives-based behaviors can coexist even in the long-term perspective.

pressive political apparatus, and thereby to continue his grip over society.

The ultimate fall of socialism and the implementation of democratic and market-enhancing reforms do not substantially change the social composition from the above viewpoint (at least in the short or medium term).¹³ However, the incentive structure changes on behalf of E-type agents. First, the E-type agents become net winners, since their competence, honesty, integrity, and work effort will be better rewarded, but only to the extent of being employed by a newly-born private sector. Second, under the same conditions, the D-type agents will be net losers, even if their real wages increase. Nevertheless, as they will be forced to provide full-time work effort, the ratio between effort and material reward will rise, and consequently, their subjective perception is of being worse off. This is shown in Figure 1 in the form of a simple virtual game, in which the respective agents can choose between socialism and capitalism. Accordingly, the D-type agents always will prefer socialism while those of E-type will always prefer capitalism. Since the coexistence of both systems at the same time and the same place is unfeasible, there is no Nash-equilibrium. Such a result might shed light on the apparent paradox of open criticism, complaints, and nostalgia of the past in spite of an objective improvement of a living standard. The mere change in external institutions and in the structure of incentives is fruitless, because the problem is cultural in na-

ture.¹⁴ Incipient capitalism inherits a low social capital, and a meaningful number of agents interested in preserving the inefficient segments of the state sector. It is beyond doubt that this is a disturbing and long-lasting legacy.

Figure 1.

Agent E	Agent D	
	Socialism	Capitalism
Socialism	0.5, 2.0	0.5, 1.0
Capitalism	1.0, 2.0	1.0, 1.0

The second example represents a direct transplant of an informal political institution from socialism into a post-communist, semi-liberal democracy, which has been Poland since 1990.¹⁵ In this country, during the 1980s—that is, over the period of “late socialism”—under the pressure of the most influential and powerful segments of the organized working class, a system of direct negotiations between the ruling communist authorities and the former was established.¹⁶ The precedent was created by the negotiations between the Communist Party and Solidarity in 1980–1981.¹⁷ On the one hand, the above institutional setting prevented acute crisis and allowed the reduction of social tensions, but on the other hand it partially legitimized the communist rulers.

This system was characterized by the following features. First, it circumvented all the formal constitutional arrangements concerning the articulation of social interests. Second, the “representatives” of the

13. Schwartz et al. (2000) show that living under socialism, people largely adapted to the system-specific circumstances both through acclimation and compensation. Consequently, they formed value priorities, which were compatible with the reinforcement contingencies that their life circumstances afforded. Thus, they have significantly differed from their Western counterparts (controlling for other variables) in such value sets like conservatism, intellectual autonomy, hierarchy, egalitarianism, mastery, and affective autonomy. Interestingly, Staniszkis (1999) points out that under late socialism, the two conflicting sides (the Solidarity and the communist rulers) displayed very convergent ideological images of what constitutes a “good system.” See also Slomczynski et al. (1999) for the analysis of mental adjustment under post-communism.

14. It can be argued that under socialism, the D-type agents had no incentives to provide more work effort, since this would not lead to higher wages. Even if they were better rewarded, this would not be very attractive given widespread shortages of goods and services. We think, however, that in the long run, the incentive-motivated bad work attitudes have been frozen as internalized social norms and habits.

15. If this democracy is not entirely illiberal, it is neither fully liberal. For a distinction between liberal and illiberal democracies see Zakaria (1997) and Zukowski (2003).

16. See Mokrzycki (2001) for a thorough description and sociological analysis of this case.

17. It is worth noting that the ethos of Solidarity was partly quite utopian and focused toward a “Third Road,” which was to combine capitalist welfare, freedom and democracy with socialist planning, social justice and equality.

so-called “social counterpart” were selected only out of the strongest and most aggressive workers’ groups. Third, the outcomes of the bargaining were ratified *ex post facto* by the constitutional bodies and implemented by the formal authorities. In this way, the powerful workers’ pressure groups were gaining some fringe benefits and wage increases, and the rulers were buying “social peace.” However, the rest of society, that is, the silent and powerless majority, was completely absent and passive. The uprooted cognitive background of such a system was a widely spread perception of the state as an alien, alienated, and hostile force, which acts against the society. This was reflected in the popular antagonism between “they” (the rulers) and “us” (the people or the citizens). Moreover, the interaction between the state and society has been conceived as a zero-sum game.

Surprisingly, and interestingly, that bargaining system has survived up to the present in spite of the implementation of political procedural democracy.¹⁸ It is at work regardless of which political party has been in power, and therefore it constitutes a relevant systemic feature of both the late communist and post-communist era. Thus, not only an unwritten rule of the superiority of a direct negotiation between the “ruling side” and the “social side” over the constitution-binding channels has easily persisted, but it also preserved its main features. First, the role of the Catholic Church as a mediator between the conflicting sides has been maintained.¹⁹ Second, any violations of law have also been an object of bargaining, and as such, have been tolerated and accepted either by the authorities or by society. For instance, regarding the 1999 road blockades, the popular perception was that the government had the right to legalize these lawless actions, since “acting out of just and fair reasons is legal *eo ipso*.” This, of course is a reflection of a moralistic legal culture, which has been dominant in Poland since the XIX century, and was

strengthened under communism. Therefore, the political scene is a playing field for the game between three main actors: (1) a strong political class; (2) a weak and politically passive society; and (3) powerful, aggressive, and well-organized pressure groups. This game is played in the environment marked by a devastated low social capital and a weak, corrupt, and inefficient state apparatus.

The working of this system can be illustrated by means of a simple model of a game including these three social agents. The first is the state R, the second is the agent W representing a weak, dispersed, and non-organized segment of society, and the third is the agent S, representing the powerful and well organized pressure groups. We assume that both agents W and S may demand some benefits from the government, the value of these entitlements is b , and the cost of organizing and coordinating the political action is C . We also assume that both collective agents do not mutually coordinate their actions, and operate separately.

The government R may comply with the above demands or reject them. However, since there is a meaningful asymmetry of force between the agents W and S, the rejection of agent S’s demands exposes the rulers to a potential loss of a_s , which includes both economic (strikes, road blockades, etc.) and political costs (loss of voters’ political support). In contrast, the rejection of agent W’s requests brings about no such risks, and the government saves a , while the agent W loses C . Consequently, if $(b_s - C) > 0$, the collective agent S has incentive to demand some entitlements, and if $(a_s - b_s) > 0$, the ruler R will accept them. By contrast, since a_w either equals or is slightly greater than zero but substantially lower than b , the ruler can easily either reject the demands of the agent W or offer him the benefit b_w such as $(b_w - C) < 0$.

18. The persistence of some old institutions was facilitated by Poland’s way of extrication from communism, which took the form of a *compromise* between the ruling party and the conciliatory segment of the democratic opposition. A “new” political class has been composed of former communists and former opposition leaders, who to some degree have taken over a socialist political culture.

19. For instance, the representatives of the Catholic Church were active during the road blockade in 1999 as a result of the peasants’ protest campaign.

Figure 2 depicts a simple repeated game, in which the choices and respective payoffs of agent W, then of agent S., and finally of ruler R, are presented. Thus, if agent W incurs the loss—C in the first round of the game, it is likely that later on it renounces any demand, while agent S will continue demanding and exerting pressure on the ruler. Accordingly, the best strategy and the Nash equilibrium will be for agent W not to demand, for agent S to claim, and for ruler R to comply with the demand of agent S, avoiding the loss a_s and rejecting the requests of agent W. Consequently, a kind of a “democratic,” permanently collusive state has emerged and consolidated. Obviously, this is not a full-fledged democracy, because the ruler is more accountable to the powerful pressure groups than to the elected parliament. Furthermore, the weak social sectors gradually become marginalized, and imbued with strong feelings of unfairness and injustice. Ultimately, they might lose confidence in democratic institutions. Regarding the economy, such continuous, collusive bargaining leads to a distorted pattern of fiscal expenditures that brings about highly negative effects for long-term economic development. This is so if the discriminated sectors are very relevant for modern economic development and for the good of the country, for instance, universities, research centers, the health system, and transportation infrastructure. It also results in extreme social injustice when some retired agents are paid low miserable pensions while others are highly privileged.

Figure 2.

Agent W	Agent S	
	Demand	Not Demand
Demand	$-C, b_s - C,$ $a_s - b_s$	$-C, 0,$ b_s
Not Demand	$0, b_s - C,$ $a_s - b_s$	$0, 0,$ b_s

20. This is well illustrated by the statement of then prime minister T. Mazowiecki, who asked about informational policy, replied that “the government does not find any information policy to be necessary.” In 1990, that is, during the year of “extraordinary politics,” Poles deposited much trust in the new Solidarity government, but the overall impression was that the latter was not interested and did not need social confidence. Since trust creates trust, and distrust generates distrust, the consequences of such blind and erroneous behavior could only be disastrous.

CONCLUSIONS: LESSONS FOR CUBA

The relevant issue of burdensome legacies of socialism for a future Cuba’s systemic transformation has been taken up in several papers published in the ASCE Proceedings (e.g., Pérez-López 2003, del Aguila 1999, Aguirre 2002, Solaún 1998). It has been recognized that Cuba’s post-Castro systemic transformation will necessarily be path-influenced, complex, and troublesome. While most onerous legacies of socialism will carry some weight over a long time and will be overcome only gradually, however, a series of adequate and time-consistent policy measures would reduce some direct and immediate effects of path-dependence. I especially have in mind those side effects that are caused by avoidable policy errors.

The question to be raised is to what extent (if at all), the lessons drawn from Central Europe’s experiences could be useful in reducing the negative effects of path-dependence in post-Castro Cuba. Will Cuba be able to avoid some policy errors committed by the democratic governments during the early phase of systemic transformation in Central Europe? I do not pretend to be exhaustive in this matter, and my reflections will be confined to the problem of an inherited cognitive stock, and especially to the issue of information. I also will limit myself to the case of Poland, which is very illustrative in this respect.

First, contrary to the communist leaders during the political takeover after the Second World War, the democratic leadership in 1989 widely neglected the role of inherited mental models and poor and deformed stocks of information.²⁰

Second, after the approval of a radical program of stabilization and market-enhancing reforms in the fall of 1989, no informational campaign was undertaken, and most people supposed to be citizens of a newly democratic state, simply did not know the principles and means of implemented “shock thera-

py.” This was even paradoxical, since according to a Solidarity leader: “the difference between them (communists) and us (democrats) is that we do not need to lie; we must only tell the truth.” Unfortunately, even the “truth campaign” was virtually nonexistent, and this led to the erosion of confidence in a new government and its policies, and provoked informational chaos and widespread disorientation. The lack of transparency made the new leadership in the minds of the people similar to the previous communist politicians, and the public began to doubt the authenticity of a declared change. Thus, these short-term, avoidable errors seriously harmed a promising systemic transformation.

Third, in the medium-term, a well-designed and widespread educational (or rather re-educational)

campaign in schools and state-owned mass media would remedy an inherited informational disaster. However, such policy was never clearly defined, and coordinated, and many people even began to suspect that a ruling elite simply wanted them to be misinformed. Obviously, a good informational policy could not be expected to be effectuated by a government run by the post-communist parties, which came back to power in 1993, and later on, this issue disappeared. Thus, the errors of the first non-communist government became very costly, since they were the main cause of its electoral defeat.

Finally, if it is true that “history always teaches us,” I hope that future leaders of Cuba’s systemic transformation will be able to avoid many simple, but highly consequential errors.

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