

Democracy and Capitalism The Role of the Former Elites in Postcommunist Transformation

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Although, in one respect, the role of popular movements in the collapse of the Soviet system was clear and fundamental, nevertheless that played by the former Communist elites was equally important.

What do we mean by the 'former elites'? In the case of the Soviet system, in which, as far as their nature is concerned, different theoretical traditions have confronted each other (theories of State capitalism, bureaucracy, totalitarianism, etc.) and in which the definition of 'elites' is less neutral than elsewhere, our preferred option, the most axiological possible, borrows heavily from Vilfredo Pareto and Gaetano Mosca. To put it simply, the elites, here, are a group of decision-makers whose macro-social options are the determining factor. Put even more simply, it is the straightforward notion of *nomenklatura*, popularized by Mikhail Voslensky, which corresponds quite well to that definition. In effect, the concept of *nomenklatura* was used in the East to designate the ruling group of the Party-State as opposed to society. The Poland of Solidarity is a prime example of 'Us', that is society, as opposed to 'Them', those in power, but this state of affairs has characterized all societies of the Soviet type. At first, *nomenklatura* was a confidential list of the positions of the supervisory executives, from top to bottom of social political life as it had been established in the 1920s by the Soviet powers in order to control society. Initially, this *nomenklatura* consisted of the actual controllers of the Party, the last defenders of the 'gains' of the Revolution, far outstripping its own military or police surveillance capacity. But over time it has established itself as a genuine dominant group with 'class' attributes. Although it was initially made up exclusively of militants and 'professional revolutionaries', the *nomenklatura* turned the social transformation which it had encouraged to its own advantage. It became a homogeneous group, with individuals of the same social status, the same system of values, and with similar behaviour; in short, a group with the same interests, and conservative. As a party of the centre, this system spread throughout the countries of the Soviet block. Indeed the *nomenklatura* brought together the cream of the political and economic elites and, to paraphrase Marx, effectively constituted a group 'within itself' and 'for itself'. In countries like Hungary and Poland, it could run into several hundreds of thousands of people. In fact, the more complex the management of society became and the more diverse the control it needed, the larger the *nomenklatura* grew. It was not even necessary to be a Party member in order to belong to it, although that was usually the case. In its own way, the *nomenklatura*, and above all the section concerned with reform, knew very well how to adapt to capitalism.

Poland and Hungary are the two countries which best embodied this transformation, which was both political and economic. The increased rate of economic growth in these two countries during the decade 1989–1999 is most probably linked to the committed implementation of this transformation by the former elites.¹ But credit where credit is due: the triggering factor, and one so long awaited by opposition parties and dissidents in the past, came from Moscow. Faced with the lack of concern and stagnation in the Soviet regime, the elite of the Former Soviet Union, essentially the reforming minority part of it, in the person of Mikhail Gorbachev (assisted by his advisors Aleksandr Yakovlev, Georgy Chakhnazarov, Eduard Shevardnadze and others) attempted to transform the empire through measures which, for their part, were both bold (disarmament, democratization, opening-up – though timidly – to the private sector, abandoning de facto the ‘Soviet bloc’) and in the end utopian. Gorbachev’s ‘betrayal’ – it is of little importance whether it was a headlong rush or a deliberate policy – of East Germany, or of Romania (but not of Lithuania which, according to the Soviet leaders, ‘belonged’ to the empire), his proposal to ‘Finlandize’ Poland, all that emphasized the architecture of transition already put in place by Poland and Hungary. However, except for its final phase (characterized by Round Table discussions between those in power and the opposition), this architecture did not follow any plan or plot. It was above all an objective event, the result of the ‘natural’ evolution of the Communist system. This outmoded system was marching inevitably towards the capitalist regime against which it had fought. The workers’ uprisings in Poland, the Hungarian Revolution and the Prague Spring had obviously, and forcefully, accelerated this process. What, then, were its mechanisms? *Three circles of conversion*, in fact three stages, illustrate the post-Communist transformation, beginning with the positions and the actions of the former elites.

The centre of the system

Is it because Poland and Hungary were the most open states of the former Soviet bloc, with a strong private sector, the least aligned with Moscow, and characterized by a vigorous opposition and large-scale economic migration, that the *nomenklaturas* of these countries surrendered to institutional changes affecting the regime of ownership and the mechanisms of transformation of capital? However that may be, they nonetheless initiated a process which prefigured later events so closely that some observers prefer to speak more of continuity than of breakdown. Thus in Poland, where contributions from the State budget were not enough, the Party invited its own organizations to change the Party’s assets into assets managed by public companies in order to increase its liquid assets. Reviving a law from 1934 on public companies, the Party then proceeded to a legal transformation of its capital. From top to bottom of its institutional hierarchy (central committee, regional committees, local committees), its various organizations were invited to create private companies, with a view to profit-making, in order to refill the coffers. Quite simply, the Party submitted to the more remunerative logic of the market, but without subscribing to the logic of democracy while this operation was taking place (throughout the whole of 1988). At that moment, the economy alone took precedence. Democracy was added *during the course of what followed*.

The laws of 'self-appropriation'

In 1988 and 1989 the Polish and Hungarian authorities adopted a law which allowed cadres to take on businesses, that is to say, members of the economic *nomenklatura* were allowed to own the assets of businesses. These laws were criticized as tools with which the former elites, seeing real socialism collapsing on all sides, took a stake in a future which was clearly dominated by the sudden emergence of a market economy. Jadwiga Staniszkis, the Polish sociologist, has even based a thoroughly 'intentionalist' approach on this fact, an approach which was to fuel the political campaigns of post-Communism against parties which grew out of the former government forces. The reality was otherwise. When these laws were promulgated in 1988 and 1989, the Polish and Hungarian leaders were unaware that they would give back power and it has to be admitted that these laws effectively were intended to revitalize the socialist economy through the public sector competing with the privatized sector of business. In Poland these laws, ill-thought out because they authorized multiple holdings, allowed, however, the accumulation of capital which placed the entrepreneurs who had come from the former elites in an advantageous position by comparison with the others. Multiple holdings were forbidden after a year, under Mazowiecki's government, and an inquiry by the NIK (Polish audit office) in 1990 was unable to prove a significant number of abuses. Proceedings against the former members of the *nomenklatura* hardly ever resulted in successful prosecutions. In Hungary, the mechanism of self-appropriation was slightly different.

Cultural capital and the adaptation of the ex-nomenklatura

The former elites had at their disposal powerful means for moving from one regime to the other. Surveys into social mobility in Eastern Europe since 1990 have shown the degree of transformation of the former elites. Four paths can be considered as describing their mobility:

- a) from the *nomenklatura* to politics;
- b) from the *nomenklatura* to managerial posts in the economic sector of the State;
- c) from the *nomenklatura* to private enterprise;
- d) social demotion (downward social mobility).

a) from the *nomenklatura* to politics.

Let us consider politics briefly and limit ourselves simply to the remark that in the majority of post-Communist countries political groups which had their roots in the Communist regime achieved electoral results which they would never have imagined achieving while their leaders presided over the destiny of their countries without any democratic legitimacy. Surprisingly the electorate in both countries elected these 'new' former elites with a huge majority. This is how, in the legislative elections of 1994 in Hungary, the Hungarian socialists were able to command the majority of the seats in the parliament. The strongest symbol was most probably the election (in both 1995 and 2000) of Aleksander Kwasniewski, the ex-minister for youth under General Jaruzelski, to the office of President of the Polish Republic rather than Lech Walesa. The presence of an

unavoidably ex-Communist bulwark can be seen everywhere, indicating that sovietization has profoundly changed social and economic structures. Sovietization (through the creation of a new working class, collectivization, rural exodus, etc.) has in real terms affected the social structures of the societies of the East more than the revolution of 1989. A decade on, this assessment that can be confidently made, although the revolution of 1989 (through the creation of new middle classes, the impoverishment of whole sectors of the world of the workers and especially of the peasantry) has also brought about great changes.

b) from the *nomenklatura* to managerial posts in the economic sector of the State.

It is to be noted that a substantial number of cadres from the economic sector of the former regime found themselves in similar posts after 1989. Of course, in that case those concerned were company directors, directors of large combines, in short of all the members of the cadre. In Poland and Hungary, the proportion of former officials from the economic *nomenklatura* playing a part in the public sector is 50%. The figure is nearer 70% for the cooperative sector. In the Czech Republic, where the purge of the cadres of the former regime was undertaken more rigorously, similar figures can be seen, according to the sociologist Petr Mateju.

This situation should not come as a surprise. The increased social mobility which characterized real socialism between 1950 and 1970 (peasants becoming workers, workers becoming foremen, peasants and workers becoming managers, etc.) has above all brought to light the real 'hero' of this regime: the engineer. This engineer, born under socialism, could call on 'assets', at the very beginning of the market economy, that no other sector enjoyed. First of all, there was a 'cultural advantage', comprising not just his engineer's degree but also his role as a cadre, as a member of the body managing the business in which he had learnt to *manage* vast units consisting of considerable numbers. In addition he benefited from a *political advantage* composed of his membership of the *nomenklatura*, a political advantage which put in place permanent networks reconstituted in the post-Communist era.

These particular members of the *nomenklatura* hardly needed the benefit of any economic advantage such as that already referred to. The diversity of their advantages (cultural, political, relational and, possibly, economic) was *sufficient* to prepare them more than adequately for capitalism, *en masse*.

c) from the *nomenklatura* to private enterprise.

These individuals had been engineer-cadres of the *nomenklatura* who had in fact dreamed, unsuccessfully, of introducing capitalist methods into enterprises. Ever since they have been able to do this, they have created private companies. This conversion was not at all regarded as a lesser evil, but as a real vocation which socialism, with its social laws, had impeded. In Hungary and Poland, 28.2% and 25% respectively of the former members of the *nomenklaturas* became private entrepreneurs, in the Czech Republic the figure was 20% and in Russia it was 16.3%. These differences indicate how well prepared each of these countries was for the market economy.

d) social demotion (downward social mobility).

This fourth path is perhaps not the most important with respect to the main theme of this article (preparedness of the former elites for capitalism), but deserves to be noted

here. Surveys into social mobility have in effect shown that, as far as the conversion of the former elites to market economy and democracy are concerned, there was no unbroken continuity between the old and the new regime, in the sense that some of the former elites lost a great deal during the changeover. The advent of democracy was also accompanied by violent conflicts between the reformers and the conservatives of the former Communist Parties. Not that they did not have the same interests; on the contrary, they did, but the reformers, who very often had originally been conservatives, had understood that the preservation of their interests as a 'class' was to be achieved through the conversion of their personal situation (conversion of means of ownership, of ideology – in general to social democracy – and conversion to another *Weltanschauung*), which the remaining conservatives had not understood. The presence of reformers such as Gorbachev, Jaruzelski and Horn at the beginning of the changes contrasts with the inability of the conservatives such as Honecker and Jakès to embrace those changes. The percentage of the former elite which was halted in its rise is not negligible: in Poland and Hungary nearly 20% of the *nomenklatura* took early retirement or found themselves stripped of their advantages (resulting in unemployment, poverty, etc.). The same thing happened in the Czech Republic, whilst decreasing social mobility only affected 9.4% of the former elites in Russia. Indeed, the impressive global success of the *nomenklatura* should not mask the fact that its weak links, for whatever reason (insufficient cultural capital, for example), lost a great deal when the regime changed. From this point of view, 1989 had 'revolutionary' effects on social structure.

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Note

1. For a detailed analysis of the conversion of former *nomenklaturas* to a market economy and to democracy, the reader is referred to our work *La grande conversion, le destin des communistes en Europe de l'Est* (*The great conversion, the fate of Communists in Eastern Europe*), Paris, Seuil 1999.