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1 January 2015

Online at <https://mpra.ub.uni-muenchen.de/92337/>

MPRA Paper No. 92337, posted 24 Feb 2019 07:29 UTC

CHAPTER 4

Social Aspects of Transformation

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The fall of the Berlin Wall marked not the end of the transition to democracy but its beginning, with still uncertain outcomes in terms of electoral continuity and change.¹ In order to provide a more comprehensive picture of the regime vulnerabilities and instabilities that stem from the difficult transition from a centrally planned, authoritarian economy to a free market-oriented democracy, this chapter discusses the most important aspects of the transformation that has occurred in Central and Eastern Europe since the end of communism. These aspects include key patterns of social change, social welfare, social problems, and associated social pathologies. Understanding what worked and what went wrong in the social policy domain will improve our understanding of the prospects for future and more successful reforms in this region, as well as in other transitional and developing countries currently on the road to democracy.

The first section of this chapter provides a brief overview of the key patterns of social change, including social welfare, social problems, and social pathologies, as well citizens' adaptation to the new environment. The second section discusses similarities and differences among countries in order to understand what policy options have been more successful and why. The third section complements this analysis by addressing ten areas where we can learn from previous mistakes.

Social Welfare, Social Problems, and Social Pathologies

The economic transformation from a centrally planned to a market-oriented economy put under serious stress the economic capacity and performance of firms and markets in dealing with endogenous and exogenous pressures. The internal and external challenges, discussed more extensively by Sharon Fisher in chapter 3, were linked to the restructuring of the previous economic system and its adaptation to the new global market environment. The result of this difficult process of economic restructuring was job loss for several million workers of ex-state-owned enterprises, which led to important social changes and

a temporary decrease in social welfare, as well as to growing social problems and social pathologies.

Especially during the first years of transition, unemployment, once virtually nonexistent in this region, grew exponentially, causing an increase in poverty, crime, and juvenile delinquency, as well as a temporary deterioration of the health status of the population with subsequent worsening of quality of life and overall life chances. Fortunately, the negative results that emerged from the early phase of transition, the period of transition shock (1990–2000), improved in the second stage of reforms (2000–2010), the period of adaptation or recalibration,² albeit to different extents in different countries.

After two decades of persistent battles against unemployment, in 2010 the number of unemployed persons reached particularly high levels in southeastern Europe, immediately followed by the Visegrad countries and the Baltic states. Especially in Albania, Bosnia-Herzegovina, Croatia, Hungary, Montenegro, Poland, Serbia, Slovakia, and Slovenia, unemployment has recently become an extremely pressing issue, breaking the psychological threshold of two digits. Significant improvements have been made since the early 2000s in almost all countries, though to a different degree, depending on their vulnerabilities to the shock of the 2008–2010 crisis (see table 4.1). Those countries, such as Estonia, Hungary, and Lithuania, where the external vulnerabilities to the crisis were stronger (e.g., monetary weaknesses, unsustainable budget expenses, excessive dependence on foreign investors),³ have also been the ones where unemployment has grown with a higher intensity. Interesting to note in this context are the extremely low unemployment



Photo 4.1. Homeless man in Budapest. The transition to democracy and difficult economic reforms profoundly affected vulnerable segments of the populations, as the governments often had to cut welfare programs to adjust the economy. (Daniel Nemeth)

Table 4.1. Registered Unemployment Rate (Average Percentage of Labor Force)

	1990	1995	2000	2005	2010
Albania	10.0	12.9	16.8	14.1	13.6
Bosnia and Herzegovina	n/a	n/a	42.2	49.7	42.6
Bulgaria	13.2 (1992)	11.4	18.1	11.5	9.5
Croatia	9.3	14.5	21.1	17.9	17.4
Czech Republic	0.3	3.0	9.0	9.0	9.0
Estonia	n/a	4.1	5.3	4.3	12.3
Hungary	0.8	10.4	8.7	9.2 (2006)	13.5
Latvia	n/a	6.6	7.8	7.4	4.9 (2007)
Lithuania	n/a	6.1	12.6	6.4	12.5 (2009)
Macedonia	23.0	35.6	n/a	n/a	n/a
Montenegro	n/a	n/a	n/a	18.5	12.2
Poland	3.4	15.2	14.0	18.2	12.3
Romania	8.2 (1992)	9.5	10.5	5.9	7.0
Serbia	n/a	n/a	25.6	26.8	26.9
Slovakia	0.6	13.8	18.2	11.6	12.5
Slovenia	4.7	13.9	12.2	10.2	10.7
Ukraine	0.3 (1992)	0.4	4.2	4.4	2.2

Source: UNICEF 2013.

rates in Ukraine, which are paralleled by similarly low rates in several other members of the former Soviet Union, which are outside the scope of this book; however, the virtual absence of unemployment has not prevented people from falling into poverty. More jobs do not in fact mean better jobs, which are the sole instruments that can prevent people from falling into poverty or engaging in criminal activities. The establishment of inclusive welfare institutions able to protect citizens from a wide range of new social risks, including social disintegration, is the key to success.

Poverty is subsequently an important negative social aspect of the transition, one that, strictly linked to the absence of more and decent jobs,⁴ has greatly influenced the emergence of new social problems and social pathologies. After two and a half decades of transition, the poverty headcount ratio measured at \$5 a day is higher in the countries of southeastern Europe, particularly in Albania, Bulgaria, Macedonia, and Romania, as well as in Estonia. This situation tends to improve when the poverty threshold is set at \$2.50 a day, as the percentages of the population living below the poverty line decrease to less than 20 percent in all the countries under consideration (see figure 4.1). Faster improvements are, in this case, due to better integration into regional and global markets with increasing welfare for the country's economy and population, though the positive effects of such convergence must still be fully exploited.

Similar considerations apply with regard to income inequality and, more specifically, with regard to the share of income owned by households. The income share held by the highest 20 percent of the population is greater in Albania, Bosnia-Herzegovina, Croatia, Latvia, Macedonia, and Slovenia (see figure 4.2). These are all countries that have witnessed a more exponential growth in the number of "new rich" with consequently more unequal distributions of income and life risks. The potential redistributive effects of welfare institutions have also been more limited in these countries, and the still inefficient

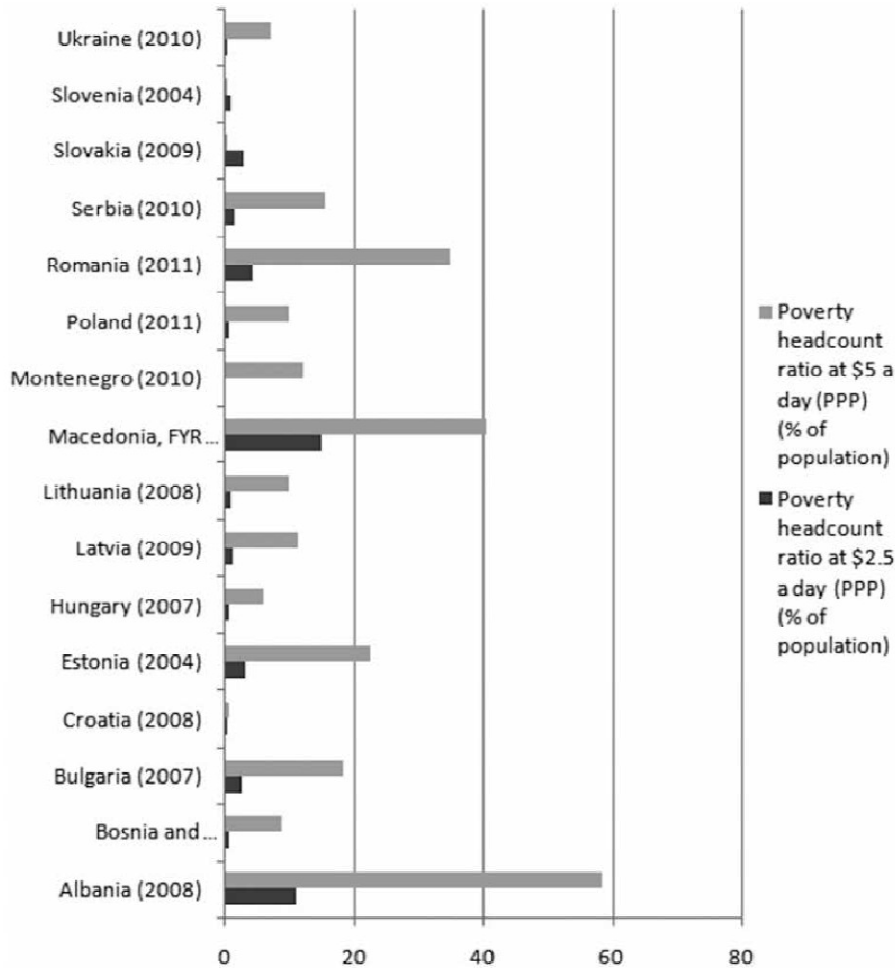


Figure 4.1. Poverty Headcount Ratio

Note: Comparable data for the Czech Republic are missing.

Source: World Bank Development Indicators 2014. <http://data.worldbank.org/data-catalog/world-development-indicators>. Author's calculations.

welfare regimes have not yet succeeded in lowering existing differences (see “Similarities and Differences among Countries” and “Ongoing Issues in Transformation” below).

In order to fully understand the real extent of poverty and income inequality, it is also important to analyze gross domestic product (GDP) per capita (purchasing power parity [PPP] in current international US dollars), as this measure provides a good indicator of the similarities and differences that exist among countries and regions with regard to the real purchasing power of citizens. Here, the Czech Republic, Slovakia, Poland, Hungary, and the Baltic states show a higher percentage of GDP per capita, followed by the countries of southeastern Europe and Ukraine (see table 4.2). In practical terms, this

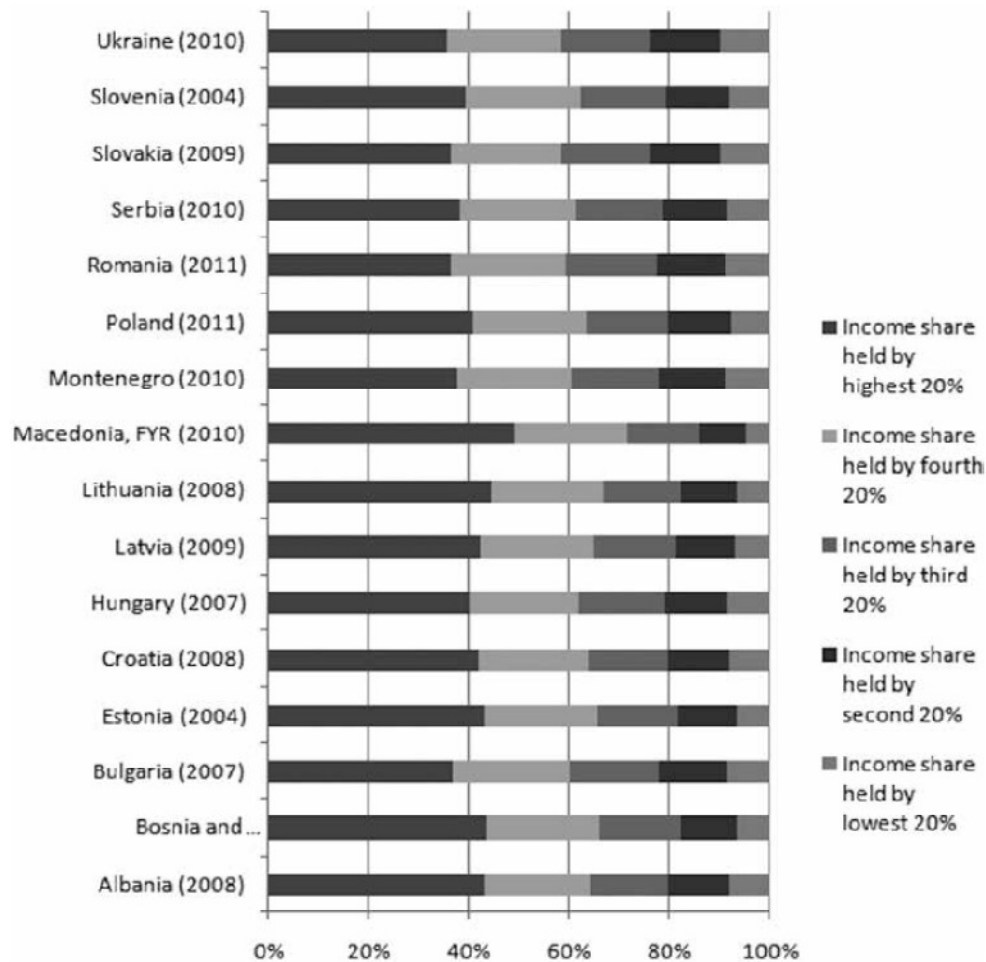


Figure 4.2. Distribution of Income

Note: Comparable data for the Czech Republic are missing.

Source: World Bank Development Indicators 2014, <http://data.worldbank.org/data-catalog/world-development-indicators>. Author's calculations.

means more money at the population's disposal for its members to access a better life, but such access also requires the availability and obtainability of better welfare services.

Crime and juvenile delinquency are strongly associated with poverty and income inequality, but also, as discussed in the next section, with the absence of well-functioning welfare institutions. The registered total crime rate (per one hundred thousand average population) reaches unexpectedly high levels in Hungary, Poland, and Slovenia, followed by Estonia, Latvia and Lithuania, Bulgaria, Croatia, Romania, Macedonia, and Ukraine (see table 4.3). Differences also exist among countries in terms of crimes committed by the young; Hungary, Poland, Ukraine, and Romania have higher rates of juvenile criminality (see table 4.4). However, these differences in crime rates can, in fact, be the outcome of an increase in criminal activities or of a statistical bias, as these countries have made the reestablishment of "law and security" the keywords of several political

Table 4.2. GDP per Capita, PPP (Current International Dollars)

	1990	1995	2000	2005	2010
Albania	2,824	2,928	4,258	6,102	8,631
Bosnia and Herzegovina	—	1,354	4,521	6,341	8,635
Bulgaria	5,402	5,528	6,225	9,809	13,892
Croatia	—	7,973	10,922	15,332	18,727
Czech Republic	12,314	13,379	15,546	21,264	25,358
Estonia	—	6,315	9,882	16,548	20,092
Hungary	8,931	8,971	11,882	16,975	20,734
Latvia	7,818	5,386	8,039	13,040	15,943
Lithuania	9,311	6,197	8,614	14,197	18,120
Macedonia	5,559	4,799	5,943	7,872	11,083
Montenegro	—	—	6,303	8,238	12,977
Poland	5,967	7,407	10,514	13,784	20,033
Romania	5,186	5,366	5,662	9,361	14,526
Serbia	—	—	5,768	8,517	11,421
Slovakia	7,697	8,299	11,006	16,175	23,149
Slovenia	11,509	13,000	17,556	23,476	26,509
Ukraine	5,823	3,172	3,279	5,583	6,678

Source: UNICEF 2013.

Table 4.3. Registered Total Crime Rate (Per Hundred Thousand Average Population)

	1990	1995	2000	2005	2010
Albania	—	195	161	276	—
Bosnia and Herzegovina	—	—	—	—	—
Bulgaria	772	2,452	1,823	1,780	1,969
Croatia	1,123	1,018	1,081	1,779	1,649
Czech Republic	2,099	3,637	3,818	3,361	2,986
Estonia	1,517	2,754	4,219	4,129	3,607
Hungary	3,288	4,860	4,414	4,328	4,472
Latvia	1,302	1,575	2,120	2,297	2,437
Lithuania	1,002	1,676	2,354	2,404	2,213
Macedonia	784	1,178	978	1,111	1,386
Montenegro	—	—	—	—	1,131
Poland	2,318	2,526	3,311	3,616	2,969
Romania	422	1,309	1,576	963	1,365
Serbia	—	—	1,165	1,391	1,070
Slovakia	1,323	2,137	1,645	2,294	1,761
Slovenia	1,919	1,919	3,395	4,216	4,365
Ukraine	716	1,252	1,124	1,035	1,106

Source: UNICEF 2013.

Table 4.4. Registered Number of Crimes Committed by or with Participation of Children or Juveniles

	1990	1995	2000	2005	2010
Albania	—	—	559	701	—
Bosnia and Herzegovina	747	—	458	633	—
Bulgaria	6,873	15,348	10,006	10,998	7,086
Croatia	2,689	2,174	2,375	2,630	3,270
Czech Republic	—	21,116	13,507	7,614	5,339
Estonia	—	2,433	2,301	3,768	—
Hungary	12,264	14,321	19,988	21,499	17,379
Latvia	2,410	2,591	3,923	2,726	785
Lithuania	2,506	4,551	5,519	4,308	3,260
Macedonia	3,588	4,918	3,120	2,399	1,686
Montenegro	—	—	—	413	422
Poland	60,525	82,551	76,442	71,482	99,187
Romania	9,245	26,511	25,470	18,578	13,531
Serbia	—	—	3,458	2,945	3,747
Slovakia	5,640	9,183	9,724	6,411	4,282
Slovenia	4,300	4,475	4,836	2,847	2,150
Ukraine	28,819	41,648	37,239	26,470	17,342

Source: UNICEF 2013.

campaigns. Consequently, governments have invested more time and effort in the fight against crime, which has often led to a higher number of arrests.

Improvement or deterioration in the health and quality of life of citizens is also an important aspect of social transformation. Overall, the health of the population in this region has drastically improved since the first phase of the transition, as life expectancy for both men and women is substantially higher than in the pre-transition phase. The countries that have witnessed greater improvement, slowly coming closer to most European Union (EU) standards, are the Visegrad countries and the Baltic states, followed by the countries in southeastern Europe. The latter entered the phase of transition with more difficult circumstances, more protracted economic crises, and more accentuated structural weaknesses—a situation that has greatly hindered faster improvements (see tables 4.5 and 4.6). However, with the exception of Bosnia-Herzegovina, Croatia, and Montenegro, the fact that these countries also invested less in health-care expenditures (see table 4.7) also helps explain why the health statuses of their populations remain significantly lower than those of other East or West European populations. The presence of corruption, mismanagement of health-care funds, and inefficiency in the health-care delivery system contribute to explain the rest of the differences.

Finally, another important aspect to take into account is the quality of life of citizens, as this is an important indicator for understanding citizens' satisfaction with national governments. With regard, for example, to the issue of new family composition, the traditional patterns of family formation have dramatically changed. Couples in the region are marrying less and less, and the number of children has decreased. Divorce rates have grown in almost all countries.⁵ This situation has entailed not only increasing poverty for

Table 4.5. Male Life Expectancy at Birth (Years)

	1990	1995	2000	2005	2010
Albania	69.3	68.5	71.5	71.7	74.3
Bosnia and Herzegovina	69.7	69.5	71.3	72.1	74.1
Bulgaria	68.1	67.1	68.2	69.0	70.0
Croatia	68.4	67.1	—	71.8	73.5
Czech Republic	67.6	69.7	71.6	72.9	74.4
Estonia	64.6	61.7	65.1	67.3	70.6
Hungary	65.1	65.3	67.1	68.6	70.5
Latvia	64.2	60.8	64.9	65.6	68.8
Lithuania	66.4	63.3	66.7	65.4	68.0
Macedonia	70.3	70.1	70.7	71.6	72.7
Montenegro	—	—	71.1	70.4	—
Poland	66.5	67.6	69.7	70.8	72.1
Romania	66.6	65.7	67.0	68.2	69.8
Serbia	—	—	69.7	70.0	71.4
Slovakia	66.6	68.4	69.1	70.1	71.6
Slovenia	69.4	70.3	71.9	74.1	76.3
Ukraine	66.0	61.8	62.4	62.2	65.3

Source: UNICEF 2013.

Table 4.6. Female Life Expectancy at Birth (Years)

	1990	1995	2000	2005	2010
Albania	75.4	—	78.1	76.9	78.1
Bosnia and Herzegovina	75.2	75.1	76.7	77.5	78.7
Bulgaria	74.8	74.9	75.3	76.3	77.2
Croatia	76.0	75.7	—	78.8	79.6
Czech Republic	75.4	76.6	78.3	79.1	80.6
Estonia	74.6	74.3	76.0	78.1	80.5
Hungary	73.7	74.5	75.6	76.9	78.1
Latvia	74.6	73.1	76.0	77.4	78.4
Lithuania	76.3	75.1	77.4	77.4	78.8
Macedonia	74.5	74.4	75.2	75.9	77.0
Montenegro	—	—	76.3	74.9	—
Poland	75.5	76.4	78.0	79.4	80.6
Romania	72.7	73.4	74.2	75.5	77.3
Serbia	—	—	74.8	75.4	76.6
Slovakia	75.4	76.3	77.2	77.9	78.8
Slovenia	77.3	76.8	79.1	81.3	82.7
Ukraine	75.0	72.7	73.6	74.0	75.5

Source: UNICEF 2013.

Table 4.7. General Government Expenditure on Health as a Percentage of GDP

	1995	2000	2005	2009
Albania	1.6	2.3	2.7	2.8
Bosnia and Herzegovina	5.0	4.1	5.0	6.7
Bulgaria	3.7	3.6	4.3	4.4
Croatia	6.9	6.7	6.0	6.6
Czech Republic	6.4	5.9	6.0	6.1
Estonia	5.7	4.1	3.9	5.3
Hungary	6.1	4.9	5.8	5.1
Latvia	3.8	3.3	3.5	3.9
Lithuania	4.0	4.5	3.8	4.5
Macedonia	5.0	4.9	5.0	4.6
Montenegro	5.5	5.5	6.3	6.7
Poland	4.0	3.9	4.0	4.8
Romania	2.5	3.1	3.4	3.5
Serbia	4.8	4.8	5.8	—
Slovakia	5.4	5.6	5.0	5.7
Slovenia	5.8	6.1	5.8	6.4
Ukraine	4.1	2.9	3.8	3.8

Source: UNICEF 2013.

single-headed households, single parents with children, the young, households with unemployed, part-time, or atypical workers, and households of the Roma minority but also more pronounced social reproduction of inequalities and intergenerational transmission of poverty than existed during communism.⁶ It comes, then, as no surprise that, according to the European Bank for Reconstruction and Development's (EBRD) *Life in Transition Report*, in 2007 only 30 percent of people believed (agree or strongly agree) that their household lives were better in 2007 than in 1989.⁷ Even more importantly, again according to the EBRD report, in 2007 only about one-third of respondents in Central and Eastern Europe supported "democracy and the market" as their preferred political and economic systems.⁸ "Democracy and planned economy," "authoritarianism and market economy," and "authoritarianism and planned economy" also stand out as important feasible options, receiving from 10 to 27 percent of support, depending on the region. In this account, the Visegrad countries and the Baltic states showed greater support for the "market and democracy" option, followed by the southeast European countries and those belonging to the former Soviet Union.⁹

Similarities and Differences among Countries

How do we explain the similarities and differences among countries and these social problems? Differences in unemployment rates can be explained, on the one hand, by structural preconditions, such as the presence of more agricultural societies, as in Bulgaria and Romania versus, for example, the more industrialized Czech and Slovak republics. On the



Photo 4.2. Children playing outside a run-down apartment building in Bulgaria. (*Capital Weekly*, Bulgaria)

other, they also depend on the economic attractiveness of countries to foreign partners and on their capacity to avoid excessive dependence.¹⁰ However, their internal capacity to resist external shocks, such as those that may arise from a sudden withdrawal of foreign investors, is also important, as dependence on FDI in the Visegrad countries, Baltic states, and southeastern Europe or on gas price subsidies in Ukraine powerfully shows.

The system of protection against unemployment also played a significant role in cushioning the negative effects of transition. Those countries that coupled a system based on unemployment insurance with longer-term universal unemployment benefits and social-assistance measures, such as the Visegrad countries,¹¹ often obtained better results in reducing poverty and thus the negative effects of transformation. The reasons for poverty lie, in this context, in country-specific structural deficiencies and in the poverty-reduction policies adopted in particular countries. Those countries that invested more in nonpolarized social welfare policies and limited elite capture, as in Central Europe (Czech Republic, Hungary, Poland, Slovakia, and Slovenia) and the Baltic states (Estonia, Latvia, and Lithuania), had lower levels of poverty and were more successful in protecting vulnerable citizens, compared to Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Montenegro, Romania, Serbia, and Ukraine.¹² Thus, the absence of an integrated set of social-assistance measures able to lower the costs of transition was an important reason for failure in the social domain, as was the failure to implement well-established family policies and child-protection provisions that would have lowered the burden of new social risks.¹³ In those countries where family policies and child benefits were more extensive, as in the countries of Central Europe (particularly the Czech Republic, Hungary, Poland,

Slovakia, and Slovenia)¹⁴ and in the Baltic states,¹⁵ women and their children had better chances for getting ahead in the new environment than in Albania, Bosnia-Herzegovina, Montenegro, Macedonia, Romania, and Ukraine, where the availability and extent of these benefits continue to be more limited.¹⁶

The same considerations apply with regard to crime and juvenile delinquency, though, in this case, the absence of well-functioning social services to cover particularly vulnerable groups of citizens through, for example, the establishment of more comprehensive educational policies and vocational-training measures should be mentioned as a primary cause of failure.¹⁷ In those countries that had lower levels of social protection, due to budget constraints or wrong policy decisions, such as Bulgaria, Romania, Albania, Bosnia-Herzegovina, Croatia, Serbia, and Ukraine, crime and juvenile delinquency had a more destructive potential. When money for integration policies was not readily available, repression of crime became the only option.

Differences in health and quality of life reflect, in addition to the already mentioned economic vulnerabilities, policy decisions that did not adequately take into account the importance of investing in citizens' health.¹⁸ Especially with regard to the reforms of the health-care sector, most countries restructured the Soviet-style model based on centralized though inefficient management and delivery of services by introducing a system that depended on health insurance contributions.¹⁹ Unfortunately, as access to health-care services depended on citizens' employment status, increasing unemployment often resulted in a deficit of health funds, which subsequently led to a loss of coverage for most unemployed persons, an outcome evident throughout the region.²⁰

Finally, increasing social inequality may be traced to inadequate social integration policies that did not succeed in including the unemployed and, more generally, the most vulnerable citizens in the new political, economic, cultural, and social order. A more comprehensive approach toward social integration through more coherent, socially inclusive welfare policies would have, in this context, been the key to success. As D. Acemoglu and J. Robinson have correctly affirmed, inclusive political institutions are a crucial variable to consider in order to understand how societies evolve and react successfully to internal and external threats.²¹ This also implies understanding differences in the political and social construction of poverty.²² The current deficiencies in integrating Russian-speaking communities in the Baltic states,²³ war veterans in the countries of former Yugoslavia (especially Serbia, Montenegro, and Bosnia-Herzegovina),²⁴ and the Russian community in Ukraine are among the reasons for the current tensions in these countries.

Ongoing Issues in Transformation

In order to improve the prospects for future policy options, this section highlights ten ongoing issues in the transformation. The first issue arose from a mistaken assumption that the transition from communism to democracy would automatically lead to more social welfare and increasing citizen support for the national government and the new democratic system. After the fall of the Berlin Wall, no backsliding toward authoritarian rule was thought to be possible. This point of view was shared by the majority of academics and international observers, who saw, following Francis Fukuyama's famous

assumption,²⁵ the fall of the Berlin Wall as the end of a difficult transition to democracy.²⁶ Recent surveys of citizens' attitudes toward the government and democracy have painted a different picture. In 2010, only a minority of citizens stated that they were satisfied or very satisfied with the national government. The satisfaction rate corresponded to 19 percent of respondents in Bulgaria, 20 percent in the Czech Republic, 31 percent in Estonia, 9 percent in Croatia, 31 percent in Hungary, 11 percent in Lithuania, 24 percent in Poland, 20 percent in Slovakia, 10 percent in Slovenia, and 5 percent in Ukraine.²⁷ Similarly, in 2010, only a minority of citizens said that they were satisfied or very satisfied with the way democracy works. The percentages corresponded, in this case, with 7 percent of respondents in Bulgaria, 29 percent in the Czech Republic, 29 percent in Estonia, 12 percent in Croatia, 20 percent in Hungary, 13 percent in Lithuania, 29 percent in Poland, 15 percent in Slovakia, 8 percent in Slovenia, and 7 percent in Ukraine.

The transition from communism to democracy should, in fact, be understood as a long process of economic, political, social, and cultural restructuring, which has implied (and still implies) important economic, political, social, and cultural costs.²⁸ Improving the social welfare of citizens has required more time than expected, and delay in improving citizens' economic situations has negatively affected citizen support for national governments and the new democratic system. There is little doubt that a "democratic fatigue" has materialized in this region and that the transformative power of external actors (such as the EU), though important,²⁹ has diminished.³⁰ As A. Przeworski has correctly affirmed, backsliding toward authoritarian rule is likely to occur if the social costs of transition are too prolonged and the past seems less painful than the unforeseeable future.³¹

The second issue arose from the mistaken belief that economic restructuring would automatically lead to increasing well-being and that social problems would suddenly disappear. This point of view was shared by most proponents of orthodox neoliberal economics (i.e., survivors of the Chicago School and Milton Friedman's understanding of economic development), who saw the primacy of the economic over the social sector as the key to success. In contrast to this view, R. Inglehart's analysis of subjective well-being rankings of eighty-two societies based on combined happiness and life satisfaction scores has demonstrated that all twenty-five postcommunist countries included in the World Values Survey, except Vietnam, Slovenia, and the Czech Republic, have low, medium-low, or negative scores.³² As a matter of fact, restructuring an obsolete economic architecture implies a long and difficult process of transformation that does not automatically lead to immediate well-being because of the many problems that occur in adapting different socioeconomic, political, and cultural structures to the new environment. Drastic economic change comes at a cost. Rising up from the bottom of an economic depression, as portrayed in the so-called Kuznet curve,³³ also often requires more effort than predicted in terms of cultural adaptation. When this mismatch between expectations and cultural adaptation materializes, new social problems and new social risks are likely to emerge and persist, leaving citizens feeling uncertain about the future.³⁴ This situation in turn has a negative impact on citizens' subjective well-being, quality of life, and life chances.

The third mistaken expectation concerning the transformation involved the conjecture that drastic austerity measures, as promoted in the so-called Washington Consensus, would lead to increasing fiscal stability and growth, with limited social costs. During the first phase of the transition (1990–2000), the majority of officials with the International

Monetary Fund, Organisation for Economic Co-operation and Development, and World Bank strongly advocated this policy as the best way to ensure long-term sustainable development.³⁵ Although it is correct that a substantial reduction in state expenses was (and still is) absolutely necessary to ensure the long-term survival of the new economic system, drastic austerity measures did not lead, without intervention in the social sector, to increasing fiscal stability and economic development.³⁶ As P. C. Schmitter has correctly noted, "Despite the neoliberal enthusiasm for privatization and globalization, democratization continues to rely on a political unit with a capacity for exercising legitimate public coercion and implementing collective decisions within a distinct territory—that is, a state."³⁷ The policies followed, which were often based on a set of self-sustaining ideas³⁸ widely shared by a determined epistemic community,³⁹ gave primacy to short-term political objectives rather than to long-term social outcomes. Regardless of a substantial increase in GDP per capita, overall household purchasing power fell during the first decade of transition. This situation has deteriorated as a result of the 2008–2010 economic crisis and has reduced the legitimacy of newly established democratic states. According to the EBRD *Life in Transition Report*, in 2011, almost two-thirds of respondents in the eastern region of Europe stated that they were affected by the crisis, with more than two-fifths affirming that they were hit "a great deal" or "a fair amount."⁴⁰ In addition, about 70 percent of households affected by the crisis stated that they were "cutting back on spending on staple foods and health as a result of the crisis." The economic crisis thus also influenced support for democracy and markets, which has decreased compared to 2006 in the majority of countries.⁴¹

The fourth mistaken hypothesis regarding the transformation was the improbable hope that Central and East European citizens would immediately abandon old mentalities and patterns of behavior and easily adapt to the new social order, rejecting, once and for all, the old one. This hope was widely shared by the majority of political scientists, economists, and policy makers of the time (in both the West and the East), who, by excessively emphasizing the future positive effects of transition, underestimated many precepts widely known in cultural sociology,⁴² cultural economy,⁴³ and economic sociology⁴⁴ that emphasized, instead, the importance of path-dependency and historical legacies in policy making.⁴⁵ Another widely shared hope during the first phase of the transition was, in this context, that with the dissolution of communism, clientelistic relations and corruption would also suddenly disappear from the scene. In contrast, as W. Sandholtz and R. Taagepera have correctly affirmed, "Communism created structural incentives for engaging in corrupt behaviors, which became such a widespread fact of life that they became rooted in the culture in these societies—that is, the social norms and practices prevailing in communist societies."⁴⁶ According to Sandholtz and Taagepera, the transition toward democracy has not removed this culture of corruption yet. The process of privatization, in fact, opened myriad new opportunities for corruption.⁴⁷ Although this problem is by no means confined to postcommunist countries, the sad truth is that the present has an ancient heart and that citizens face enormous difficulties in abandoning old mentalities and patterns of behavior. Adaptation to the new social order has not been automatic, as predicted, and the old regime has continued to represent a more tolerable option for several million citizens. It comes, then, as no surprise that clientelistic relations and corruption have survived the collapse of the communist order, since they continued to be part of the acquired way of doing business, which permitted, for several decades, citizens' daily

survival. In terms of social welfare and social pathologies, this continuation has resulted in a privileged access to welfare provisions for certain categories of citizens linked to the old and new *nomenklatura*. The persistence, for example, of “gratitude money” in the health-care sector has continued to drastically diminish citizens’ access to better services.⁴⁸

The fifth mistaken hypothesis of transformation was based on the assumption that citizens would employ, by default, the democratic liberties associated with the transition from communism to democracy (e.g., freedom of speech, free elections) and that the old lifestyle would be easily forgotten.⁴⁹ Unfortunately, the availability of democratic liberties did not coincide with increasing social support for the new democratic system. Institutional⁵⁰ and ideational legacies,⁵¹ as well as more practical material benefits, such as those linked to the absence of poverty and inequality, have, on the contrary, played a more important role in citizens’ evaluation of the new social order. There has also been a general deterioration of trust.⁵² As Sharon Wolchik and Jane Curry note in the introduction to this volume, the lesson to be learned here is the fact that rapid social change implies a drastic psychological adaptation to the new environment. In the presence of institutional and ideational constraints and in the absence of tangible benefits, rapid social change has not always resulted in increasing support for the new democratic order.⁵³

The sixth mistaken expectation about the transformation was based on the belief that in the presence of continuous economic growth, no anger and resentment among the population would arise or, at least, that the reasons for protest and resentment would be limited. On the basis of a simplistic linear assumption, greater GDP growth was expected to lead to more jobs, and more jobs were expected to create better access to social welfare provisions.⁵⁴ Unfortunately, as the restructuring of the systems of social protection was carried out with a limited version of the social insurance principle, and as unemployment emerged, several million citizens found themselves, from one day to the other, with little to no coverage. The history of the transition from communism to democracy has produced, in this context, an extremely complex scenario. Although labor mobilization has been limited compared to that in European countries that were not formerly communist, anger and resentment among citizens has continued to arise.⁵⁵ The extent of such resentment has depended primarily on important political realignments,⁵⁶ which greatly influenced the real distribution of material benefits among citizens and the extent to which different groups were successfully included in the new democratic order.⁵⁷ Because our future has not only a distant but also a relational past,⁵⁸ citizens have assessed their current condition in relation to that of their peers, often underestimating the real improvements they have obtained in social welfare. When numerous so-called *nouveaux riches* (often children of the old *nomenklatura*) invaded shops, pubs, and restaurants, flaunting with no hesitation their newly acquired wealth, it comes as no surprise that the majority of the population felt substantially excluded from the benefits of the new democratic order, despite a significant growth in their real incomes. The unequal distribution of wealth and privileges thus also contributed to anger and resentment. Not surprisingly, in 2010, 87 percent of respondents in Bulgaria, 63 percent in the Czech Republic, 74 percent in Estonia, 85 percent in Croatia, 88 percent in Hungary, 90 percent in Lithuania, 75 percent in Poland, 77 percent in Slovakia, 90 percent in Slovenia, and 88 percent in Ukraine⁵⁹ agreed or strongly agreed that the government should do more to reduce differences in income.

The seventh mistaken hypothesis of transformation concerned the notion that new social policies could be implemented easily and aligned with the new economic order. For



Photo 4.3. Solidarity demonstrations in Poland to protest the low salaries and lack of benefits for state employees, such as teachers and doctors, as well as the general lack of government aid for impoverished citizens in 2013. (Adam Dauksza/FORUM)

the majority of policy makers, the mismatch between the current and past systems of social protection was supposed to be automatically resolved by an abrupt institutional transformation.⁶⁰ Most international advisors, including several experts in the EU-sponsored Technical Assistance and Information Exchange (TAIEX) and Twinning programs,⁶¹ who saw in a simple policy transfer⁶² from west to east the key to the successful restructuring of social policy, were responsible for this misunderstanding. In reality, new social policies have been hard to implement because transformation has taken place by adding new institutions onto old layers that did not always fit with the new economic order as they had been based on a different set of ideas and social policy strategies.⁶³ The mismatch between current and past systems of social protection has, in this way, continued over the years, despite several important incremental rather than abrupt transformations.⁶⁴ Change requires time to adapt to new circumstances, a rule not easily avoided. A notable example is the restructuring of the pension system in Hungary, which, after a first phase of drastic neoliberal transformation, reacquired most of the previous features of a centralized, state-led system of pension insurance.⁶⁵ Social pathologies, in this case, implied growing poverty for the elderly and uncovered patients in the health-care sector—all citizens who could not afford not to pay the price of voluntary health or pension insurance contributions.

The eighth mistaken expectation about transformation was the supposition that new ideas, interests, and institutions⁶⁶ could be easily implemented, replacing overnight the old ones. Again, international consultants, proponents of a simple policy transfer from west to east, often employed by the most famous financial institutions,⁶⁷ were responsible for this misconception. They in fact paid very little attention to the real speed required for cultural adaptation, to the differences among countries, or to different historical experiences and the imprint these left on people's minds, hearts, and patterns of behavior. In real practice, new ideas, interests, and institutions can hardly be established and accepted by a community from one day to the next, since they are often associated with dominant patterns of behavior

that have persisted over decades.⁶⁸ Incremental adjustment and recombinant transformation⁶⁹ have, in this case, been the outcomes of institutional changes that have involved a transformation and democratization not only of institutional structures but also of mentalities and patterns of acquired behavior.⁷⁰ Social problems associated with this misconception reflect the difficulties citizens have had in adapting to new life styles (e.g., the increasing number of divorces) and the new labor market, which, necessarily, implied more proactive behavior on the part of workers to ensure their own social protection.

The ninth mistaken hypothesis regarding transformation was the expectation that poverty and inequality would immediately diminish with the fall of the Iron Curtain, leading to a paradisiacal inclusive society. Excessively optimistic Keynesian-oriented social policy experts, who saw in the diminution of poverty and inequality through an unsustainable increase in internal demand the cure for all the ills of human societies, were responsible for this misunderstanding. Poverty and inequality do play a role, but more variables must be taken into account. Not surprisingly, poverty and inequality have not disappeared overnight, since the establishment of a new and a more inclusive society depended on several different variables, among which economic variables represented only one part. Innovation and modernization meant, in this context, not only updating an obsolete industrial and technological organization⁷¹ but also “deepening democracy, enhancing collective and individual agency, reducing poverty, achieving greater equality of wealth, power, respect, legal status, or opportunity, and cultivating solidarity in democratic communities.”⁷² These measures necessarily required a drastic transformation that could not be imposed from one day to the next by simple Keynesian policies or by a coercive change in the main patterns in citizens’ behavior. Instead, they require time and the political will to accept and include even the most uncomfortable differences present in the new social order.⁷³

The tenth and final mistaken hypothesis of transformation was the view that the presence of a unique “communist” model of political economy and welfare capitalism would soon disappear and that the postcommunist countries would rapidly come to embrace Western models of welfare capitalism and political economy.⁷⁴ The peculiar “communist” welfare regime in force for more than forty years has, in reality, not disappeared from one day to the next, while convergence with Western models of political economy and capitalism has required immense sociostructural adaptations.⁷⁵ A more careful reading of Max Weber’s famous work on economic sociology⁷⁶ would have certainly helped several social policy experts of the time.⁷⁷ Hybridization of existing welfare institutions has, in this case, been the most common outcome of the capitalist transformation,⁷⁸ often associated with the emergence of local welfare capitalisms and subregional models of political economy that complemented those at the national level.⁷⁹ This process has simultaneously involved path-dependent and path-departing patterns of transformation in the allocation and redistribution of welfare benefits.⁸⁰

Conclusion

This chapter has discussed the main social aspects of the transformations that have occurred in Central and Eastern Europe since the end of communism. It has discussed

the main changes in the labor structure and their repercussions in terms of social welfare, with associated social problems and social pathologies. It has also analyzed ten mistaken expectations experts and policy makers have had concerning the transformation, expectations that have greatly hindered full democratic stabilization and consolidation. The lessons that must be learned from this experience show that these views were poorly formulated and that important adjustments are required. Not only should the social aspects of transformations have been considered more carefully, but so should have the timing and sequencing of reforms, with more attention to emerging social problems and their impact on the attitudes of the population toward the new democratic order. Overall, the socioeconomic situation has drastically improved in these countries since the end of communism, but the multiplication of possibilities has also led to a multiplication of risks. As people tend to evaluate their present conditions in relational terms, often looking at the past through rose-tinted lenses, current socioeconomic insecurity has cast a shadow over a possibly brighter future. It would, in this case, be misleading to assume that since the first and most difficult part of the transition has occurred, the future will unquestionably bring peace, prosperity, and stability. In order to avoid past mistakes and increase the prospects for future improvements in this region and in other countries currently on the road to democratization and democratic consolidation, a more careful analysis of future social problems is necessary, as is the adaptation of policies and reforms to the peculiar culture of each nation. Increasing poverty and income inequality represent, in this context, important variables to take into account, as they influence not only individuals' life chances and quality of life but also their prospects for societal success. As discussed elsewhere,⁸¹ poverty and inequality produce locked-in and self-reinforcing mechanisms that constrain the resources available to the individual and thus preclude full integration into society. But poverty and inequality may also lead to anger and feelings of resentment or a desire for revenge that create distrust in the existing social order, potentially motivating actions that could lead to civil conflict or war. Thus, establishing well-functioning welfare institutions is crucial not only to increase the social welfare of citizens and, by so doing, their long-term advancement and full development in society but also to establish long-term trust in and loyalty to the system.

Study Questions

1. What are the main social changes that have occurred in Central and East Europe since the end of communism?
2. What are the main socioeconomic challenges that citizens faced immediately after the fall of the Berlin Wall?
3. What are the most important social problems and social pathologies that have emerged since 1989?
4. What are the most important social achievements of the transition from communism to democracy?
5. How have these social aspects influenced citizens' perceptions and the process of democratization in postcommunist societies?

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Special thanks go to Sharon Wolchik, Nancy Meyers, and two anonymous reviewers for very constructive comments on an earlier version of this chapter.

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