

Eastern Europe's Great Transition: Two Status Reports

It's been just over five years since Communism began its precipitous collapse in central and eastern Europe and major reforms were initiated across the old Soviet empire. In this span some excellent opinion research has been conducted in the region, giving us yet another important means of viewing the great transition.

Here we present two reports, one by Richard Rose and Christian Haerpfer based on their polling in central and eastern Europe, the other by Albert Motivans from surveys conducted by the Radio Free Europe/Radio Liberty Research Institute. Both describe a situation where the economic side of the transition is generally painful, though unevenly so from country to country. On the political side, Rose and Haerpfer find a more hopeful picture—but again with sharp country differences, with the Czech Republic at one pole and Ukraine and Belarus at the other. Overall, relatively few want to go back to the old order and many view the future of the new order with optimism.

Endorsing the “Churchill Hypothesis”

By Richard Rose and Christian Haerpfer

Ideas in the abstract can be dangerous, because they are beautiful but unattainable. This is particularly true of big political ideas, for ideologies can justify the murder of millions. East Europeans know this, for they have lived for half a century under the scourge of Nazism and then Communism.¹ An idealistic conception of democracy is dangerous too, if it is used irresponsibly: that is, if a person argues that democracy has “failed” because it is imperfect. This is not a sign of failure but of life in a world where many things, including government, are imperfect.

The argument for democracy is not that it is perfect but that it is preferable to Communism, fascism and the home grown dictatorships to which East Europeans were accustomed. Winston Churchill stated the argument for democracy in its most succinct form:

Many forms of government have been tried, and will be tried in this world of sin and woe. No one pretends that democracy is perfect or all wise. Indeed, it has been said that democracy is the worst form of government, except all those other forms that have been tried from time to time.²

The Test of Experience

Comparison is central to the Churchill hypothesis: We should not compare our present system of government with an abstract ideal but with other systems of government as they are actually experienced. For East Europeans, Communism was a reality, not an ideal. The party's Marxist-Leninist values were not refuted by debate in the marketplace of ideas but by firsthand experience in marketplaces across half a continent, as Communism failed to deliver the goods.

Only after the Berlin Wall fell could East Europeans begin to experience democracy. The past five years have enabled

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Struggling Unevenly Toward A New Economic Future

By Albert Motivans

A wave of popular discontent has swept across Central and Eastern Europe as voters have returned many former Communists to power in parliamentary elections in Hungary, Poland, Ukraine, Belarus, Lithuania and Russia. This turnaround has revealed widespread public dissatisfaction with the economic decline which has accompanied the first years of reform.

These election results have been widely interpreted as a signal to leaders to place greater policy emphasis on the social welfare of the population, though it has not necessarily implied a complete reversal of political or economic policies. In the course of the economic transition in Central Europe, popular expectations for reform have started to flag. Nevertheless, the election results have come as a surprise in Hungary and Poland where macroeconomic indicators have recently shown signs of stabilization. Even reformers in the Czech Republic, one of the most successful in the transition from a planned to a market economy, have not been immune from criticism.

In the Slavic countries of Eastern Europe, the election results were generally perceived as a protest against reformers, especially since there has been a more vocal ideological opposition to elements of market reform. However, it should be noted that in Belarus and Ukraine serious reform has yet to begin. In these countries, the election results may be more a reflection of the loss of confidence in political leaders who had failed to come to grips with the deepening economic and social crisis.

Each of the Baltic countries has taken a different path. While Estonia has met with some success in the transition to a market economy, Lithuania was one of the first countries to return to reform-Communists after several years of economic stagnation. In Latvia, public concern over the economy has been overshadowed to some degree by the political debate over citizenship legislation.

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Figure 1
Rating Ones Standard of Living

Question: How satisfied are you with your own standard of living—very satisfied, somewhat satisfied, not very satisfied or not at all satisfied?

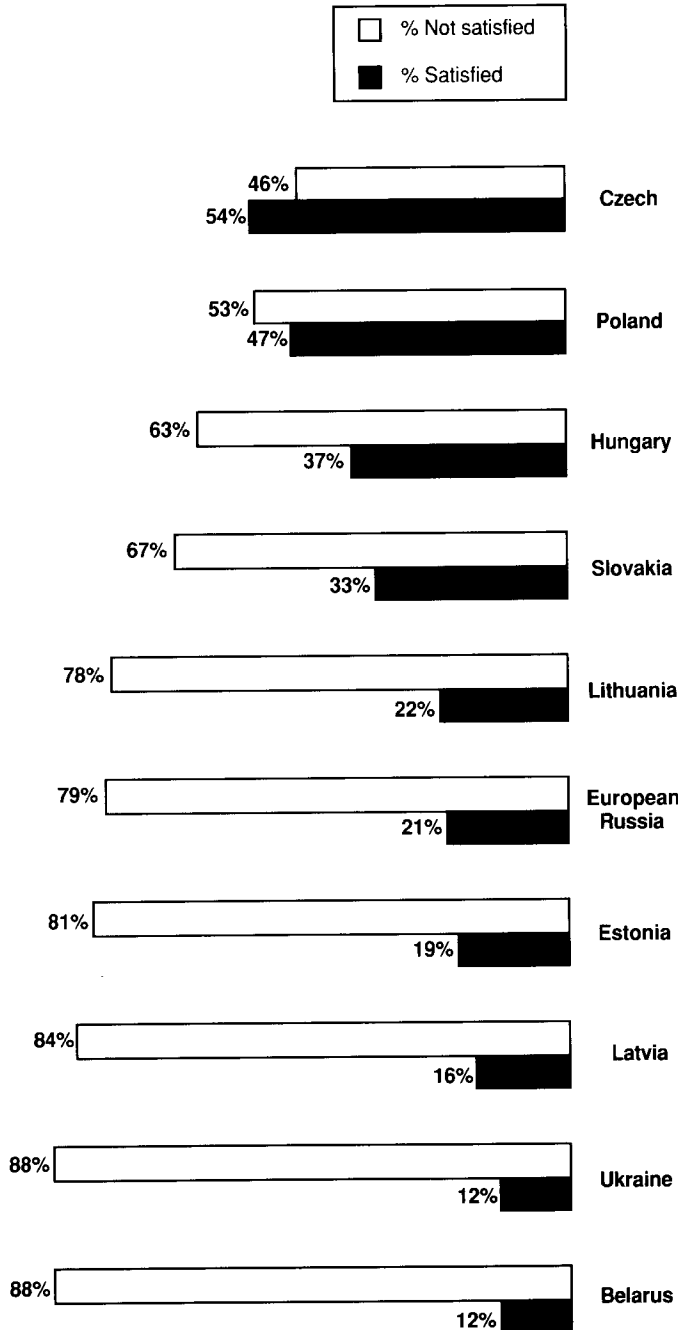
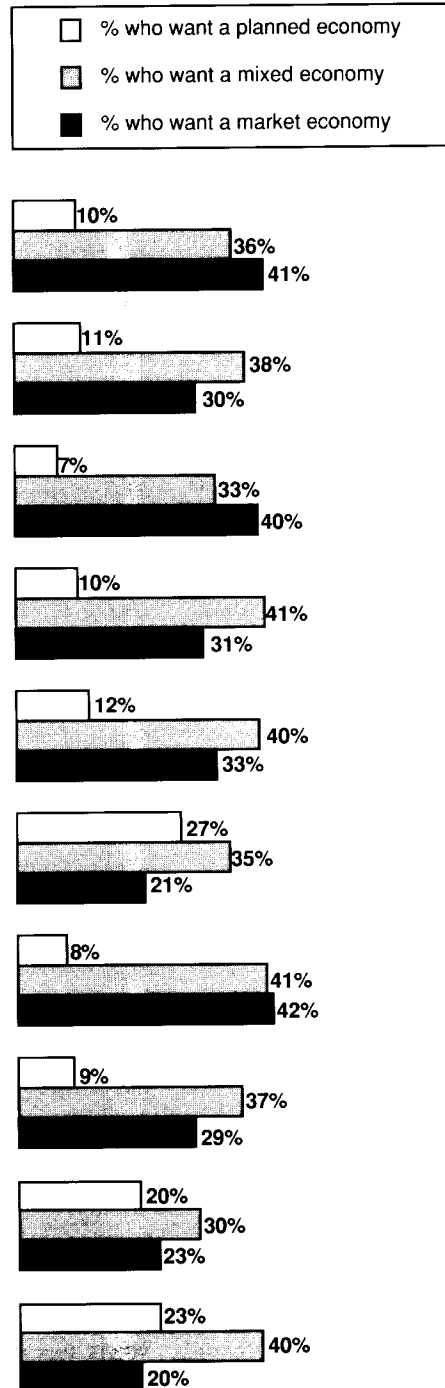


Figure 2
Rating Economic Systems

Question: Which of the following do you favor for our country—a market economy, a mixed economy (elements of both market and planned), or a planned economy?



Source: Survey by Radio Free Europe/Radio Liberty, April-May 1994.

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While many of the newly elected politicians have pledged to maintain or even speed up the pace of reform, they have also promised their voters a gentler economic transition. To continue both structural reform and increased social spending may present a difficult balancing act, especially where increased outlays on social welfare risk destabilizing the economy.

What factors account for this turn of events in Central and Eastern Europe and what is the outlook for public support of market reform policies? The progress of these countries in terms of the economic welfare of the population, the impact of economic reforms and public support for a market economy can be assessed with data collected in cross-national studies commissioned by the Radio Free Europe/Radio Liberty Research Institute, Munich.¹ National surveys were conducted as part of this study in four countries of Central Europe: Poland, the Czech Republic, Slovakia, Hungary; and six countries of Eastern Europe, including European Russia, Ukraine, Belarus, Estonia, Latvia and Lithuania.

Indicators of Public Mood

The public mood in Central and Eastern Europe, with several exceptions, has been notably pessimistic. In April-May 1994, when asked whether they viewed the coming year with hope, worry or uncertainty, the only majority to respond "with hope" was in the Czech Republic (53%). Central European countries generally had greater levels of hope for the future than countries of the former USSR. One notable exception was Estonia, which, driven by rapid economic reforms, has become a model for the transition towards a market economy. The other two Baltic countries, Latvia and Lithuania, along with European Russia, have shown the lowest levels of optimism (24%, 29%, and 26%, respectively).

Between 1992 and 1994, the level of optimism in Eastern European countries, excluding Estonia, declined. Steep declines in optimism are often evidence of a growing lack of confidence in political institutions and leaders. Levels of confidence in the government, parliament and presidency

were almost twice as high in the five countries with the highest levels of optimism (Czech Republic, Hungary, Estonia, Slovakia, and Poland) as in the five countries with the lowest levels (Belarus, Ukraine, Lithuania, European Russia, and Latvia). This lack of confidence was borne out by recent elections in Ukraine and Belarus. Ukrainians voted out the incumbent president and elected a parliament dominated by former Communists. In Belarus, a large number of politicians connected to the previous political system gained seats in parliament.

Living Standards During the Transition

The social and economic dislocation in these countries has been dramatic. Spiraling costs, the deterioration of real wages, high unemployment and an increase in the share of the population vulnerable to pov-

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erty have come as quite a shock for those raised under a system which guaranteed a stable, albeit low, standard of living.

How severely have living standards declined in the countries of Central and Eastern Europe? In April-May 1994, Central European countries showed the highest levels of satisfaction with living standards; but levels dropped sharply by comparison in Eastern Europe (see Figure 1, p.5). Only in the Czech Republic (54%) did a slight majority feel satisfied with their living standards. At the other end of the scale, only about one in ten were satisfied in Ukraine (12%) and Belarus (12%). One unexpected result was the low level of satisfaction in Estonia (19%), despite improving economic indicators. This may be partly explained by closer ties between Estonia and Finland. With open borders, and Estonians now traveling more freely to

Finland, they may identify more closely with their western neighbors, and feel their living standard, by comparison, is inadequate.

In terms of change in the household economic situation, the greatest improvement in 1994 was noted in the Czech Republic. In the other nine countries, almost 50% or more noted that their economic situation had worsened in the last year. In Belarus and Ukraine, the situation was the most severe, with 61% and 67%, respectively, noting a worsening household economic situation. However, since 1992, almost all of the countries registered small increases in the percentage of those who said their situation had improved.

As is clear from these measures of economic welfare, a wide segment of the population, especially in Eastern Europe, has been undergoing economic hardships. While a majority of the population have been most concerned with making ends meet, there is a segment of the population which is prospering. The size of this segment in the population varies widely by country. The differences in levels of economic welfare across countries may be related to the level of growth in the private sector—an aspect of reform which is rapidly changing the landscape of transition economies.

Expansion of the Private Sector

One of the greatest changes of the past several years in Central and Eastern Europe has been the expansion of the private sector—a must for a market economy. Its growth has been the result of the privatization of previously state-owned enterprises and the development of new businesses. The expansion of the private sector has had an impact both in structural (shifting labor resources from the state sector) and value-oriented (promoting entrepreneurial potential) terms.

The popular view has held that those in positions of power, the former party *nomenklatura* and the criminal Mafia, have been the only ones well-placed to take advantage of new opportunities. While, at certain levels, this depiction may be accu-

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rate, opportunities have been created at other levels of the enterprise structure.

The impact of private sector expansion varies widely across Central and Eastern Europe. The share of state-sector employment is a good indicator of the extent to which countries have pursued large-scale privatization. According to survey data from April-May 1994, a strong majority of the employed in Ukraine (87%) and Belarus (79%) were still working at state-owned enterprises. The lowest levels of state-sector employment were noted in countries most advanced in economic reforms, the Czech Republic (32%), Estonia (44%) and Hungary (44%).

The private sector's impact has also been affected by country-specific conditions. While the percentage of people who worked in state-owned enterprises which were recently privatized was high in both European Russia (36%) and Lithuania (34%), it has been primarily a transfer of ownership on paper. Difficulties in other aspects of the economy and the reform process have hindered their development. Unlike the situation in Central European countries, employees in privatized state enterprises in Eastern Europe have more in common (declining levels of economic welfare, little support for market reform) with state-sector employees than those in the new private sector.

Another important development has been the increase in new private enterprises. While obstacles, including credit difficulties and bureaucratic hindrances, may be restraining the creation of new enterprises in Eastern Europe, the share of employees in new private enterprises has grown apace in Central Europe. The share of employees who worked at private enterprises which were not previously state-owned was highest in Poland (25%), followed by Hungary (24%) and Estonia (16%). The new private enterprises are often businesses which provide services (banking, insurance, medical care, repairs), and retail trade sectors which were relatively undeveloped in the previous system.

In countries where there has been substantial growth in the private sector, one

also finds different types of attitudes towards work. Employees in the private sector were often more entrepreneurial and better off economically than their counterparts in the state sector. In all Central and Eastern European countries, the private sector had a positive influence: Employees in the new private sector were more likely to have higher levels of optimism and higher levels of satisfaction with their living standard than state-sector employees (or employees in privatized state enterprises in Eastern European countries).

Support for Market Reform

One of the lessons learned from the recent election results is that the public

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mood in post-Communist countries has now become more variable. Being distanced from the Communist regime is no longer a decisive source of political legitimacy. One risk inherent in this development is that the newly-elected politicians opposing change could pose a threat to the pace of economic reform in these countries.

It is now clear that public support for market reforms can no longer be taken for granted, as it was earlier. In a sense, support for market reform has become another indicator of public mood and, therefore, a measure linked to change in the country's economic situation rather than a measure of economic values among the population.

In April-May 1994, a market economy was considered the preferred system by pluralities in Estonia, Hungary and the Czech Republic (see Figure 2, p.5). These

three countries also showed the highest levels of hope for the future, evidence of improving economic welfare and growing private sectors. While support for a planned economy was relatively marginal in Central Europe and the Baltic countries, in the Slavic countries, more than one in five still preferred a planned system. Two of the three countries, Ukraine and Belarus, had the highest levels of pessimism, declining living standards and extremely low levels of private sector employment.

Support for market reform largely reflects satisfaction with economic developments, often as they relate to the individual or household. Market reforms have perhaps justifiably been associated with the economic hardships that accompany wage and price liberalization, the closure of inefficient state enterprises and other difficult but necessary steps. At the same time, market reforms have been unfairly associated with problems that have resulted from economic mismanagement by the government. There may also be an ideological dimension present in the negative attitudes towards a market economy in countries where basic market reforms have yet to be implemented.

Dissatisfaction may also be related to popular expectations regarding the economic rewards of reform. In general, there is support for economic reform, but the rewards have not been tangible to a majority of the population. As popular expectations for improvements in living standards have run high, the many obstacles to the reform process may tend to influence the level of support for market reforms.

Conclusions

The outlook for market reforms in Estonia, the Czech Republic and even Hungary and Poland is optimistic, as many of the changes that have been made are practically irreversible, and reforms seem to have reached a critical mass. The influence of the private sector as a force for stability is notable. Those working in the private sector have improved their standard of living and are a source of optimism and support for the political system. It should be pointed out, however, that much of the

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All in all, East Europeans have a realistic view of the problems confronting them: the economy is a mess and the new system of government has yet to come to grips with these problems. But the good news is that the new democracies of Eastern Europe have abandoned the Communist regime's grip on the everyday lives of the people. The weakness of new regimes is preferred to an overly strong authoritarian system.

The introduction of free competitive elections gives people the chance to express dissatisfaction in the most effective way possible, by voting the government out of office. Like Winston Churchill, East Europeans do not pretend that their new system is "perfect and all-wise," but they do recognize that democracy is a big improvement over what went before.

Endnotes:

¹ The term Eastern Europe is here used in its political, not geographic, sense. It refers to all those lands that were formerly under Soviet domination through the Warsaw Pact military alliance, COMECON trade ties and Communist Party tutelage.

² British House of Commons, *Hansard* (November 11, 1947), col. 206. For an extended statement of a similar argument, see Giovanni Sartori, *The Theory of Democracy Revisited* (Chatham, NJ: Chatham House, 1987), pp. 271-75.

³ Elisabeth Noelle-Neuman's *The Spiral of Silence* (Chicago: University of Chicago Press, 1993, 2nd ed.) is a good source on the historical context of "official" opinion in Europe. See also Vladimir Shlapentokh, *The Public and Private Life of the Soviet People* (New York: Oxford University Press, 1989).

⁴ The first NDB survey was undertaken in 1991. The third survey, the source of data for this article, was conducted between November 1993 and March 1994. All interviews are conducted face-to-face with a nationwide stratified sample of approximately one thousand respondents. For full details, see Richard Rose and Christian Haerpfer, *New Democracies Barometer III* (Glasgow: U. of Strathclyde Studies in Public Policy No. 230, 1994). Full details of earlier reports and analyses of the three NDB surveys can be obtained from the Publications Secretary, CSPP, University of Strathclyde, Glasgow G1 1XH, Scotland (Fax: 44-41-552-4711).

⁵ *Freedom Review* (January/February 1994) classifies as free: Bulgaria, the Czech Republic, Hungary, Poland, and Slovenia. The countries classified as partly free are: Slovakia, Croatia, Romania, Belarus and Ukraine.

⁶ See Richard Rose, "Escaping from Absolute Dissatisfaction: a Trial-and-Error Model of Change in Eastern Europe," *Journal of Theoretical Politics* (Vol. 4, No.4 1992), 371-93.

⁷ For further development of this passage, see Richard Rose and William T.E. Mishler, "Mass Reaction to Regime Change in Eastern Europe: Polarization or Leaders and Laggards?" *British Journal of Political Science* (Vol. 24, No. 2 1994), 159-82.

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Motivans—concluded

success in the Czech Republic and Estonia can also be attributed to high levels of foreign investment, active western trading partners, and an early start to economic reform.

In light of the positive economic achievements in Poland and Hungary, the recent election results represent an interesting development. Although satisfaction with living standards has been growing, and the new private sectors in each country are the largest in Central and Eastern Europe, voters still felt compelled to elect figures associated with the previous system. While the overall economic situation was important, other factors undoubtedly contributed to these election results.

The outlook for other former Communist countries is less optimistic, simply because there is a much longer way to go in terms of economic reform. Public support for market reforms has been considerably lower and there is evidence of sizable support for a return to a planned economy. The leaders in these countries (European Russia, Belarus and Ukraine) will be under pressure to identify and remove obstacles to economic reform, particularly in terms of widening the scope of the private sector, before any improvement in living standards or greater public support for market reform is possible. While increased social spending may act as a stopgap measure in terms of placating public dissatisfaction, the long-term political and economic stability of these countries is likely to be bound to needed economic reforms.

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Endnote:

¹ This cross-national study was fielded each spring from 1992-94 across ten countries using a survey instrument standardized in local languages. In each country, the sample sizes ranged from 2,000 to 2,500 completed interviews.