

## 8

The Rise and Demise  
of State Socialism

## The Origin and Nature of State Socialism

The world's first socialist society was born in 1917 when Russia underwent the Bolshevik revolution and became the Soviet Union. Elsewhere in Europe, other socialist societies began to emerge in the mid- to late 1940s, and in the less developed part of the world a number of socialist societies arose somewhat later, mostly in the 1970s. Table 8.1 lists the major socialist societies of the world as of 1989 and their current status. All of these societies were (or are) ones in which Marxism-Leninism (more accurately described simply as *Leninism*) was (or is) the dominant political ideology and the Communist party is in control of the state. (There are or have been a few other societies claiming to be socialist in a sense other than Marxist-Leninist. These are not included here.) These societies are perhaps best termed *state socialist* because of the strong role the state plays in the direction of the economy. To complicate matters, since 1989 in eastern Europe and 1991 in the Soviet Union, many of these societies abandoned state socialism (at least in its classical version) and shifted markedly toward a more capitalist, market-oriented economy. In these same societies the Communist party lost its monopoly of power, and substantial political liberalization was achieved. For the sake of terminological clarity, we propose to use the term **state socialism** (or **state socialist**) to refer to these societies as they were before 1989 (eastern Europe) or 1991 (Soviet Union), and to use the term **postsocialism** (or **post-socialist**) to refer to them from these dates forward (the term *postsocialist* was coined by the Hungarian economist János Kornai, an astute analyst of the state socialist economy and its postsocialist transition; see Kornai, 1992).

In analyzing these societies, we will first discuss their economic structure during their classical state socialist phase. At a later point we will look at the economic reforms they experienced in the 1970s and 1980s that led to the dramatic economic and political upheavals of 1989 and 1991. This will allow us to consider them as they are now—that is, as postsocialist societies. In this chapter we are concerned only with those state socialist societies that have undergone substantial industrialization: the former Soviet Union and the socialist societies of eastern Europe.

In the classical exemplar of state socialism, the Soviet Union, private property was almost completely eliminated, with the exception of consumer goods. Thus, one could own one's own house, car, or wardrobe privately (as items of personal property), but one could not privately own the means of economic production. Most of

**TABLE 8.1 State Socialist (Leninist) Societies in 1989 and Their Current Status**

Society	Year of Transition to State Socialism/Leninism	Current Status
Soviet Union	1917	Abandoned Leninism and fragmented into Russia and other successor states after 1991.
East Germany	1949	Abandoned Leninism in 1989 and reunified with West Germany in 1990.
Czechoslovakia	1948	Abandoned Leninism after 1989 and separated into the Czech Republic and Slovakia.
Hungary	1948	Abandoned Leninism after 1989.
Poland	1948	Abandoned Leninism after 1989.
Yugoslavia	1945	Abandoned Leninism after 1989 and fragmented into Bosnia-Herzegovina, Croatia, Macedonia, Slovenia, and Yugoslavia (Serbia and Montenegro).
Bulgaria	1947	Abandoned Leninism after 1989.
Romania	1948	Abandoned Leninism after 1989.
Albania	1944	Abandoned Leninism after 1989.
China	1949	Remains Leninist.
North Korea	1948	Remains Leninist.
Vietnam	1954/1975*	Remains Leninist.
Mongolia	1921	Abandoned Leninism in 1990s.
Cuba	1959	Remains Leninist.
Congo	1963	Abandoned Leninism in 1990s.
Somalia	1969	No functioning government.
South Yemen	1969	Abandoned Leninism and reunified with North Yemen in 1990.
Benin	1972	Abandoned Leninism in 1990.
Ethiopia	1974	Officially a federal republic, but still dominated by the Ethiopian People's Revolutionary Democratic Front.
Angola	1975	Abandoned Leninism in 1990s.
Kampuchea	1975	Abandoned Leninism in 1990s and reestablished former name Cambodia.
Laos	1975	Remains Leninist.
Mozambique	1975	Abandoned Leninism after 1989.
Afghanistan	1978	No functioning government.
Nicaragua	1979	Abandoned Leninism in 1990.
Zimbabwe	1980	Abandoned Leninism in 1990.
Guinea-Bissau	1980	Abandoned Leninism in 1991.
Madagascar	1972	Abandoned Leninism in 1992.

\*The date 1954 refers to only the northern part of the country. The southern part became socialist in 1975, when Vietnam again became a unified state.

Sources: Kornai (1992); Ramsay (2001); Goldman (2001); Norton (2001); Collinwood (2001); Goodwin (2000); Spencer (2001); Central Intelligence Agency (1998).

the industrial sector and part of the agricultural sector were nationalized. Indeed, all sectors of the economy, except for small plots of land cultivated by collective farmers, were brought under the control of national economic planning. The very core of the Soviet economy was its state sector; all major industries were state owned and state operated in the areas of mining, heavy construction, railroads, communications, power production, urban retailing, large cooperative farms, and others. The major means of production were thus publicly owned, and all employees worked for the state. The private enterprise that did exist, such as small-scale artisans operating small farms in remote areas, was very limited (Lane, 1985; Kornai, 1992). The eastern European state socialist societies were based more or less on the Soviet model, but they had a tendency to be somewhat more open to capitalist or market-oriented economic activity, particularly after 1970 (Abonyi, 1982). This was especially true in Hungary and Yugoslavia. Yugoslavia was experimenting with market economics as early as the 1950s. It attempted to create a form of "market socialism," which involved retaining a basic state socialist economy but allowing considerable development of capitalist businesses alongside socialist operations.

However, the classical state socialist system, as represented best by the Soviet Union, kept market activity to an absolute minimum and gave overwhelming emphasis to state management and state economic planning. As János Kornai (1992:115) writes, in classical state socialism "the 'life or death' of a firm as a collective organization or organism is determined not by the 'natural selection' of market competition but by the bureaucracy. There is a complete absence of . . . entrepreneurs who introduce new products or new technologies, establish new organizations, and conquer new markets, while obsolete production and ossified organizations are squeezed out."

This absence of a market principle was perhaps nowhere more salient to the functioning of the economy than with respect to money and prices. Classical socialism was, according to Kornai (1992), not a fully monetized, but rather a *semimonetized* economy. Money existed, but it did not act as a universal means of exchange in the way that it does within capitalism, nor was it convertible into foreign currencies. Kornai also notes that prices were not set by market principles, but rather by bureaucratic decree. This means that they were not sensitive to the basic laws of supply and demand, and thus could not be used as indicators of how much of what products to produce. As we shall see, these economic characteristics had dramatic consequences for the functioning and evolution of the state socialist system.

Industrialization in the state socialist societies took place under the close control of the state (Gershenkron, 1962). In the Soviet Union, the major drive toward industrialization occurred from the late 1920s through World War II under the leadership of the Stalinist regime. In a very short time the Soviet Union was transformed from a largely agrarian society into one of the world's major industrial societies. The speed of industrialization in the Soviet Union, and the fervor with which the Soviet leaders carried it out, took a terrible human toll. Millions of peasants were either killed or sent to labor camps in order to make the transition from agriculture to industry. This was one of the sorriest sagas in human history.

By the second half of the twentieth century, the state socialist societies came to closely resemble the industrial capitalist societies in several important respects. To a

large extent, industrialization created notable similarities in the basic social pattern of both types of society. However, the state socialist world, although it made considerable progress in this regard, was not able to achieve the truly high levels of economic prosperity characteristic of modern capitalism. By the late 1980s, the levels of per capita income of the state socialist societies were still only about one-third to one-half those of the industrial capitalist nations. Indeed, despite considerable economic progress, by the 1970s state socialism seemed to run up against severe constraints on further economic development. State socialist economies began to stagnate and suffer from a variety of ills. These ills led to various programs of economic reform that culminated in the postsocialist transition of the late 1980s and early 1990s.

### State Socialism and the Capitalist World-Economy

The relationship between the socialist states and the capitalist world-economy has been the subject of much debate, especially among Western Marxian social scientists. Christopher Chase-Dunn (1982), for instance, argues a position that has become popular among Wallersteinian world-system theorists. He holds not only that the state socialist nations had close economic ties with world capitalism, but, indeed, that the socialist states were integral parts of the capitalist world-economy. The position they occupy in the world-system is in the semiperiphery. The socialist states have this role, Chase-Dunn claims, because they engage in commodity production for a world market and have important dealings with the capitalist transnational corporations. It is thus Chase-Dunn's view that the socialist societies were not really socialist at all. Rather, they were essentially capitalist societies whose governments were led by socialist political parties.

At the opposite extreme from Chase-Dunn is Albert Szymanski (1982). Szymanski argues that the state socialist nations were thoroughly socialist. They had economies that involved no private ownership of the means of production and no production for profit. Moreover, Szymanski sees the state socialist economies as basically autonomous from Western capitalism, the economic exchanges between them and capitalist nations being mainly of a nonessential or luxury nature.

Szymanski offers several lines of evidence to support his position (his analysis is based almost entirely on the case of the Soviet Union). First, the agreements with Western capitalists that the Soviet Union entered into—agreements that involved various exchanges of goods or technology—were made on the Soviet Union's own terms. These agreements could not have significantly affected economic processes within the Soviet Union because they did not involve any direct investment or management rights for capitalists in Soviet enterprises. Second, although the state socialist societies invested in both core and peripheral capitalist societies, these investments were extremely small in comparison to those of the advanced capitalist nations. For example, in 1978, U.S. investments in the peripheral capitalist countries exceeded Soviet investments in those countries by a factor of 2,200. Third, the state socialist societies traded far more among themselves than with the advanced capitalist societies. For example, in 1978, about 60 percent of Soviet trade occurred with the

other state socialist nations, but only 28 percent of its trade was with the core capitalist nations. Moreover, in the same year, only about 4 percent of the trade of the core capitalist societies was with the socialist states. Finally, if there were a close economic tie between the socialist and capitalist countries, the economic fluctuations so characteristic of capitalism should have been reflected in similar fluctuations in the socialist nations. However, the correlation between the capitalist and socialist societies in this regard was not strong. Indeed, "the period of the most rapid industrial growth in the USSR, 1928-1941, coincided with the period of the most protracted and deep depression in the modern history of capitalism" (Szymanski, 1982:75).

The disagreement between Chase-Dunn and Szymanski is a complex one that involves a wide range of issues, and it is therefore difficult to resolve in a definitive way. Indeed, this disagreement is only part of a much larger discussion about the nature of the economic systems in the Soviet Union and eastern Europe (cf. Sweezy, 1980; Lane, 1985). On Szymanski's side, it must be recognized that the state socialist societies did have economies that were different in important ways from Western capitalism. The state socialist societies had no private capitalist class engaged in profit maximization as an end in itself; they made use of centralized economic planning to a degree that is unheard of in Western capitalism; and they, the Soviet Union in particular, made relatively minimal use of market mechanisms to guide economic decisions. Thus, the state socialist societies obviously did have some important characteristics that one normally associates with a socialist mode of economic organization (Gorin, 1985; Davis and Scase, 1985).

On the other hand, Szymanski clearly errs in viewing the state socialist societies as having essentially fulfilled the expectations of Marx and Engels regarding the nature of socialist society. The plain and simple truth is that the Soviet Union and eastern Europe departed markedly from the classical Marxian conception of socialism. Although Marx did not spell out in any detail what he thought the future socialist society would look like, historians know some of the basic things he had in mind. For one, he was thinking of a society with a level of economic equality much greater than that which prevailed in the Soviet Union and eastern Europe. For another, he thought of socialism as being relatively democratic in nature, as giving everyone a strong voice in the whole process of social and economic planning. The politically repressive character of state socialism throughout most of its history shows that this expectation has not been even remotely realized. Finally, and in some ways most significantly, there is the fact that Marx conceived of genuine socialism as being built around producing goods in order to serve human needs rather than to earn a profit. State socialist societies did not live up to this expectation either inasmuch as their economies were devoted greatly to the production of commodities—goods that are designed to augment the value of their costs of production. In sum, it is a serious error to refer to the socialist states as Marxist states. Although these states have historically characterized themselves as Marxist, this is at best only a very partial truth.

This brings us back to Chase-Dunn's position. It is important to understand that he is not claiming that the state socialist societies were capitalist in the same way that Western capitalist societies are. He recognizes that the socialist societies have

had unique forms of internal economic organization. His position springs from his world-system outlook. The state socialist societies were, he claims, important experiments in socialism that failed largely because they were greatly constrained by the existence of the capitalist world-economy (Chase-Dunn, 1989a). Socialist societies had great difficulty surviving within a capitalist world-system; they were compelled to interact to some extent with that system, and because of this they tended to be drawn back increasingly toward a capitalist mode of operation. Thus, the Soviet Union and eastern Europe became gradually reincorporated into the capitalist world-economy and lost most of whatever socialist content they once possessed. There is a good deal of evidence to show that this is precisely what happened over the past three decades, more rapidly and substantially in eastern Europe than in the Soviet Union itself (Frank, 1980; Abonyi, 1982; Rossides, 1990). Andre Gunder Frank (1980), for example, shows in considerable detail the extent to which the state socialist societies reinserted themselves into global capitalism. Since the early 1970s, they began to trade with Western capitalism much more vigorously, and many important financial and industrial agreements were established. Frank's analysis ends in 1979, but the process of reintegration he describes for the 1970s accelerated throughout the 1980s (Aganbegyan, 1989), and in the 1990s it grew by leaps and bounds.

In the end, then, Chase-Dunn's position turns out to be the more valid and enlightening one. The state socialist societies had only a limited Marxian socialist content to begin with and eventually lost most of what they had. This conclusion has implications for a final important question: Have the socialist countries ever had relations among themselves comparable to the relations among more- and less-developed capitalist countries? To the extent that there ever was a separate socialist world-system, it seems clear that this system never structurally resembled the capitalist world-system (Chase-Dunn, 1982; Chirot, 1986). In other words, the Soviet Union never acted like a socialist "core" that exploited its "semiperipheral" eastern European neighbors or "peripheral" socialist countries, such as Cuba. The Soviet Union did not depend on other socialist countries for its essential raw materials. In fact, it played an important role in exporting raw materials to other socialist countries (Chirot, 1986). Moreover, the Soviet Union historically acted in ways that were apparently designed to help less-developed socialist countries enhance their economic development. For example, it paid Cuba well above the world market price for Cuban sugar (Eckstein, 1986). Although it is true that the Soviet Union engaged in political and military domination over the eastern European states, as well as over many less-developed socialist countries, this domination was not comparable to the economic domination that some nations have exerted over others within the world capitalist system.

### **Reform within State Socialism and the Transition to Postsocialism**

As early as the 1970s, the socialist economies of eastern Europe began to combine state economic planning with considerable private ownership and market-oriented

economic behavior. They were well ahead of the Soviet Union in making this move. Nevertheless, by the mid-1980s, the Soviet Union itself was spurred into the same basic kind of action. Economic reform in the Soviet Union began in earnest with the rise in 1985 of Mikhail Gorbachev to the position of General Secretary of the Communist party, the most powerful political office in all of Soviet society. Gorbachev pursued a strategy known as *perestroika*, or economic restructuring. The most fundamental aspects of this plan of economic reform were the following (Lapidus, 1988; Kushnirsky, 1988; Leggett, 1988; Zemtsov and Farrar, 1989):

- Whereas centralized economic planning was to be maintained as a guiding policy, individual firms were given increased responsibility to make decisions about their production activities. These firms were required to compete with each other, with the level of profitability being the main criterion for success. Firms that were not sufficiently profitable would be eliminated. Moreover, managers of firms were increasingly to be elected, rather than simply rising to power through the political patronage system traditionally in effect.
- The wage structure was to be overhauled in the direction of greater wage differentials. This was designed to serve as an incentive for workers to work harder and better. As a further incentive, workers could be fired for poor work and for excessive absenteeism. With this reform, unemployment would become a reality for the first time since the early years of Soviet society.
- New joint ventures with Western firms were to be undertaken. These ventures were designed primarily to attract Western capital and enhance the production of consumer goods.

What all of these changes had in common was obviously a recognition of the limitations of centralized economic planning, and thus an increased reliance on the market (Lapidus, 1988; Aganbegyan, 1988, 1989). The changes were designed to shift the Soviet economy in a more "capitalistic" direction, a move that would not surprise Wallerstein and the world-system theorists, since they see the Soviet Union as already substantially capitalist.

What lay behind these reforms? Why were they undertaken at this particular historical juncture? A large part of the answer obviously involves the deteriorating economic conditions that the Soviet Union began to face in the 1970s, conditions that had reached crisis proportions by 1985 (Leggett, 1988; Lapidus, 1988; Zemtsov and Farrar, 1989; Kaneda, 1988; Mandel, 1989). This was a crisis that was accompanied by a serious demoralization of many segments of Soviet society. Robert Leggett (1988) and Tatsuo Kaneda (1988) summarize the dimensions of the problem:

Growth has been trending downward for several decades as the economy experienced repeated harvest failures, bottlenecks in industry, shortages of energy and labor, and chronically low productivity. GNP growth during the 11th Five-Year Plan (1981-85) had its worst showing of any five-year period since World War II.

Meanwhile, improvements in living standards have tapered off as a result of the worsening performance of the economy, and popular discontent has grown. The latter has manifested itself in declining worker morale, more materialistic attitudes,

an increase in "deviant" and "delinquent" behavior by Soviet youth, rising crime rates, alcohol and drug abuse, and a rising anti-Russian nationalism among ethnic groups. (Leggett, 1988:23, 25)

Soviet leaders face the wastefulness of their entire economy; a decrease in the Soviet capacity for technological development; dependency on the technological progress of the West; a drop in international competitiveness; chronic shortages of basic necessities; the existence of black markets; widespread bribery and corruption; growing debt; feelings of alienation and habitual drinking among the people, who avoid work and whose rates of illness and mortality are increasing. (Kaneda, 1988:81)

But then if a severely deteriorating economic situation was the motivation for Gorbachev's economic reforms, what were the underlying causes of the economic problems? János Kornai (1992), one of the world's leading experts on the political economy of state socialism, has argued that these difficulties were inherent in the classical socialist system from the beginning, even if they took decades to fully manifest themselves. According to Kornai, bureaucratic economic planning in the absence of a market principle had especially severe consequences primarily because it failed to provide a rational pricing system that was sensitive to the basic laws of supply and demand. Because prices were not determined by consumer demand there was no way for economic planners to know how to adjust supply so that it was in harmony with demand. Indeed, the system worked so that whatever was produced would always be consumed, and therefore producers had no incentives to increase supply. This led inevitably to a situation of chronic shortage.

Moreover, Kornai argues, in contrast to capitalism, the state socialist system had always given priority to the production of means of production—those things, such as machinery, that are used for the production of goods—rather than to the production of consumer goods, which meant that the standard of living increased slowly. Two other features that Kornai sees as inherent in state socialism are, first, the existence of little incentive to create an indigenous technology and thus the need to borrow most of it from the West, a situation that severely reduced economic innovation; and, second, a strong emphasis on the quantity rather than the quality of goods produced, which led, of course, to severe problems with product quality.

A special point needs to be made with respect to the difficulty state socialism had in producing large amounts of high-quality consumer goods. In its first several decades, the Soviet economy worked reasonably well, and in fact was capable of producing industrialization on a scale sufficient to narrow the gap appreciably between itself and Western capitalism (Szelenyi, 1992; Chirot, 1991). However, the Soviet economy and state socialism in general seemed to run up against inherent limitations after a certain period. According to Daniel Chirot (1991), by the middle of the twentieth century the Soviet system was successful in creating an industrial economy based on steel, electrical machinery, and organic chemistry—a stage of industrialization that such economic powers as Germany and the United States had attained in the period between 1870 and World War I—but it became stagnant at that stage. It was never capable of moving into the next stage of industrial develop-

ment, which in Western capitalism involved the production of such things as automobiles, consumer electrical goods, and services.

However, the problems inherent in state socialism as a mode of economic production may not have been the entire basis for the economic reforms. Certainly state socialism had some tremendous built-in limitations, but the crisis it began to suffer in the 1970s may have had other causes as well. In particular, one must consider the role of the capitalist world-system in imposing constraints on the functioning of state socialism. As noted earlier, in recent decades the Soviet Union began to reinsert its economy into the capitalist world-economy and to act more and more like a traditional capitalist state in the international economic arena. And why should this be? Christopher Chase-Dunn (1982, 1989a) points out that the capitalist world-economy exists as a hostile economic ocean within which state socialism must try to swim. Because of the external economic pressures the world-system creates, state socialist economies had serious obstacles put in the path of their economic functioning. These obstacles included the costs associated with needed military buildup and embargoes against trade. As a result of these obstacles, Chase-Dunn says, socialist states within the world-system tended either to be crushed by that system or to be pulled back into line as capitalist states. The impairment of their functioning by the capitalist world-system may have given them little choice but to play the game according to capitalist rules.

That the Soviet Union was in the process of being pulled back into line as a member of the capitalist system is strongly confirmed by Abel Aganbegyan's *Inside Perestroika* (1989). Aganbegyan, who was at one time Gorbachev's principal economic advisor, makes clear the extraordinary extent to which the Soviet Union desired for some time to compete in the capitalist world-economy using capitalist ground rules. According to Aganbegyan, a key feature of *perestroika* involved an economic shift toward export promotion. The Soviet Union was reorganizing itself so as to be able to manufacture and sell commodities competitively in the world market. For the world's most prominent socialist state, this was an extraordinary departure from traditional economic practices, and it surely indicates a pronounced shift in the economic outlook and interests of a sizable segment of the Soviet elite. It also suggests, as Aganbegyan is at pains to point out, that *perestroika* was no mere economic tinkering. Gorbachev and his supporters seemed to be doing much more than just repairing the flaws in the Soviet economy. They seemed to be attempting to complete the shift, begun some time before them (and, be it noted, *before* the full-scale economic crisis), of the Soviet Union toward full-fledged participation in the world capitalist system.

### Stratification within State Socialism

According to Marxian ideology, socialism was to produce a classless, if not totally egalitarian, society. In other words, even though there would not be complete equalization of income, the shift from private to state ownership of the means of

production would eliminate fundamental class divisions and antagonisms. Unfortunately, what actually happened in state socialist societies was the creation of an alternative form of stratification rather than its elimination.

Frank Parkin (1971) provides a useful historical overview of the nature of stratification in the Soviet Union. As he notes, in the period immediately following the rise of the Communist party to power, there was a marked tendency toward the establishment of economic equality. Fundamental reforms were put into effect in order to equalize the distribution of incomes, and a drastic reduction of the wage differential between blue-collar and white-collar workers was achieved. (Similar income equalization policies were pursued as well after World War II in the other major eastern European Communist nations.) In addition to these measures, established privilege was attacked via major educational reforms, which were designed to bring large numbers of youth from subordinate classes into higher education.

Beginning in the early 1930s, however, this major egalitarian push was halted and even partially reversed through new policies established by Stalin. Stalin launched a major attack on all equalization programs, declaring himself steadfastly against *uravnilovka* ("equality-mongering"). It was argued that, in order to achieve full industrialization and the building of a modern society, greater material incentives had to be offered to persons engaged in more highly skilled forms of work. This policy was responsible for the reestablishment of sharp income differences between major occupational groups. Such new economic inequalities continued until approximately the mid-1950s. Around this time, a new attack on income inequality began and income differentials were reduced once again. Since the late 1980s, the implementation of *perestroika* included an attempt to increase income differentials. This was consistent with the Soviet Union's shift toward a more market-oriented, capitalist economy.

In recent times, it is clear that there were a number of social groupings that could be distinguished by different income levels and other forms of privilege. Whether or not these groups should be called "classes" is to some extent a matter of definition. Official Soviet ideology (at least prior to 1985 and the beginnings of *perestroika*) referred to them as "nonantagonistic strata," noting that the groups were not distinguished by the ownership of private property, which had been formally abolished in the Soviet Union. Thus so-called *nonegalitarian classlessness* was said to prevail under state socialism. That is, there were different social groups possessing unequal amounts of material privilege, but these groups were not considered classes because their level of privilege did not depend on their possession or lack of property. Since private ownership of property was absent, one group did not gain by holding other groups down, and the social relations between such groups were therefore not antagonistic ones.

From a classical Marxian viewpoint, which equates class with property ownership, the official Soviet view was not unreasonable. But as we saw in the last chapter, class cannot be defined simply in terms of ownership, because most of the population of all industrial societies does not own any means of production. Classes are more commonly defined by sociologists as groups that are built around particular kinds of occupations and that vary according to degrees of privilege and prestige.

From this perspective, it is perfectly sensible to regard the major socioeconomic groups within state socialist society as classes.

Parkin (1971) characterizes the class structure of state socialist society in the following manner (listing the classes from highest to lowest):

- The white-collar intelligentsia, consisting mainly of individuals in professional, managerial, and administrative positions
- Skilled manual workers
- Lower-level white-collar workers
- Unskilled workers
- Peasant farmers

The dominant and most privileged class within state socialism was the white-collar intelligentsia. Parkin suggests that the major class cleavage within state socialism was between this group and all the rest. Members of the intelligentsia not only received higher incomes than the rest but they also received bonuses and special wage supplements, as well as other less measurable rewards, such as high-quality accommodations, opportunities to travel abroad, and the use of official cars and state property. Furthermore, the social distinction between the intelligentsia and other classes was magnified by the fact that its members were more likely to be party members. Party membership in itself conferred additional benefits. These included the pulling of strings or the winning of favors, an opportunity to acquire the best theater tickets, or the ensuring of a place for one's children at good schools and universities.

Whereas Parkin sees the major class division within state socialism as between the intelligentsia and the rest of society, others would emphasize a line of demarcation between a tiny portion of the intelligentsia and everyone else. This group is what is most commonly called the *nomenklatura*. The intelligentsia made up perhaps as much as 20 percent of state socialist society, but the *nomenklatura* at most included 1 percent. It consisted of individuals at the very highest levels of the Communist party bureaucracy. Milovan Djilas (1957) regards the *nomenklatura* as a ruling elite broadly similar to the ruling classes of capitalist societies. He sees this elite, which he has referred to as a "new class," as a property-owning, highly privileged, and self-perpetuating class that dominated the rest of state socialist society. This argument has considerable merit, but it must be qualified. Anthony Giddens (1980), for example, although not disputing the existence of such an elite group, argues that it cannot be strictly compared to a capitalist ruling class. He observes that in state socialist society, the dominant class enjoyed rights only over the dispensation of collective property, and that this gave it a different character from capitalist classes, which have control over large supplies of private capital.

Victor Zaslavsky (1995) provides additional insight into the stratification system in the Soviet Union. He points out that this system consisted of "several interrelated subsystems of political, economic, territorial, and ethnic stratification, controlled by the state" (1995:118). He gives special attention to the most favored members of the intelligentsia, who were those working in the military sector of the

economy. In their behalf, a whole system of "closed enterprises" and "closed cities" was created. Zaslavsky tells us more (1995:120-121):

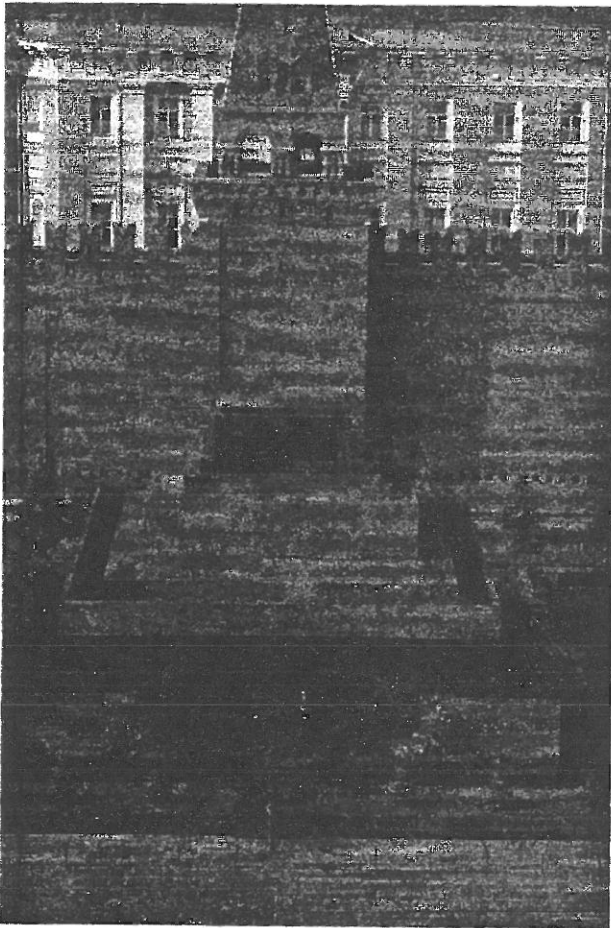
Having introduced the top-priority category of "closed cities," the redistributive state had taken a decisive step in the organization and administration of this territorial-based system of social stratification. Closed cities were considered the most important settlements in the country, with rights to permanent residence conferred only by birth or by special permission of the city administration. The hierarchy of population settlements in the redistributive state led to the establishment of a stable hierarchy of status and to the emergence of new social groups and categories whose members had different life chances and enjoyed very different levels of consumption. The closed cities also played an increasingly important role in structuring access to higher education and promoting the growth of the group of Soviet specialists traditionally known as the intelligentsia. Indeed, the major universities of the country were all located within these closed cities, as were the majority of specialists with a higher education. The proliferation of elite schools and specialized services such as private tutoring in closed cities gave their residents a decisive advantage in access to prestigious universities and other institutions of higher education. Membership in the Soviet elite and educated middle classes, thus, took on an increasingly hereditary character. . . .

These and analogous policies of creating special "top priority" enterprises and entire industrial sectors, privileged geographic regions and settlements, and an accompanying system of most- and least-favored social and ethnic groups exemplify the enormous role the Soviet redistributive state played in creating and maintaining a hierarchical social structure. Using its position both as the sole employer for the entire labor force and as the primary agency of redistribution, the state established a political-administrative ascription for membership in major social groups and categories.

### The Modern Communist State: Leninist Regimes

One of the most striking characteristics of state socialist societies was the nature of their political regimes: In all instances, these societies had highly authoritarian and often brutally dictatorial states in which a single party, the Communist party, monopolized rule. A classic description of the contemporary Communist state was provided many years ago by Milovan Djilas in his book *The New Class* (1957). Djilas was a vice president of Yugoslavia who was expelled from the Communist party in 1954 after appealing for democratic reforms. In 1956, he was sentenced to a 10-year prison term for expressing the ideas contained in *The New Class*. Although released in 1961, he was reimprisoned in 1962 after the publication of his *Conversations with Stalin*.

As Djilas notes, "Everything happened differently in the U.S.S.R. and other Communist countries from what the leaders—even such prominent ones as Lenin, Stalin, Trotsky, and Bukharin—anticipated. They expected that the state would rapidly wither away, that democracy would be strengthened. The reverse happened" (1957:37). Djilas explains that the postrevolutionary Communist party had an extraordinarily high degree of ideological and organizational centralization. Remaining on the political scene long after victory, the party began strengthening and



*Lenin's Tomb in Red Square,  
Moscow.*

consolidating its power over the rest of society. It maintained an atmosphere of constant political vigilance; ideological unity within the party was demanded and great attention was paid to rooting out both real and potential opposition. Terrorist and oppressive methods were needed to achieve these goals. The result was the creation, in Djilas's words, of "a class whose power over men is the most complete known to history"—the Communist bureaucratic elite, or *nomenklatura*.

Until very recently, this bureaucratic elite maintained an administrative monopoly over the entire social order, including complete control over virtually all economic activity; tolerated no ideological deviation from the party line and swiftly used force to punish those who did deviate; and tyrannized the mind by suppressing all intellectual and artistic discoveries and creations that contradicted official party dogma. It is little wonder that Djilas has called the power of this class the "most complete known to history."

The Communist states of eastern Europe have often been referred to as *Marxist* or *Marxist-Leninist* states. Although there is some justification for this, the terminology is highly misleading and should either be avoided or used with great care. The

Soviet Union and its eastern European satellites adopted some of the ideas spelled out by Marx in the middle of the nineteenth century as essential elements of socialism. They socialized the means of production, eliminated the bourgeoisie, and reorganized the economy around centralized state planning. However, in many ways they were very un-Marxian. They produced an alternative version of capitalist commodity production, introduced the detailed division of labor into the workplace, failed utterly in abolishing alienated labor, failed to create a classless society, and failed miserably in producing a political system that Marx would have found acceptable. Marx argued that in their early stages, the first socialist societies would be forced to adopt what he called the "dictatorship of the proletariat" as a form of government. This would be a highly authoritarian government that would be necessary to restore social order and facilitate the transition to full communism. However, it would only be temporary and in due time would give way to an entirely new form of political order based on the "withering away of the state." The state would cease to have any ruling or dictatorial powers and would be reduced to the role of manager and coordinator of the economy. It would be a highly democratic state, with workers having direct input into political decision making.

Obviously, nothing like this developed in the first socialist societies, but it is important to set the record straight about what Marx really said and hoped for. And in setting that record straight, we would urge the abandonment of the terms *Marxist* and *Marxist-Leninist* to characterize Communist states. Although these states used those terms themselves, that is no justification for keeping them. They used these terms not out of a desire for social-scientific accuracy but as part of an overarching legitimizing ideology. As Kenneth Jowitt (1978) and Daniel Chirot (1986) suggest, it is more accurate to call them **Leninist societies** or **Leninist regimes**. These regimes have the following basic features (Chirot, 1986:265):

- The Communist party claims an absolute monopoly of political power.
- All key sectors of the economy are controlled and operated by the state.
- There is a formal commitment to creating an industrially advanced and highly egalitarian society.
- The regime legitimizes itself by appeal to Marxism-Leninism as an overarching political ideology.
- The Communist party regards itself as the ultimate interpreter of scientific and political truth, and its decisions and actions are not subject to doubt.
- There is close regulation of the daily lives of individuals and sharp limitations placed on their freedom of movement, of speech, of association, and of philosophical or ideological commitment.

A recent book by the French historian Stéphane Courtois and his colleagues, *The Black Book of Communism* (Courtois et al., 1999), shows that these features of Leninist regimes are only part of the story. Courtois and associates attempt to enumerate the human consequences of Leninist regimes in terms of the number of people who lost their lives as the direct or indirect results of the actions of these regimes. As the authors note, Leninist regimes virtually turned mass crime into the ordinary operation of the state. They estimate that approximately 100

million people died as the result of such things as executions, the slaughter of rebellious workers, and mass starvation of the peasantry. This, of course, ignores the immense suffering of millions of others in forced labor camps and the like who did not die. Courtois and colleagues break down the 100 million dead approximately as follows:

- In the Soviet Union, 20 million died. Tens of thousands of hostages and prisoners who were never tried were executed, and hundreds of thousands of rebellious workers and peasants were murdered in the period between 1918 and 1922. Five million died as a result of the famine of 1922. Tens of thousands were murdered in concentration camps between 1918 and 1930. There were 578,000 criminal convictions in 1926, 709,000 in 1927, 909,000 in 1928, and another 1,778,000 in 1929. And then the real horrors started when Stalin came to power and began the forced collectivization of agriculture. In the early 1930s, two million peasants were deported, many of whom died as a result. Six million peasants died as a result of the great famine of 1932–33. These deportations and deaths resulted from an ongoing struggle between peasants and the state. The peasantry wanted to retain enough of their harvest to provide for their own needs, but the state demanded that the peasants give up more. When the peasants refused, they were deliberately starved out. In 1937–38, some 700,000 people were executed for any type of political deviation from the Party line. Finally, the 1930s witnessed a dramatic expansion in the system of concentration camps. In 1935, there were nearly one million prisoners in the camps, a number that nearly doubled by 1941. These were mostly political prisoners.
- China subjected its population and its political dissidents to severe repression in the form of selective arrests, public humiliations, beatings, and imprisonment in so-called reeducation camps. Between the rise of the Communists to power in 1949 and the death of Mao Zedong in 1976, perhaps as many as 65 million people died. Between 1959 and 1961, China experienced the greatest famine in all of world history, with anywhere between 20 and 43 million estimated to have died from it. Courtois and colleagues blame this on total government incompetence in agriculture. The concentration camp system in China was huge. There were at least 1,000 camps and as many as 50 million people passed through them; some 20 million of these died in the camps. During the famous Cultural Revolution of 1966–76, the government engaged in extreme anti-intellectualism, persecuting teachers, scientists, and technicians in large numbers and killing many. There was an extreme emphasis on ideological conformity and, as in the Soviet Union, any kind of political deviation was severely punished, often with death.
- Cambodia's experience with Communism was horrendous. Renamed Kampuchea once Pol Pot came to power, an attempt was made to implement a type of socialist society overnight. Agriculture was collectivized in just two years. To accomplish this, the government inaugurated a campaign to move people out of the cities and back into the rural areas, and as a result they passed through a series of deportation camps. There were many purges and

massacres, and possibly one million executions. Courtois and associates describe Kampuchea as a nightmare world in which all human values had been destroyed and all human compassion and decency had been lost. People were reduced to cannibalism, eating human livers, stealing food from pigs, and eating rats, ants, and spiders.

- North Korea has been described as the "most closed state in the world." The people were subjected to the usual purges, executions, and prison camps. No Communist state has ever engaged in such total and consistent ideological indoctrination of the masses. As in other Communist states, North Korea has experienced severe famine, with possibly as many as two million people dying from starvation.

These are the most extreme examples of the dire human consequences of Leninist regimes, but all Communist or Leninist societies have been engaged in political repression, including the execution of real or perceived political dissidents. In eastern Europe as a whole, at least a million people died as a result of execution or death in labor camps, another million died in Vietnam, and nearly two million died in African countries that had adopted some variety of Leninism. Perhaps the most benign of all Leninist societies has been Cuba, but it too has not escaped political repression.

Why have the state socialist societies departed so greatly from Marx's hope for a highly democratic socialist state? Why have these states been so politically repressive, and why have their human consequences been so horrendous? In the case of eastern Europe, of course, **totalitarian dictatorships** were originally imposed, and to a large extent maintained, from the outside by the Soviet Union (Yugoslavia being an exception). But what, then, is the reason for the totalitarian character of the Soviet Union itself? One type of explanation has been offered by Immanuel Wallerstein (1998). He argues that Soviet totalitarianism resulted from the severe threat the Soviet Union experienced, both economically and militarily, from the Western capitalist world (cf. Chase-Dunn, 1982). In a genuine socialist society—the socialist world-government that will ultimately replace the capitalist world-economy—this threat will disappear, and the repressive state will then wither away (Wallerstein, 1984).

Although this argument initially appears to contain a strong air of special pleading—to be almost an apologia for Communist repression—there is some evidence consistent with it, or at least the first part of it. From about the late 1920s until sometime during the 1950s, the Soviet Union largely withdrew from the world capitalist system and followed an economic policy devoted to catching up with Western capitalism. It was precisely during this time that totalitarianism—indeed, Stalinist terrorism—was at its height (Nove, 1989). This terrorism substantially ceased after the death of Stalin in 1953, and with the shift to the new regime of Nikita Khrushchev, a bit of openness first started to appear (Nove, 1989). And, indeed, it was during the Khrushchev period that the Soviet Union starting showing signs of moving back toward greater participation in the world-economy. The fact that the

last Soviet Union regime (that of Mikhail Gorbachev), with its strong orientation toward the world market, made such a dent in the totalitarian state suggests that totalitarianism is a political strategy associated with closure to a hostile world-economy.

However, this cannot be the whole story. A well-known competing explanation is at hand in the view of the state held by Max Weber. Weber thought that socialism would necessarily lead to extensive bureaucratic centralization of power in the hands of a ruling minority. Such centralization would be necessary as a means of managing a socialist economy. Thus, socialism would inevitably become much less democratic than capitalism. Bureaucracy encourages the concentration of power, and once such power has developed, it becomes self-perpetuating and its stranglehold is extremely difficult to break.

Along similar lines, Tatu Vanhanen (1997) argues quite persuasively that states will be authoritarian when the mass of the population lack resources that they can use to force them to be less repressive and more democratic. His Index of Power Resources, referred to in the last chapter, shows extremely low values for Leninist states and very high values for Western democracies. The average IPR for 12 major Leninist societies in 1980 was 1.53 (the highest was for Yugoslavia, at 15.7; if we exclude Yugoslavia, the average was only 0.35). By contrast, the average for 18 liberal democracies was 42.1 (the highest was for the United States, at 52.2). So it seems clear that a major reason Leninist societies are so repressive is that the vast majority of the population has few or no power resources to prevent that from happening. Albert Somit and Steven Peterson (1997) note that virtually all states throughout human history have been authoritarian, and that this seems to be endemic to the human condition when the governed lack political resources. Leninist regimes, sad to say, are therefore much closer to the norm of human history than are democratic regimes.

Nonetheless, modern Leninist regimes have been repressive and brutal on a scale never seen before in the world, and this extremity must be explained. Does it have to do with the modern military and communication technology available to Leninist regimes, thus making severe repression and brutality all the easier? Is it the result of the extreme measures deemed necessary to catch up with Western capitalism in a short time, as seemed to be the case with Stalin's forced industrialization of the 1930s? These factors may well play a role, but a full understanding still eludes us. One thing, though, is crystal clear: Strong state control over the economy has not produced, and seemingly cannot produce, a democratic state because of its negative effect on the power resources of the masses.

## The Collapse of Communism

Major political changes began in the Soviet Union in the mid-1980s and in eastern Europe in the late 1980s. Mikhail Gorbachev's introduction of *perestroika* was accompanied by the political reforms known as *glasnost*. *Glasnost* was essentially devoted

to greater "openness" in political and social life. The mass media were given more freedom to report events accurately and thoroughly; there was more toleration of intellectual and artistic freedom of expression; some elections of public officials were held; and some political prisoners were released. *Glasnost* cannot be understood, as some might think, as simply being some sort of philosophical or intellectual sea change based on a sudden awareness of the humanistic implications of democracy. It seems much more appropriate to think of it as the political counterpart of *perestroika*: It was the political expression of the Soviet Union's shift toward full reintegration into the capitalist world-economy. Gorbachev and other Soviet leaders seemed to think that the return to free-market capitalism required a much greater degree of political openness than had previously been the case—that a more liberal economy required a more liberal state (Kumar, 1992).

However, *glasnost* was only the beginning of the political changes. In the autumn of 1989, Poland, East Germany, Czechoslovakia, and Romania experienced major transformations in their authoritarian regimes. The political monopoly of the Communist party was broken and significant steps were taken in the direction of much greater democracy and openness. Then, in 1991, after a right-wing attempt to overthrow Gorbachev failed miserably, the Soviet Union was publicly delegitimated, the Communist party lost its monopoly of power, and Gorbachev was removed from office and replaced by his chief ultraliberal opponent, Boris Yeltsin. What happened in eastern Europe in 1989 and the Soviet Union in 1991 was, quite literally, the collapse of Communism as a political and social movement and a state ideology. This collapse was complicated and exacerbated by intense waves of nationalism all over the former Communist world. The Soviet Union disintegrated as a



*Mikhail Gorbachev, former leader of the old Soviet Union. Gorbachev set in motion a number of economic and political reforms that ultimately led to the demise of the Soviet Union and its replacement by Russia and a number of newly independent former Soviet republics.*

single state as a result of many of the old Soviet republics claiming political sovereignty (the largest and most politically significant of these new sovereign states is, of course, Russia). Czechoslovakia separated into two states, Slovakia and the Czech Republic. And, in the most horrendous fashion, the state once known as Yugoslavia was entirely broken apart, succumbing to some of the most virulent nationalist movements the modern world has ever seen.

The collapse of Communism beginning in the fall of 1989 took almost everyone—social scientists, journalists, political commentators, and ordinary citizens—by great surprise. No one expected that a political party with the level of political and military control that the Communist party had achieved could be so swiftly and decisively thrown out of power. How do we account for such a profound and surprising political transformation? One well-known explanation has been advanced by Randall Collins and David Waller (1992; Collins, 1986). They view the collapse of the Soviet Union as the latest historical instance of the phenomenon that has been called a **state breakdown**. This is a severe crisis within a state that leads to widespread political conflict and the collapse of a state's capacity to rule (Goldstone, 1991). Collins and Waller's theory is a kind of Weberian geopolitical argument. They root the breakdown of the Soviet state in the overextension of its "empire"—the incorporation of many different nationalities into the U.S.S.R. after 1917 and again during World War II, and the military domination of its eastern European satellites. This overextension created severe economic costs, especially in military buildup, which simply became unbearable over time. The system was ultimately unsustainable. Collins and Waller are saying, in essence, that the immediate causes of Soviet state breakdown were economic, but that these economic problems resulted from the **geopolitics** of the Soviet empire rather than from any inherent feature of state socialism as an economic system.

Collins and Waller's argument has a good deal to recommend it, but it is doubtless not the whole story. One of the things the theory clearly does help to explain is the wave of nationalist movements that have erupted all over eastern Europe. It also provides one of the pieces to the puzzle of the Soviet Union's severe economic problems. However, the economic difficulties of state socialism cannot simply be laid at the door of the Soviet Union's geopolitical arrangements. As noted earlier, there do seem to be serious problems inherent in state socialism as an economic system. As Kornai (1992) has shown, the intrinsic nature of state socialism turns it into a permanent shortage economy and produces economic difficulties that feed on themselves and worsen over time. State socialism was reasonably successful for a time in generating a great deal of industrialization and improvement in living standards in eastern Europe, and especially in the Soviet Union. It has not been the abject failure that it has often been portrayed to be (Szelenyi and Szelenyi, 1992). Nevertheless, by the mid-1970s, it began to stagnate, and its economic problems have only worsened since that time. State socialism was not an economy well suited to making the move into the production of mass consumer goods and services, and thus it began to fall ever farther behind Western capitalism after about 1975. And, as pointed out earlier in this chapter, one cannot ignore the role of the surrounding capitalist world-economy in creating all kinds of pressures designed either to

destroy socialism or cause it to want to relink itself with the world-capitalist system. This has been a source of economic difficulties quite apart from geopolitics.

We conclude that the causes of the recent state breakdowns in the Soviet Union and eastern Europe have been primarily economic. It was the economic problems created within state socialism, and from a variety of sources, that led to *perestroika* and *glasnost*. However, important political factors were involved as well in determining the specific outcomes that these reforms eventually led to (Hahn, 2002). In essence, Gorbachev and his allies unleashed political forces they could not control. Once reforms were initiated, political infighting began within the Soviet political elite, and it was this infighting that was the immediate cause of the collapse of the Soviet Union (Hahn, 2002). As for eastern Europe, by 1989, it had become obvious to many members of these societies that the Soviet Union was no longer willing to intervene militarily to quell popular discontent. And, with the Soviet Union's military control over eastern Europe removed, people no longer had to fear that popular protest would be extremely dangerous, as it had been in the past. They took to the streets and demanded an end to the long-hated regimes, regimes that even many members of the Communist elites in eastern European countries wanted to see ended. Things had been brewing under the surface for many years, and when they all came together in one explosive push it seemed as if it all simply happened overnight. But, as we have seen, these events had been developing for a long time.

Were these state breakdowns "people's revolutions"? That the collapse of Communism was due in large part to popular rebellions by the masses has been a widespread interpretation among both intellectuals and journalists (Chiot, 1991). However, despite all the popular discontent throughout eastern Europe, it is doubtful that this played more than a small role in bringing Communist regimes down. The movements against the Communist regimes, to the degree that they can be called revolutions at all, were not people's revolutions but rather what are known as "revolutions from above"—revolutions initiated by one segment of the political elite against another (Hahn, 2002). These revolutions occurred both because of the shifting economic (and hence political) interests and outlook of an elite segment, and because the Soviet Union had greatly relaxed its military and political domination of eastern Europe. A look at the past makes the point. In 1956, there was a people's uprising against the Hungarian Communist regime, and in 1968, an attempt at liberalization of the Communist regime in Czechoslovakia was made. Both movements were quickly crushed by Soviet military force. What had changed between 1968 and 1989? The answer is, the Soviet elite, or at least a significant segment of it, had come to view things in an entirely new way. Indeed, it has been shown in some detail that Gorbachev and his supporters either desired or easily tolerated the regime transformations that occurred in eastern Europe in 1989 (Kumar, 1992:345–349). Popular discontent figured in the downfall of these regimes only at the very end, when everything had basically been decided, and then more as show than as real substance. Krishan Kumar has captured the situation almost perfectly (1992:320–321):

Is it not the case rather that it is only when the upper classes cannot maintain the old order that we find the clear evidence of the determination of the lower classes to end it? Does this not suggest that causal priority has to be assigned to the problems of the

existing power structure and the existing power holders in society—that is, to the distemper at the top rather than at the bottom of society? Discontent, latent or manifest, among the lower classes can be taken as the more or less given of most stratified social orders. Regimes can be peppered with popular rebellions without succumbing to them, despite these expressions of manifest disaffection on the part of the people. This has been the case with the majority of the agrarian empires of the pre-industrial world.

It is only when the ruling structures of society are in a clear state of decay or dissolution that popular discontent can express itself in a confident way. Then we usually find spokesmen from the upper classes urging on popular feeling against the regime. Revolutionaries, often released from prison or returned from exile abroad, busy themselves with organizing the mass discontent. After the success of the revolution, the idea of a popular uprising against a hated tyranny becomes the official myth of the new regime. This conceals the fact that the old regime has died, often by its own hand, rather than been overthrown in a popular outburst of indignation.

## Postsocialism: Achievements, Failures, Prospects

With the collapse of Communism and the transition to postsocialism in the old Soviet Union and eastern Europe, where are the postsocialist societies headed? Let us attempt to answer this question with respect to the three main social sectors we have been discussing: the economy, the stratification system, and politics.

### The Economy

The economic situation in some eastern European postsocialist countries seems to be improving, or at least holding steady, but in Russia it has continued to deteriorate (Ericson, 1995; Castells, 1996; Kagarlitsky, 2002; Stiglitz, 2003). Between 1991 and 1992, GDP declined by 29 percent, and by another 12 percent by 1993. Total economic investment fell by 40 percent in 1992 and by another 16 percent in 1993. The rate of economic accumulation fell by 34 percent in 1989, by another 32 percent in 1992, and by yet another 26 percent in 1993. In 1993, Russian foreign debt amounted to 64 percent of GDP and a huge 262 percent of annual exports. Between 1991 and 1998, total agricultural and industrial production declined by about 50 percent, and capital investment in 1996 was only some 24 percent of its 1990 level. There was a huge flight of capital amounting to more than \$150 billion between 1992 and 1999. Moreover, science and technology decayed badly; the production of oil and gas, a crucial part of the Russian economy, was in a state of disorganization and decline; and the infrastructures of telecommunications and transportation badly needed repair and suffered from a lack of equipment. In sum, "By the mid-1990s the military-industrial sector, the heart of Soviet industry, was essentially wrecked" (Castells, 1996:139).

And there were major consequences for the quality of life of the average Russian citizen, as indicated by falling birthrates and increased mortality, including infant mortality. In some sectors of the economy, incomes declined markedly, and

often people had to wait many months before they even received paychecks. Housing and transportation increased in price; standard items of consumption became luxuries; the consumption of meat, fish, and milk declined by 25 percent or more; the health care system collapsed; diseases such as cholera, typhoid fever, and diphtheria reappeared; purchasing power fell to levels approximating those of the 1950s; and inflation destroyed the life savings of many Russian citizens. As Boris Kagarlitsky (2002:98) puts it, "Russia was flung back decades, losing almost all of the achievements of the post-Stalin period."

According to Kagarlitsky (2002), a Russian social scientist who was a political prisoner during the Breshnev regime, this economic deterioration resulted from the unique political and economic situation that arose during *perestroika* and that intensified with the collapse of Communism and the transition from Gorbachev to Yeltsin. A new economic oligarchy formed that was not a true capitalist class and that was wholly unprepared to promote economic development. This oligarchy was inextricably intertwined with a Russian state that, despite *glasnost*, became anything but democratic. The state perpetuated and greatly intensified the old Soviet pattern of corruption; it rigged elections and engaged in actions that were purely designed to maintain itself in power and to benefit economically from the changed situation.

Despite the privatization of industry, the state continued to perform most of the functions of ownership; a good deal of privatized property actually became renationalized beginning as early as 1995. Russia actually resembled a feudal-bureaucratic society more than a capitalist society, Kagarlitsky claims, one in which parasitic politicians who work through bribes are much more important than entrepreneurs. Entrepreneurs benefit more from exporting their capital than using it for domestic investment and economic development, and perhaps as much as half of the Russian economy has fallen into criminal hands (Remnick, 1997). In the words of Kagarlitsky (2002:32–33):

To the degree that Russia is now part of the world system, included in the processes of globalization, it is a capitalist country. But neither the production that is occurring in Russia's internal market, nor the labour relations and other social relationships that exist with the domestic economy, can be described as capitalist. . . .

The present day "success stories" of Russian exporters have not been based on copying Western methods of enterprise management. The largest corporations have retained all the features of traditional Soviet enterprises. The elite that has chosen such a model of "integration into the world system," however, is not able to modernize the country. On the contrary, the elite has a vital interest in maintaining Russia's backwardness and its archaic social structures, albeit with "European" stage scenery.

Kagarlitsky argues that this archaic and extremely corrupt state structure must be overthrown before serious economic development and modernization can begin in Russia. The oligarchs and the Russian state have led the country to a dead end, he says, and the only way out is through a new revolution that will destroy the oligarchs and create an entirely new type of state. Kagarlitsky may well be right, but

doing this will be extremely difficult, and as a result the situation looks quite bleak in Russia for the foreseeable future.

The causes of these disastrous consequences in Russia must be sought both inside and outside the country. As Joseph Stiglitz (2003:133–134) puts it, “While those in Russia must bear much of the blame for what has happened, the Western advisers, especially from the United States and the IMF [International Monetary Fund], who marched in so quickly to preach the gospel of the market economy, must also take some of the blame.” Western advisers preached the “neoliberal” ideology that the market is the key to success and that it can virtually do no wrong, and they wanted to privatize the economy as quickly as possible.

One recommendation was that most prices should be completely freed from their previous governmental restraints, but this led very quickly to massive inflation, which wiped out the savings of much of the population. But some prices were kept artificially low, especially those for natural resources. This led new private entrepreneurs to buy oil and other resources at very low prices and sell them for much higher prices in the West. They made billions of dollars in the process, but this did nothing to stimulate the Russian economy because the money was invested in the U.S. stock market or kept in offshore bank accounts. This and other policy recommendations were intended to increase foreign investment in Russia, but nothing of the sort happened. New oligarchs got rich quickly and took their money out of the country. Had privatization of the Russian economy proceeded more slowly, carefully, and thoughtfully, then the crises that emerged would have been much less severe, and a real transition to a market economy that had real growth potential might have gotten a foothold (Stiglitz, 2003).

Many of the other postsocialist states, especially those that were former Soviet satellites, have experienced similarly dramatic economic declines, and misguided Western policies have played a major role here too. As Stiglitz (2003:151) points out,

Only a few of the former Communist countries—such as Poland, Hungary, Slovenia, and Slovakia—have a GDP equal to that of a decade ago. For the rest, the magnitudes of the declines in incomes are so large that they are hard to fathom. . . . Moldova’s decline is the most dramatic, with output today less than a third of what it was a decade ago. Ukraine’s 2000 GDP is just a third of what it was ten years ago.

Stiglitz notes that the most successful postsocialist societies, such as Poland, have been the ones that have not succumbed to the pressure of the IMF’s radical privatization policies.

### **Stratification**

Because of the uncertainties of postsocialist economies, it is difficult to tell just what forms new postsocialist stratification systems will eventually take. However, as these societies become more capitalistic it is almost a certainty that inequalities of income and wealth will become increasingly prominent. There is clear evidence of

this already. In Russia, the *nomenklatura* has lost its complete monopoly on political power, and as a result the careers of many members of that group have been destroyed (Zaslavsky, 1995). At the same time, as already noted, many members of this group have benefitted enormously from the new privatization. They have been able to strike deals with new private firms, often becoming co-owners, and are in the process of forming a fast-growing class of property owners. Some have already become extremely rich and flaunt their wealth in the most garish ways (Zaslavsky, 1995).

According to Kagarlitsky (2002), the new Russian class structure looks approximately as follows. At the top are the "oligarchs," a tiny group of about 40 superrich persons with close ties to the Russian state (or whose members overlap with the state). The oligarchs wield enormous economic and political power. Next are the merely very rich "New Russians," consisting of capitalists and state bureaucrats who lack any real political power. They constitute only about 1 percent of the population. Then there is a small middle class constituting about 8 percent of the population, a very large working class comprising some 66 percent of the population, and a class of people living in real poverty, who make up about 26 percent of the population.

### Politics

Given the political changes thus far, what are the prospects for genuine democracy in eastern Europe, Russia, and the newly independent former Soviet republics? Some evidence suggests good reasons for optimism. Table 8.2 shows democracy and political rights scores for Russia, eastern Europe, and newly autonomous states that were former Soviet republics. By 1993, all of these societies had achieved at least some small amount of formal democracy in terms of political participation and popular elections, and many had established a substantial amount. Many established high levels of formal political liberties and rights. Moreover, most of these societies (17 of 23) were able to sustain or even enhance their formal democratic institutions by the end of the millennium. Based on these statistics, the political future would appear to be rosy.

However, considerable caution is called for. In the early 1990s, a number of social scientists expressed pessimism, at least about the near future (Hobsbawm, 1991; Jowitt, 1992; Steel, 1992). Ken Jowitt (1992), a leading specialist on Soviet and eastern European politics, has argued that the Leninist legacy of corrupt authoritarian regimes is likely to remain for some time and constitutes a very inadequate foundation for constructing a genuinely democratic polity. Jowitt suggests that postsocialist countries in the future will more likely resemble the Latin America of the past than the western Europe of the present—that is, that they will experience the constant breakdown of attempts to establish democracy. The most one might hope for in the near future, he argues, is a kind of "liberal authoritarianism," or the type of highly restricted democracy that characterized the western European states before the mid- to late-nineteenth century. Jowitt's pessimism has been echoed by Ronald Steel (1992:170–171), and for largely the same reasons:

TABLE 8.2 Democracy and Political Rights in Postsocialist and Newly Autonomous States, 1977-2003

Country	Democracy Score			Political Rights Score		
	1980	1993	2000	1977	1988	2003
Albania	0.0	7.7	12.0	1	1	5
Azerbaijan	—	3.1	11.8	—	—	2
Belarus	—	6.5	7.2	—	—	2
Bosnia-Herzegovina	—	16.2	24.8	—	—	4
Bulgaria	0.0	35.4	24.1	1	1	7
Czech Republic	0.0	40.3	39.3	1	1	7
Estonia	—	17.7	24.1	—	—	7
Georgia	—	19.8	14.8	—	—	4
Hungary	0.0	27.4	25.4	2	3	7
Kazakhstan	—	1.5	8.2	—	—	2
Kyrgyzstan	—	2.4	11.0	—	—	2
Latvia	—	19.5	27.7	—	—	7
Lithuania	—	23.5	28.2	—	—	7
Macedonia	—	12.2	20.2	—	—	5
Moldova	—	8.0	22.0	—	—	5
Poland	0.0	19.6	22.3	2	3	7
Romania	1.1	27.5	20.7	1	1	6
Russia	—	27.0	20.7	1	2	3
Slovakia	—	38.4	36.8	—	—	7
Slovenia	—	33.0	29.1	—	—	7
Tajikistan	—	3.0	9.2	—	—	2
Ukraine	—	21.7	32.7	—	—	4
Yugoslavia	0.0	20.7	20.7	2	3	5

Note: Democracy scores are calculated as the rate of voter participation multiplied by the extent of political party competition, which is then divided by 100. A political rights score of 7 indicates the greatest recognition of political rights, a score of 1 the least recognition (these scores have been reversed from the original coding).

Sources: Vanhanen (2003); Gastil (1989); Freedom House Survey Team (2003).

For all the justifiable euphoria that has greeted the downfall of Stalinist dictatorships in most of the region, the fact remains that the states of this region are, for the most part, without a democratic tradition or modern economy. Some are quite likely to revert to previous forms of militarism and authoritarianism. All will probably be plagued by unemployment, inequality, and the consequent social unrest. The states of this traditionally unstable region have been frozen in an authoritarian mold for at least four decades, and some for many more. They have been cut off from the forces of democratization and modernization that have transformed Western Europe. They have a long history of anarchy, ethnic violence, endemic hatreds, regional warfare, and authoritarianism. The fact that they have been liberated from communist dictators does not mean that they will be pacific or democratic.



*Vladimir Putin, current president of Russia. Many scholars see Putin as the head of a political and economic oligarchy that must be radically reformed before Russia can be truly modernized.*

Kagarlitsky's (2002) recent analysis of the corrupt and authoritarian political scene in Russia suggests that the pessimism of these observers is well justified. It is abundantly clear that democracy in Russia is purely nominal or formal. Despite its democracy and political rights scores, there is no real democracy there at all. The same is true, although often to a lesser extent, of many of the other eastern European states and former Soviet republics. Gordon Hahn's (2002) perspective is quite similar to Kagarlitsky's. As he notes, Russia's revolution left many of the old ruling party bureaucrats in power rather than replacing them with an entirely new set of political leaders, and this has prevented Russia from creating a genuine democracy. In Hahn's words, the Russian government (2002:505)

convenes elections regularly and has achieved significant democratization in relations among elites. It has not developed, however, a truly liberal order where human rights are wholly secured and political institutions of a mature civil society, such as political parties and other associations, bring societal interests into politics by placing their representatives in decisionmaking positions and thereby intermediating state and societal interests. Instead of the domination of formal institutions functioning according to the rule of law, informal institutions leave leaders and bureaucrats unaccountable. Arbitrary rule wrestles with the rule of law in a fairly even contest. . . . There is little separation and balance between the executive, legislative, and judicial branches or effective civilian control, particularly parliamentary oversight, over the military.

Thus, Russia still has a long way to go before it establishes genuine democracy; it is very difficult to predict when that might become truly possible. Much work also remains to be done for many of the other "new democracies" of this part of the world.

## The Future of Socialism

With the collapse of Communism in its twentieth-century form, what is the future of socialism as a political philosophy and worldwide sociopolitical movement? Is it dead once and for all, as many observers have been claiming? Clearly, the answer is no. Many Western Marxists and other leftist intellectuals remain committed to a socialist future, but one that is much more humane and democratic than the old decayed socialism. Immanuel Wallerstein (1998), for example, argues that capitalism has only perhaps 50 or so years left in it, and that we are heading toward a great historical transition. Capitalism will encounter insurmountable problems that will bring it crashing down. In Wallerstein's view, it will in all likelihood be replaced by a type of global socialist system, which may or may not be an improvement on capitalism (although Wallerstein clearly hopes, and no doubt privately believes, that it will be better). Wallerstein envisions a new world-system in which all economic structures are nonprofit enterprises, some controlled by the state and some by other means. He argues that since nonprofit hospitals, for example, have operated under this kind of system and remained efficient, there is no reason in principle why other economic enterprises could not. These economic structures would not need to be internally autocratic or authoritarian in organization, could provide for worker participation in high-level decision making, and could build in safeguards against sloth and incompetence—one of the major undoings of the old state socialism—by penalizing it.

Similarly, Terry Boswell and Christopher Chase-Dunn (2000) see capitalism as unsustainable in the long run, but, unlike Wallerstein, they have mapped out a fairly detailed plan for constructing a global form of socialism that will retain many of the market principles of capitalism. All of these scholars, and many others like them, view the old state socialism as a perversion of socialist ideals that failed for a variety of reasons, chief among them the pressures of the surrounding capitalist world-economy. They remain optimistic that socialism can still work, and be a substantial improvement on capitalism, if it is constructed with an eye to learning from the errors of the past.

It remains to be seen whether any form of genuine socialism can ever be workable and a feasible alternative to capitalism. It may be that there really is no viable alternative to capitalism, and that the best we can do is "capitalism with a human face," as in the northern European social democracies of the present-day world. The big problem that seems to stand in the way of constructing a viable socialism is the "human nature" problem. The evidence from all over the world is that people, or at the very least a large number of them, seek power, status, and wealth. In small-scale hunter-gatherer and horticultural societies, those who strongly seek these things are not allowed to pursue their ambitions, and they lack the means to prevail against the will of the majority. But in societies of larger scale—agrarian and industrial societies—this is no longer possible, and significant inequalities become universal. If a socialist system along the lines imagined by Wallerstein or by Boswell and Chase-Dunn were to be established along relatively egalitarian lines, it is difficult to imagine it remaining that way for long. And it is much more difficult to eliminate sloth,

incompetence, and bureaucratic centralization than Wallerstein imagines. One can be a socialist by philosophical principle but at the same time recognize that it is extremely difficult, if not impossible, to make it work in practice. This is why there may be no viable alternative to some form of capitalism.

### FOR FURTHER READING

Chirot (1986) and Davis and Scase (1985) contain very good and easily understood treatments of state socialism. See also Lane (1985). János Kornai's *The Socialist System: The Political Economy of Communism* (1992) is a definitive work outlining the basic principles undergirding the functioning and evolution of state socialism from the perspective of an economist. Christopher Chase-Dunn's edited collection, *Socialist States in the World-System* (1982), is a provocative set of essays in which a number of contemporary Marxian scholars debate the nature of state socialism and its relationship to the capitalist world. Older but still useful works on state socialism are Djilas (1957) and Parkin (1971).

Kumar (1992) is an extremely insightful article on the 1989 revolutions in eastern Europe. See also Kumar (2001). Gordon Hahn's *Russia's Revolution from Above* (2002) is a highly detailed analysis of the collapse of the Soviet Union from the beginnings of its economic and political reforms in 1985 through the seizure of power by Yeltsin. Hahn shows in meticulous detail how the collapse was brought about by complex infighting among four different segments of the Soviet political elite. Two good collections of essays on the Soviet collapse and the situation since then are Lapidus (1995) and Dallin and Lapidus (1995). See also Jowitt (1992). Remnick (1997) is a journalistic account of post-Soviet Russia. Eyal (2003) discusses state socialism in Czechoslovakia and its postsocialist breakup in the early 1990s.

*The Black Book of Communism* (1999), by Stéphane Courtois and five other historians, is an attempt to assess the human consequences of Communism. The book was originally published in French and caused quite a stir when it first appeared in 1997. It is must reading for those who want a frank assessment of the realities of Communism.

An important set of essays put together by Daniel Chirot (1989) shows how eastern Europe has been less developed than western Europe since the early Middle Ages. Western Europe was not really responsible for "underdeveloping" it after the sixteenth century, as argued by Wallerstein. This lower level of eastern European development provided fertile ground for its political and military takeover by the Soviet Union after World War II.

Boris Kagarlitsky's *Russia Under Yeltsin and Putin* (2002) is an extremely vivid depiction of the failures of Russia in the postsocialist period. Kagarlitsky shows how the economic situation deteriorated in the 1990s and how Russia is still ruled by an undemocratic elite that has little prospect of modernizing the country.

Immanuel Wallerstein's *Utopistics: Or Historical Changes of the Twenty-First Century* (1998) argues that we are in the midst of a major worldwide transition from capitalism to something else, probably a type of socialism. By "utopistics," Wallerstein means careful consideration of the historical alternatives we currently face, not the creation of some sort of utopia, which is an impossible task. Wallerstein makes brief suggestions as to what alternative he would choose. Terry Boswell and Christopher Chase-Dunn's *The Spiral of Capitalism and Socialism* (2000) discusses both capitalism and state socialism from a world-system perspective and provides a thoughtfully worked-out strategy for a new version of socialism. Like Wallerstein, the authors are committed socialists, but are fully aware of the failures of former state socialist societies and their negative human consequences. They favor a democratic socialism that gives an important role to markets along with centralized planning and build on the socialist rethinking of Roemer (1994).