

INFORMATION TO USERS

This manuscript has been reproduced from the microfilm master. UMI films the text directly from the original or copy submitted. Thus, some thesis and dissertation copies are in typewriter face, while others may be from any type of computer printer.

The quality of this reproduction is dependent upon the quality of the copy submitted. Broken or indistinct print, colored or poor quality illustrations and photographs, print bleedthrough, substandard margins, and improper alignment can adversely affect reproduction.

In the unlikely event that the author did not send UMI a complete manuscript and there are missing pages, these will be noted. Also, if unauthorized copyright material had to be removed, a note will indicate the deletion.

Oversize materials (e.g., maps, drawings, charts) are reproduced by sectioning the original, beginning at the upper left-hand corner and continuing from left to right in equal sections with small overlaps.

Photographs included in the original manuscript have been reproduced xerographically in this copy. Higher quality 6" x 9" black and white photographic prints are available for any photographs or illustrations appearing in this copy for an additional charge. Contact UMI directly to order.

**Bell & Howell Information and Learning
300 North Zeeb Road, Ann Arbor, MI 48106-1346 USA
800-521-0600**

UMI[®]

NOTE TO USERS

Page(s) not included in the original manuscript are unavailable from the author or university. The manuscript was microfilmed as received.

ii

This reproduction is the best copy available.

UMI

A Question of Trust?
State-Society Relations in Eastern Europe and the Former Soviet Union with a Case
Study of Lithuania, 1991-1997

by

Kiaras Gharabaghi

Submitted in partial fulfillment of the requirements for the degree of Doctor of Philosophy

at

Dalhousie University
Halifax, Nova Scotia

© by Kiaras Gharabaghi, June 1999



National Library
of Canada

Acquisitions and
Bibliographic Services

395 Wellington Street
Ottawa ON K1A 0N4
Canada

Bibliothèque nationale
du Canada

Acquisitions et
services bibliographiques

395, rue Wellington
Ottawa ON K1A 0N4
Canada

Your file Votre référence

Our file Notre référence

The author has granted a non-exclusive licence allowing the National Library of Canada to reproduce, loan, distribute or sell copies of this thesis in microform, paper or electronic formats.

The author retains ownership of the copyright in this thesis. Neither the thesis nor substantial extracts from it may be printed or otherwise reproduced without the author's permission.

L'auteur a accordé une licence non exclusive permettant à la Bibliothèque nationale du Canada de reproduire, prêter, distribuer ou vendre des copies de cette thèse sous la forme de microfiche/film, de reproduction sur papier ou sur format électronique.

L'auteur conserve la propriété du droit d'auteur qui protège cette thèse. Ni la thèse ni des extraits substantiels de celle-ci ne doivent être imprimés ou autrement reproduits sans son autorisation.

0-612-49260-5

Canada

NOTE TO USERS

Page(s) not included in the original manuscript are unavailable from the author or university. The manuscript was microfilmed as received.

ii

This reproduction is the best copy available.

UMI

DALHOUSIE UNIVERSITY

DATE: August 27, 1999

AUTHOR: Kiaras Gharabaghi

**TITLE: A Question of Trust? State-Society relations in Eastern Europe and
the Former Soviet Union with a Case Study of Lithuania, 1991-1997**

DEPARTMENT: Political Science

DEGREE: Ph.D CONVOCATION: October YEAR: 1999

Permission is herewith granted to Dalhousie University to circulate and to have copied for non-commercial purposes, at its discretion, the above title upon the request of individuals or institutions.



Signature of Author

THE AUTHOR RESERVES OTHER PUBLICATION RIGHTS, AND NEITHER THE THESIS NOR EXTENSIVE EXTRACTS FROM IT MAY BE PRINTED OR OTHERWISE REPRODUCED WITHOUT THE AUTHOR'S WRITTEN PERMISSION.

THE AUTHOR ATTESTS THAT PERMISSION HAS BEEN ATTAINED FOR THE USE OF ANY COPYRIGHTED MATERIAL APPEARING IN THIS THESIS (OTHER THAN BRIEF EXCERPTS REQUIRING ONLY PROPER ACKNOWLEDGEMENT IN SCHOLARLY WRITING), AND THAT ALL SUCH USE IS CLEARLY ACKNOWLEDGED.

Table of Contents

	Abstract	v
	List of Tables	vi
	List of Figures	vii
	List of Acronyms	viii
	Map	x
	Acknowledgments	xi
	Introduction	1
Chapter 1	The Political Economy of Transformation: theory and practice	32
Chapter 2	The Concept of Trust: some theoretical considerations	72
Chapter 3	Democratization, Political Culture and Trust	96
Chapter 4	State-Society Relations and the Concept of Trust	143
Chapter 5	The Political Economy of Transformation in Lithuania	196
Chapter 6	Trust and the Lithuanian State-Society Relationship	262
	Conclusion	304
	Bibliography	321

ABSTRACT

This thesis explores the political economy of transformation in Eastern Europe and the Former Soviet Union, with a case study of Lithuania. The transformation processes in these countries have been dominated by the ideology of neo-liberalism, which corresponds to the trend observed in the evolution of international development theory and development economics. As such, the conceptual frameworks that have been developed by academics and policy-makers alike have prioritized the role of formal economic and political reforms. While critical voices in the transformation debates have pointed to the importance of other approaches, emphasizing in particular the roles and potential roles of civil societies in the formation/rebuilding of the 'new' countries of Eastern Europe and the Former Soviet Union, they too have developed a conceptual framework for understanding transformation in formal and largely institutional terms. In this thesis, I argue that the transformation processes throughout Eastern Europe and the Former Soviet Union entail not merely economic and political dynamics, but also, and more fundamentally, psychological dynamics. I therefore explore the status of state-society relations, first comparatively using data from all the countries undergoing transformation, and then in greater detail using data from Lithuania. Specifically, I explore the role of trust within the state-society relationships, and I argue that the transformation dynamics have given rise to conditions that promote distrust within that relationship. To the extent that distrust becomes entrenched within the psychology of the community/society, the dynamics of transformation are likely to reproduce themselves indefinitely, and thus generate a transformation 'condition' instead of a transformation 'process'.

List of Tables

Table 1	Lending to Europe and Central Asia by Sector, 1990-1993	56
Table 2	Satisfaction versus Dissatisfaction with Development of Democracy	155
Table 3	Market Economy: Right or Wrong	156
Table 4	Trust in Political and Civil Institutions by Country	157
Table 5	Evolution of the Unofficial Economy in Selected Countries of Eastern Europe and the FSU, 1989-1994	179
Table 6	Share of Agriculture in Composition of National Income, 1989	201
Table 7	Social Indicators, Lithuania versus USSR Average, 1989	207
Table 8	Income per Capita, USSR versus Lithuania, 1975-1988	207
Table 9	Average Monthly Salaries, USSR versus Lithuania, 1989	207
Table 10	Quarter Annual Wages and Price Indexes for Lithuania, 1991-1992	215
Table 11	Wages in Lithuania, 1992	216
Table 12	Geographic Distribution of Trade with FSU in 1991	225
Table 13	Import-Export Origins and Destinations for Lithuania, 1994	226
Table 14	Lithuania's Trading Partners, 1998	226
Table 15	Privatization of Enterprises in Lithuania, 1991-1996	229
Table 16	Foreign Investment in the Baltic States, 1993	230
Table 17	Origin of foreign Investment in Lithuania, 1997	231
Table 18	Average Public Sector Salary Compared to Education Sector Salary, 1997	246
Table 19	Discharge of Sewage from Major Lithuanian Towns	249
Table 20	Results of the Lithuanian Parliamentary Election, 1992	256
Table 21	Results of the Parliamentary Elections in Lithuania, October 1996	257
Table 22	Summary of Democratization in Lithuania	259
Table 23	Crimes Recorded in the Baltic States, 1990-1995	265
Table 24	Recorded Baltic State Crimes Considered Solved, 1990-1995	265
Table 25	Nitrate Concentration of Produce in Lithuania	271
Table 26	Evaluations of Pre-Independence/Post-Independence Governing Systems	288
Table 27	Political Participation in Lithuania, 1997	292
Table 28	Public Trust in Institutions in Lithuania, 1996	293
Table 29	Extreme trust Positions in Lithuania, 1996	293
Table 30	Expressions of Pride in Institutions/Accomplishments in Lithuania, 1997	297
Table 31	Membership in the EU: Who Would Win, Who Would Lose?	298
Table 32	The Conditions for Trust and the Consequences of Distrust in State-Society Relations	311

List of Figures

Figure 1	Lending per Capita in Europe and Central Asia, 1993	55
Figure 2	Extraordinary and Normal Politics	60
Figure 3	Decrease in Purchasing Power of Average Pension	220
Figure 4	Employed as a Percentage of Total Population	233
Figure 5	Employment in State, Private and Collective Sectors	234
Figure 6	Dynamics of Real Wages	238
Figure 7	Mortality Due to Non-Medical Causes, Circulatory Diseases, and Cancer	240
Figure 8	Tuberculosis, Dysentery, and Syphilis in Lithuania, 1990-1995	241
Figure 9	Net Replies	285
Figure 10	Participatory Trends in Lithuania, 1990-1992	291

List of Acronyms

ADB	Asian Development Bank
BBC	British Broadcasting Corporation
BIS	Bank for International Settlements
BNS	Baltic News Service
CAP	Common Agricultural Policy
CCFF	Compensatory and Contingency Financing Facility
CDPSP	Current Digest of the Post-Soviet Press
CIS	Commonwealth of Independent States
CPSU	Communist Party of the Soviet Union
EBRD	European Bank for Reconstruction and Development
ECE	Economic Commission for Europe
EIB	European Investment Bank
EIU	Economist Intelligence Unit
EPZ	Export Processing Zone
ESAF	Concessional Facility
EU	European Union
FDI	Foreign Direct Investment
FDZ	Federal Employment Services
FIAS	Foreign Investment Advisory Services
FSU	Former Soviet Union
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
IAEA	International Atomic Energy Agency
IDB	International Development Bank
IDL	International Division of Labour
IDP	International Division of Power
IFI	International Financial Institution
IMF	International Monetary Fund
ISI	Import Substitution Industrialization
KDP	Christian Democratic Party
LDC	Less Developed Country
LDLP	Lithuanian Democratic Labour Party
LLDC	Least Developed Country
MAD	Mutually Assured Destruction
MNC	Multi-National Corporation
MSL	Minimum Standard of Living
NAFTA	North American Free Trade Agreement
NAM	Non-Alignment Movement
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
NIC	Newly Industrializing Country
NIEO	New International Economic Order
NYT	New York Times

OECD	Organization for Economic Cooperation and Development
OMRI	Open Media Research Institute
OPEC	Organization of Petroleum Exporting Countries
RFE/RL	Radio Free Europe / Radio Liberté
SAL	Structural Adjustment Loan
SAP	Structural Adjustment Program
SECAL	Sectoral Adjustment Loan
SOE	State Operated Enterprise
STF	Systemic Transformation Facility
STP	Strategic Technology Policy
STS	Scientific and Technical Services
TSLK	Homeland Union
UNCTAD	United Nations Conference on Trade and Development
UNDCP	United Nations Drug Control Program
UNDP	United Nations Development Program
VAT	Value Added Tax
WSA	World Systems Analysis
WTO	World Trade Organization



Acknowledgments

I am very grateful to Dr. Robert Finbow and Dr. Robert Boardman for their advice, their patience, and their encouragement as I struggled to produce this thesis. I would also like to thank Dr. Andrea Chandler, who served as the external examiner at my defense. Her comments and questions were challenging but also insightful.

The Department of Political Science, including its faculty, has provided me with the most positive experience I could ever hope for, and I am thankful to all those who contributed. The Faculty of Graduate Studies provided me with a travel grant, which allowed me to spend time in Lithuania, Latvia and Estonia, where most of my field work was completed.

I am particularly indebted to Dr. Gilbert Winham, with whom I have traveled 'the ends of the earth', including to Ukraine, Kazakhstan and Kyrgyzstan. These trips provided me with access to high ranking officials I would not have been able to meet otherwise. He gave me opportunities that go well beyond anything a Ph.D student could reasonably expect. My work with Gil has not only enriched my experience as a student, but it has enriched me as a person and as a professional. Thank-you again, Gil.

No words could possibly describe the truly amazing contribution of my supervisor, Dr. Timothy Shaw. He has contributed to virtually everything I have accomplished at Dalhousie University. From substantive advice on my thesis to providing me with shelter when I really needed it, from serious guidance to ridiculous comedy, his support, encouragement and friendship allowed me to ultimately succeed. Thank-you is all I can offer at this time, but it does not really capture my appreciation.

A special thank-you to Ed Stoddard, who shared his expertise and his apartment with me in Vilnius, and to Paul and Amy, who shared their home with me in Halifax. They asked for nothing in return.

My family has always been my inspiration: Ma & Pa, Esmat, Kio, Rafat, Tahmo, Rhonda and Sheila.

Over the past seven years, a number of friends have helped me maintain my passion for life:

Birol, Debbie, Lars, Jost, John, Patti, Dave, Lisa, Don, Eva, Bob and Ann.

In the end, notwithstanding all of the above, I must admit:

I owe this moment to my wife. Thank-you Tammy.

Introduction

The transformations in Eastern Europe and the Former Soviet Union (FSU) entail the simultaneous transition from central plan to market and from authoritarian/totalitarian political system to democracy. Transformation can therefore be seen as the sum of two interrelated processes: *marketization* and *democratization*. Each process involves structural, institutional, and behavioral elements. Marketization includes the establishment of a private sector with the appropriate property and entitlement rights, the creation of institutions that can support the market, notably banks, but also many regulatory arrangements. It also includes the development of entrepreneurs, business ethics and norms, and a consumer culture (Mandelbaum, 1993; Portes, 1993; Marer, 1993). For its part, democratization includes the establishment of an accessible, transparent political system, political institutions such as parliaments, political parties, and presidencies, as well as developing principles of citizenship and civic participation commensurate with the philosophical tenets of democracy (Nelson, 1995; Sorenson, 1993).

Given the historical context of Eastern Europe and the FSU, in particular over the past fifty years, it is clear that the scope of transformation in this region is all-encompassing. The structural, institutional, and behavioral aspects of marketization and democratization are fundamentally different from their equivalents in the communist political economies that characterized the countries of this region for over fifty years.

The transformations in Eastern Europe have been underway for nearly ten years now, and in the FSU, for eight years. In some cases, the first steps of transformation were taken even earlier (notably in Hungary and in Poland). However, these steps were hardly comparable to the rapid and total dismantling of the official structures of communist

political economy following 1989 (Nelson, 1995b, Smolar, 1997). With the exception of what remains of the Yugoslav Federation, all the countries of Eastern Europe have embarked on marketization and democratization in significant measure, and in the FSU, all but Turkmenistan, Uzbekistan and Belarus have done the same. While there are major differences in specific outcomes (the Czech Republic versus Tajikistan; Hungary versus Ukraine), there are also considerable similarities in the processes and dynamics that have been generated by the transformation process itself.

While economic outcomes in particular vary considerably across the transforming countries, the status of democratization varies less. Noting the exceptions cited above, all the countries of Eastern Europe and the FSU have established the basic institutional structure of liberal democracy, and have introduced the electoral process required for at least a minimalist version of democracy (see chapter 3). All have experienced peaceful leadership transitions based on election outcomes, and all have demonstrated tolerance for opposition to the governing party (albeit to varying degrees).

In the economic sphere, in contrast, only a few countries have now achieved similar or higher output than prior to 1989¹, and in all cases, economic inequalities have increased dramatically. Negative economic conditions, such as high inflation, high unemployment, low wages and poor labor standards are major issues across the board.

Nevertheless, without a single exception, the process of marketization is evaluated more positively by the publics of the transforming countries than the process of democratization (Eurobarometer, 1995; 1996). Moreover, the public and professional

¹ Poland was the first to surpass its pre-1989 level of economic output, followed by Slovenia, the Czech Republic and the three Baltic states, Estonia, Latvia, and Lithuania:

evaluations of the process of marketization are far more consistent than the public and professional evaluations of the process of democratization². This thesis seeks to address this apparent paradox: why do the publics of the transforming countries maintain a cynical view of the process of democratization in spite of clear and identifiable progress in the structural and institutional elements of building democracy?

The answer to this question, I argue, can be found by examining the process of democratization, in the context of the simultaneous process of marketization, focusing in particular on the behavioral, or psychological, elements of the process. In this thesis, I therefore examine the nature of state-society relations during the transformations in Eastern Europe and the FSU. Specifically, I investigate the degree to which the transformation process itself gives rise to a strong element of 'distrust' within state-society relations, and thereby generates major obstacles to its own completion. I argue that *to the extent that state-society relations are indeed characterized by distrust as a result of social, political, and economic dynamics embedded within the transformation process, the process is likely to reproduce itself indefinitely, and thereby, for all intents and purposes, constitute a condition.*

By examining the concept of trust in the context of the transformations in Eastern Europe and the FSU, this thesis will not only contribute to our understanding of these transformations, but it will also contribute more generally to political economy theory by emphasizing the role of *political psychology* in the contexts of marketization and democratization.

² By 'professional' I mean evaluations by scholars, consultants, and government officials, as well as representatives of international financial institutions and assistance programs.

Background

As early as 1990, Ralf Dahrendorf suggested that transformation in Eastern Europe and the FSU will take place in three 'hours', whereby each will feature very distinctive temporal dimensions. Thus, the first hour will be that of the lawyers. This hour will be the shortest, and it will involve the tearing down of the existing legal systems, regulatory frameworks, and constitutions, and their replacement with new ones, styled after those already in place in the Western liberal democracies.

Its first stage is about the constitution. This is the hour of the lawyers. By that of course I do not mean the litigious advocates of American courts, nor the philologists of arcane texts in the Roman law tradition, but those who have the imagination and comparative experience to find a way out of the monopoly of the party and all subordinate monopolies too. This is the core issue, and it is not enough simply to remove the relevant article from existing constitutions (Dahrendorf, 1990, 86).

The second hour is that of the politician, and it will be considerably longer. Here, the existing economies must be transformed into entirely new ones.

Breaking the economic monopoly means of necessity the introduction of elements of the market. Whatever notions we use--prices, competition, incentives, even contract--they all involve a plurality of actors who are not coordinated by Gosplan or any other bureaucratic monster, but by less visible hands. ... Thus, some kind of market economy follows from the constitutional changes required to build an open society (Dahrendorf, 1990, 92-93).

The third hour, however, is by far the longest. This is the hour of the citizen. It involves transforming attitudes, belief systems, social codes of conduct, values, and the nature of social relations. As such, this hour not only is by far the longest, it is also the most challenging.

Civil society is the key. It pulls the divergent time scales and dimensions of political and economic reform together. It is the ground in which both have to be

anchored in order not to be blown away. The hour of the lawyer and the hour of the politician mean little without the hour of the citizen (Dahrendorf, 1990, 100)

By necessity, these three hours will overlap considerably. Thus, the first hour may yield a change in the legal system pertaining to property and entitlement, which would immediately impact on the nature of the economy, and thus set into motion the second hour, even if, as will likely be the case, the first hour is still in progress. The third hour, pertaining to all the complexities of social relations, will have started already in anticipation of the first and second hours:

Dahrendorf's articulation of the 'three hours of transformation' reflects the theoretical framework of democratization articulated by other theorists. Thus, Claus Offe suggests that 'democratic political systems' are characterized by three 'levels of decision-making'. The level of identity pertains to 'fundamental decision-making', where decisions are made about the social and cultural boundaries of society. The 'constitutional level' pertains to legal and structural decision-making, where legal, political and institutional decisions are made. Finally, the third level pertains to 'normal political decision-making'. Here, 'particular interests are translated into political decisions on a routine basis' (Nikolic, 1996; Offe, 1985).

Dahrendorf's first two hours of transformation correspond to Offe's second level of decision-making. The third hour of transformation manifests itself within the relationship between Offe's first and third levels of decision-making, as mediated through the second level. The democratic content of political systems is derived from the co-existence of all three levels of decision-making. The transformation problematic thus

becomes apparent: '[a] theoretical and practical question is how it is possible to simultaneously realize the tasks and goals of all three levels, when modern history has shown that to do so demands different, even contradictory factors, principles, and actions' (Nikolic, 1996, 106).

There is a profound difference between the first two hours of transformation and the third hour. The objects of transformation during the first two hours, the legal systems and the economies, have no autonomous capacity to respond to changes imposed upon them. They are, after all, objects that were created, or put into place, by humans. Just as they were created, they can also be destroyed or replaced. The object of transformation during the third hour, on the other hand, does indeed have an autonomous capacity to respond to the changes being imposed upon it. In this case, the object consists of humans, who, as individuals and in groups, are governed not only by formal, objective laws, rules, and authority, but also by informal rules, values and norms. Informality cannot be consciously created, and therefore, cannot be consciously destroyed or replaced. Instead, informality consists of the infinite number of components entailed in relationships. Relationships, in turn, exist fortuitously. The avoidance of a particular relationship, or its outright denial, constitutes, by definition, a relationship, because it requires a conscious awareness of the existence of two entities, and their positioning with respect to one another.

Within the process of transformation, then, every position taken by the agents of transformation (governments, IFIs, consultants) represents a position taken within a relationship, and thus, impacts on the relationship between those agents and the objects of transformation. The relationship between the agents of transformation and the objects of

the first two hours of transformation is one-sided. Neither the legal systems nor the economies have 'feelings', and thus neither can generate an emotional response. Such a relationship can be entirely directive and still survive. The relationship between the agents of transformation and the object of the third hour of transformation, on the other hand, is two-sided. The citizen does have 'feelings', and thus can generate an emotional, or psychologically inspired, response. A relationship of this nature can still be directive and survive, however, it would no longer constitute a healthy relationship, and it would likely be characterized by a considerable degree of volatility and instability. A healthy relationship, characterized by stability and predictability, would be one in which the agents and the citizen mutually reinforce the transformation, so that the transformation represents a shared responsibility as well as a shared benefit to the relationship, and thus renders the relationship itself objectively useful and emotionally gratifying.

In short, neither the state nor society can generate the transformation unilaterally. The activities of both, state and society, even if operationally autonomous, must nevertheless be connected, or bound together, within the context of a relationship:

The key question is how to fill the gap between the state and the people--sometimes, as in Rumania, one of frightening dimensions--with activities which by their autonomy create social sources of power. Before this is achieved, the constitution of liberty and even the market economy, will remain suspended in mid-air (Dahrendorf, 1990, 105).

Transformation is, of course, a complex undertaking, and thus the process of transformation cannot consistently produce objectively useful and emotionally gratifying outcomes. At any point during this process, the relationship between the agents of transformation and any of the objects of the three hours of transformation may encounter

difficulties, undesirable outcomes (mistakes), or outcomes which are desirable in the long term, but which produce detrimental effects in the short term. Where mistakes are made, the first and second hours of transformation can simply be reprogrammed. In the case of the legal systems, such reprogramming can be instantaneous. In the case of the economies, it may be more complex, in as much as mistakes in the transformation of the economies may quickly penetrate every aspect of these economies, thus rendering the reprogramming more complex and time consuming. Where short term detrimental effects to the first two hours of transformation are produced in order to meet long term goals, no new inputs into the relationship between the agents and the first two hours of transformation are introduced, since those relationships are one-sided, and thus the agents have sole control over the character of the relationship.

Because the relationship between the agents of transformation and the third hour of transformation, the citizen, has an emotional and psychological basis, undesirable outcomes, or mistakes, do introduce new inputs into the relationship. These may vary, however, they would likely involve misgivings on the part of the citizen, unless of course, the relationship itself provided for prior permission to make mistakes. Such permission is indeed commonly provided for in two stages of relationships that have an emotional and psychological basis. It is almost always provided for in relationships when these have existed for some time, and have already formed a common history that cumulatively features mutual benefit and emotional gratification. It is also commonly granted in relationships immediately after their formation, assuming that this was voluntary, and that each party to the relationship entered it with emotional optimism and exuberance. This stage within a relationship is, however, extremely vulnerable and very short. While

mistakes can be forgiven, too many mistakes can quickly change the nature of a relationship from one that is objectively beneficial and emotionally gratifying to one that is objectively detrimental and emotionally trying³.

The problematic becomes accentuated by the difficulty entailed in determining at what state the relationship between the agents of transformation and the object of the third hour is. As Dahrendorf points out, 'the hour of the lawyer is euphoric and filled with visible progress; the hour of the politician is tense at times but exhilarating at others, the hour of the citizen drags on through numerous ups and downs, and its success can never really be measured' (Dahrendorf, 1990, 107).

Much the same logic applies to situations where undesirable outcomes are created in the short term in order to meet longer term goals. Any healthy relationship is able to accommodate this if at least one of the following two conditions applies. Either there is a perception that the decision to generate undesirable outcomes in the short term came from within the relationship rather than only one party to the relationship (in which case the undesirable outcomes and the coping with these outcomes constitute shared responsibilities), or there is a degree of *trust* within the relationship as a result of which one party, in specific circumstances, can accord sole decision-making authority to the other, without, however, absolving itself from the responsibility to live with the consequences of the other's decisions⁴.

³ This argument relates to what Balcerowicz termed the 'period of extraordinary politics', where euphoria allows for dramatic moves which during the 'period of normal politics' would not be possible (see chapter 1).

⁴ As we have seen in chapter 1, IFI policy *assumed* that difficult economic adjustments could be carried out without jeopardizing the regime, as long as the limits of popular accommodation were taken into account. Almost invariably, this proved to be inaccurate,

Although alluded to above, it is crucial to be perfectly clear in regards to the following: it is, of course, possible to render the nature of the relationship between the agents of transformation and the third hour of transformation quite similar to that between the agents and the first two hours of transformation. This is called *oppression*, and historically, almost all social relationships (and arguably almost all relationships between individuals) have been subject to degrees of oppression. The least complex and the most easily identifiable form of oppression is the use of force, followed closely by the threat of force. The former allows one party to a relationship to physically exert control over the other party's input into the relationship, and thus to assume sole discretion over how 'objective benefit' and 'emotional gratification' is to be defined in the context of that relationship. The threat of force works to produce the same outcome as the actual use of force, however, it does so in more complex ways. Specifically, the threat of force exerts control over the other party's input into the relationship indirectly by limiting the emotional choice of the latter in such a way, so that the latter continues to contribute to the objective benefit and emotional gratification of the former without, however, him/herself laying a claim to these products of the relationship⁵.

The use of force and the threat of force subject social relationships to very high and very visible degrees of oppression. Moreover, this form of oppression can be universally targeted. Other, less visible, forms of oppression, such as sexism, racism, or

as regimes did fall in almost all cases in Eastern Europe. The question that was never addressed is what is meant by 'the limits of popular accommodation'?

⁵ This is really what the state-society relationship in the Soviet Union and in Eastern Europe was all about. The state did in fact define the parameters of emotional gratification and objective benefit and protected these definitions through its coercive mechanisms. In some cases, this dynamic still exists after the collapse of communism:

homophobia, can also produce very high degrees of oppression, however, such oppression is often much less visible and it is not targeted universally but rather against specific groups⁶.

One can conceptualize the transformations in Eastern Europe and the FSU in accordance with the three hour imagery presented by Dahrendorf. In so doing, it is essential to consider the centrality of the concept of relationship within the third hour of transformation. Both orthodox and critical approaches to transformation have failed to do so. As a result, both approaches have failed to recognize some of the implications of transformation that call into question whether the transformation process, once set into motion, can possibly ever end. By analyzing the nature of the social relationships in Eastern Europe and the FSU, in particular as they relate to the transformation process, it becomes clear that the process itself can work against the formation of healthy social relationships, as defined above, between the agents of transformation and the third hour, or the citizen. Since the process cannot be completed until the expire of all three hours of transformation, whereby the third hour of transformation cannot expire until the formation of healthy social relationships between the agents of transformation and the citizen, which cannot happen as long as the transformation is on-going, we are faced with a profound contradiction. A process, does require a beginning and at least the possibility of imagining an ending (Lomax, 1994, 189⁷). In at least some of the transformation processes in

Belarus, Uzbekistan, Turkmenistan and what remains of Yugoslavia come to mind.

⁶ This dynamic can be observed in those countries of Eastern Europe and the FSU where there are significant ethnic minorities. Thus, the Russian minorities in Latvia and Lithuania, the Hungarians in Rumania and Turks in Bulgaria, as well as the Gypsies in the Czech Republic and in Hungary have experienced oppression of this nature.

⁷ Bill Lomax argues in this context that "the very notion of transition is a dubious one,

Eastern Europe and the FSU the process itself works to exclude this possibility. Therefore, some of the transformations in Eastern Europe and the FSU approach a condition, in which the initial phases of a hoped-for but nearly impossible process reproduce themselves indefinitely.

Orthodox approaches to transformation take as their starting point a global environment in which political, economic, and social systems can produce desirable outcomes as long as they are governed by neo-liberal ideology. This global environment is set against national political economies which are governed by liberal democracy. Implicit in this orthodox imagery is a healthy state-society relationship which has a historical foundation and which produces objective benefits and emotional gratification for both parties to the relationship. The increasing globalization of national political economies in recent years poses a challenge to the health of the state-society relationship, because the parties to the relationship can no longer make important decisions autonomously. In a globalized political economy, opportunities for new relationships are introduced. Notably, societies from formerly distinct and separate national political economies can now increasingly enter into relationships with one another. Likewise, formerly entirely separate states can also enter into relationships with one another. Alternatively, there is now an opportunity for state-society relationships, or state-society complexes (Cox, 1982), to enter into relationships with one another. Entering into such new relationships is, however, quite a complex matter, and requires considerable resources. For example, in order for two formerly separate societies to enter into a relationship with one another,

riddled with historicist and teleological assumptions, and implying the existence of definite points of arrival and departure, and a final stage at which the transition is complete”

they would have to learn to communicate with one another, as well as to bridge the physical distance between one another. Moreover, because these societies already have prior relationships with their respective states, the decision to enter a new relationship would have to be made through the decision-making process relevant to these already existing relationships. The same kind of complexity exists for two formerly separate states to enter into a relationship with one another.

It is, however, possible to transcend this complexity. Because of their historical foundation, the state-society relationships within national political economies allow for the transfer of decision-making authority from the relationship itself (i.e.: where such authority derived from a consultative process between both parties with a high degree of accountability) to principally one party to the relationship. Since the state has greater access to the necessary resources to initiate relationships with other states, and moreover, since it is considerably easier to hold accountable the state than the much more diverse society, formal decision-making authority is invariably transferred from society to the state rather than the other way around.

While orthodox articulations of state-society relationships continue to exude confidence about the potential for 'healthy' relationships in spite of globalization, it should be noted that globalization has indeed strengthened a trend toward transnational society-society relationships, often outside of the purview of the state. Transnational NGO partnerships have been proliferating rapidly in recent years, and to some extent and in some issue-areas, have given rise to global networks of non-governmental relations (MacLean, 1997). This trend is strengthened further by new technologies such as the

(Lomax, 1994, 189).

Internet. To some extent, this trend has already been incorporated into the dynamics of existing state-society relationships, either directly, as evidenced by the restructuring of national foreign aid programs to reflect a greater involvement of NGOs, or indirectly, as evidenced by the involvement of NGOs in the program implementation of institutions such as the World Bank and the IMF (Nelson, P., 1994).

From an orthodox perspective, then, globalization, if governed by neo-liberal ideology, does not pose a significant obstacle to maintaining healthy state-society relationships. It is in fact essential for states to be able to enter into new relationships with other states and to solicit from these states invitations to participate in their national political economies, as well as to grant to other states such invitations. It comes as no surprise, therefore, that the orthodox approach advocates first and foremost the marketization of the political economies of Eastern Europe and the FSU, and the withdrawal of barriers to both national and international commerce. In order to become eligible for relationships with the most desirable states in the world, whereby the desirability of states is a reflection of the national political economy they represent, the states of Eastern Europe and the FSU must, of course, institute macro and micro-economic frameworks that are attractive to the former. In addition, they must become members in those 'clubs' frequented by the desirable states, such as, for example, the WTO⁸, and they must not displease those institutions that are held in high esteem by the desirable states, such as, for example, the IMF.

⁸ All of the Eastern European countries and most of the countries of the FSU have in fact initiated the formal application process to become members of the WTO.

Since participation in the global political economy has produced an objective benefit and emotional gratification to the state-society relationships in the home bases of the advocates of orthodox thought, the orthodox approach to transformation is reasonable in every way but one: the states of Eastern Europe and the FSU are not entering the global political economy on equal grounds with in particular the already participating states from the liberal democratic West. Unlike their Western counterparts, these states are making decisions on behalf of their societies in the context of relationships that have no historical foundation, and that therefore do not provide for the transfer of all decision-making authority from society to the state. The state has not earned that trust. The net effect of the orthodox approach to transformation is therefore that while the first two hours of transformation are well under way, the third hour is further and further away from beginning.

The critical approach to the transformations in Eastern Europe and the FSU is not really an approach at all. It is more of a discursive intervention into the orthodox approach. This intervention demonstrates an intuitive understanding of the fundamental flaw of the orthodox approach, as elaborated above, but then proceeds to reproduce that flaw in the opposite direction. Unlike proponents of the orthodoxy, critical theorists argue that the global environment of the transforming countries is hazardous to their political and economic health. This global environment is governed by an ideology, namely neo-liberalism, that is produced by the dominant countries in the world, both economically and politically (as well as in military terms), and that is designed to legitimize the continued dominance of those countries. Moreover, at a time when the states of Eastern Europe and the FSU really need to focus on building a democratic political system within their own

countries, and on meeting the basic needs of their own populations, global adventurism as advocated by the orthodox approach to transformation ought to be avoided

Critical theorists then proceed to set the parameters of democracy that might be suitable for the transforming countries. Invariably, the emphasis is on civil society. From a critical perspective, democracy is built from the bottom up, and the appropriate agent of democratization is civil society. The state must be responsive to not only civil society as one entity, but rather to all the different groups and interests which make up civil society. This is not simply a matter of pluralism, as it is practiced in most Western liberal democracies. Instead, the state is to foster an environment in which associational life in at least a semi-autonomous political space is encouraged and furthered, and in which community-based decision-making is of primary importance.

There are, of course, significant differences among critical articulations of civil society and the relationship between civil society and the state (see chapter 3). Neither the role of the state nor the role of civil society are rigidly defined and universally recognized concepts within critical discourse. The two elements common to almost all critical perspectives on transformation are first, that the states of Eastern Europe and the FSU should guard themselves against instant incorporation into the global political economy, and second, that the process of democratization in the transforming countries must begin with civil society.

Clearly, the state-society relationships in Eastern Europe and the FSU cannot absorb the unilateral and largely unaccountable activities of states. There is insufficient trust that these actions will generate objective benefit and emotional gratification for both parties to the relationship. However, unilateral and largely unaccountable actions on the

part of civil society, or groups within civil society, produce the very same effect on the state-society relationship. The state too must develop a sense of trust in the society in order for the state-society relationship to be a healthy one, and therefore a stable and predictable one⁹.

Empirical evidence from the transformation experiences throughout Eastern Europe and the FSU suggests that state-society relations are characterized by at best limited trust. The nature of state-society relationships is thus fragile and unstable. Although there clearly are variations across Eastern Europe and the FSU, no country has as of yet transformed all three elements of political economy required for a 'successful transformation'. While some countries, such as the Czech Republic, Slovenia, and Estonia, appear to have made considerable progress in all three elements of the transformation, others, such as Ukraine, Bulgaria, and Tajikistan, appear to be caught in a 'transformation condition', characterized by the perpetual reproduction of transformation dynamics within their political economies.

Conceptual Framework

Over the past ten years, the literature on transformation has grown substantially, so that it is reasonable now to speak of a 'transformation literature'. What is unique about this literature is that its contributors are more diversified than most political economy literatures. Almost from the beginning, academics, professional consultants,

⁹ This relates to Adam Przeworski's argument about the importance of "institutions that provide a reasonable expectation that interests of major political forces would not be affected highly adversely under democratic competition, given the resources these forces can muster" (1988, 79) (see chapter 3).

representatives of international and transnational organizations (eg. the International Monetary Fund and the World Bank), representatives of governments as well as non-governmental organizations, and even private sector representatives shared the pages of major academic and professional journals, magazines and newspapers. In spite of this diversity of contributors, this literature has a number of identifiable characteristics.

First, the vast majority of contributions reflect a fundamentally liberal (or neo-liberal) political and ideological orientation. In much of this literature, transformation is hardly distinguishable from *Westernization*. The idea of marketization is associated with European and North American-type market systems (as opposed to, for example, South-East Asian or Japanese market systems), and the idea of democratization is associated with liberal democracy and the institutional bias of Western liberal democracy. To the extent that the transformation literature does include critical contributions, these are almost without exception deconstructive rather than constructive, and thus serve principally to identify weaknesses in the dominant approach, rather than to articulate alternative transformation strategies (Gowan, 1995; Petras, 1994; Arnot, 1994).

Second, the emphasis in the literature is principally on the state and its policy framework, and only minimally on society. Transformation strategy pertains to the economy, the political system and the institutional structure of the state, but not to the polity as a whole (ie: the state/society complex).

Third, the evaluation of transformations in specific countries is based first and foremost on economic performance. The Czech Republic and Poland are said to have been successful because of relative economic stability, while Bulgaria and Ukraine are not successful because of economic instability. Although economic and political

instability/stability often coincide, the literature appears to have a clear bias in favor of the economic aspects of transformation, thus prioritizing marketization over democratization (Thye Woo, 1994; Inglot, 1995; Aslund, 1994; Bremmer and Welt, 1995).

Fourth, there is a clear absence of conceptual continuity with respect to transformation in relation to other issues of political economy. Democratization in the specific context of the transformation in Eastern Europe and the FSU is seen as conceptually distinctive from democratization in Latin America and Africa. Likewise, marketization in this context is conceptually not related to economic development theory generated in the context of lesser developed countries (LDCs). Much of the transformation literature seeks to highlight the lack of historical precedent for these transformations, notwithstanding occasional references to post-war Germany and Japan as well as to post-colonialism (Sachs, 1993; Aslund, 1994; Balcerowicz, 1994).

In relation to these four characteristics of the transformation literature, the conceptual framework of this thesis will be markedly different. I start with the assumption that transformation entails economic, political, social, and psychological processes, all of which are profoundly interrelated. In this sense, marketization and democratization are not reflective of the separation of economics and politics. In fact, each process includes dimensions of both economics and politics. In other words, marketization and democratization are fundamentally processes of political economy. In making this argument, I am assuming that where both processes are being pursued, one depends on the other¹⁰.

¹⁰ This does not of course mean that democracy can only exist in the context of a market economy. However, where there already are ongoing processes of democratization and

Both marketization and democratization by definition involve a change in the nature of the state-society relationship, since in both cases the dependency of society on the state decreases along with the control of the state over society. It is therefore the development of this relationship which fundamentally shapes both processes, and thus the transformation as a whole. Under conditions of transformation, the state-society relationship is more actively evolving in the context of democratization than marketization, because as long as the market is being created through policy measures (which is what marketization means), accountability for the effects of marketization rests with the state. Through the processes of democratization, society gains access to this accountability, and thereby, to the creation of the market.

Conceptually, therefore, the emphasis in this thesis is on the state-society relationship in the context of democratization. It is clear that the democratizations in Eastern Europe and the FSU are based on a vision of liberal democracy, and therefore procedurally have prioritized the creation of institutions and legal structures (including constitutions) that mirror their counterparts in Western Europe (Lijphart and Waisman, 1996; Griffiths, 1997). The process of democratization thus relies on institutional structures. I argue in this thesis that this is insufficient. Since the institutions themselves were created by the state and the governing elites, they are subject to the same public perceptions as the state and the governing elites themselves. What is lacking in the context of Eastern Europe and the FSU is any type of experiential basis for the endorsement of these new institutions, their functions, or even their personnel. Over time, of course, these institutions will generate a performance record, which can then serve as a

marketization simultaneously, these two processes are interdependent.

form of experiential basis for evaluation. Under the conditions of transformation, however, the initial performance of these institutions is far more likely to be poor than positive, especially given the structural difficulties of marketization for which they will inevitably be held accountable.

Democracy must be able to withstand the 'ups and downs' of performance, and indeed, in existing democracies, it has generally done so. One explanation for the tenacity of democratic systems is based on the concept of *political culture*. The values, norms, and expectations of society are such that they promote democracy and reject any undemocratic alternatives. The political culture is said to have evolved to form the foundation of democracy. If indeed a democratic political culture is required to sustain democracy, then Eastern Europe and the FSU face a significant challenge: how to generate a democratic political culture in the context of 'not yet existing democracy', or alternatively, how to generate democracy in the context of a 'not yet democratic political culture'?

It is in this context that I introduce the concept of *trust*. Specifically, I argue that a state-society relationship governed by trust is conducive to the process of democratization, because it allows for tolerance with respect to the 'ups and downs' of performance. Conversely, distrust is particularly destructive to the process of democratization because it alienates society from the newly established institutions of democracy, and therefore presents an obstacle to the establishment of an operational record for those institutions.

The question then arises as to how to generate trust within the state-society relationship? One answer is to focus on the establishment of networks of trust not only

within that relationship, but also within society itself. That, in turn, requires a more active role for civil society, so that civil associations can generate opportunities for trust formation. Moreover, the more vibrant civil society becomes, the more it begins to share accountability for outcomes with the state.

Conceptually, I develop the concept of trust in relation to three major themes within political economy: democratization, civil society, and political culture. In so doing, I make a significant assumption about the concept of trust. I argue that it is not an emotion. Instead, trust constitutes a psychological response to an assessment and evaluation of existing conditions, based on experience. In other words, *trust is fundamentally rational*. This assumption has significant implications for the empirical framework of the thesis, which I will elaborate below.

Empirical Framework

This thesis is fundamentally about analyzing the status of trust within the state-society relationships of the transforming countries in Eastern Europe and the FSU. The question then arises as to how one can measure trust within these relationships? One approach, which is commonly used in the literature, is to utilize data from public opinion surveys. Typically, such surveys ask people very explicitly to state whether or not they trust particular institutions and individuals representing the state. A negative answer indicates distrust, while a positive answer indicates trust (Mishler and Rose, 1997; Rose, 1994; Hibbing and Patterson, 1994).

This quantitative approach to measuring trust is useful, and without a doubt provides some basis for understanding the nature of existing state-society relationships.

There are, however, several disadvantages to this approach as well. First, the definition of trust may vary from respondent to respondent, and therefore what is being measured may not be uniform. Second, the response may be very time-specific or issue-specific (eg distrust of banks on the day they declare record profits; distrust of the supreme court because it has legalized abortion). In this sense, the quantitative approach to measuring trust does not rely on the assumption that trust is rational. Emotional reactions and careful assessments of existing conditions are undifferentiated in the data.

A qualitative approach is concerned more with the existing conditions and how they have evolved over time. Assuming that trust is rational, and therefore accorded to those conditions/objects/institutions that have demonstrated *trustworthiness*, an analysis of whether existing conditions/objects/institutions are in fact trustworthy can give an indication of trust. A qualitative approach thus seeks to develop criteria by which not trust, but trustworthiness can be measured, or evaluated, qualitatively. Moreover, such an approach also seeks to determine what conditions/objects/institutions are relevant to the nature of trust within the state-society relationship (Sztompka, 1995; 1991; Barber, 1993).

In this thesis, I will combine elements of both approaches as part of the empirical framework. In the context of transformation in Eastern Europe and the FSU, numerous public opinion surveys have in fact been carried out that provide some indication as to the public perception of the state and its institutions. I will also, however, engage in qualitative analysis pertaining to the trustworthiness of the conditions/objects/institutions which might be relevant to the nature of trust within the state-society relationships.

In addition to analyzing the trustworthiness of conditions/objects/institutions, I will also postulate a number of conditions which are indicative of distrust within the state-

society relationship, and use the empirical information pertaining to Eastern Europe and the FSU to determine whether such conditions do in fact exist. This approach is based on the assumption that when the state-society relationship is characterized by distrust, trust is located elsewhere (eg: the family, the community, ethnic affiliations, religion, etc.). In this situation, the nature of political economy may also take on unique characteristics, such as, for example, significant informal economic activity and an increasing orientation towards illegal or criminal activity.

In summary, then, the empirical framework of the thesis will be based both on quantitative and qualitative approaches, and it will follow closely the conceptual framework pertaining to the concept of trust elaborated earlier.

Structure and Summary of Chapters

The major part of the thesis is the elaboration of the concept of trust with respect to state-society relationships and the significance of these relationships in understanding the transformations in Eastern Europe and the FSU. The objective of the thesis is to provide an alternative way of evaluating these transformations while at the same time, contributing to the analysis of the transformations themselves.

Accordingly, the thesis begins by situating the transformations in a global context, and specifically, a global *discursive* context. As indicated above, much of the literature on transformation is in accordance with the dominant ideological orientation in contemporary political economy: neo-liberalism. This literature is not, however, strictly academic; as mentioned, many of its contributors are in fact actively involved in the transformation process, and use academic and professional journals and other types of publications as a

way of advancing their prescriptions for transformation strategy. Consultants such as Jeffrey Sachs and Anders Aslund have reinforced their consulting positions through their contributions to the literature (Gowan, 1995). Understanding transformation, therefore, requires an understanding of the discursive hegemony of neo-liberalism.

In chapter 1 I review the rise of neo-liberalism as a hegemonic discourse in international political economy, and argue that notwithstanding many attempts to provide critical alternatives to this discourse, neo-liberalism remains in theory and in practice the foundation of all the transformations in Eastern Europe and the FSU.

I then provide a list of four major contributions of the international political economy to the transformation processes: ideas, ideology, culture, and information. I argue that the transmission of these contributions takes place in large part through the international financial institutions (IFIs), notably the IMF and the World Bank. These institutions became involved in the transformation process early on, and their use of cross-conditionality in exchange for much needed foreign currency, especially at the outset of the transformation processes, has shaped the process of marketization ever since.

In shaping the process of marketization, the work of the IFIs (more so than the actual institutions) has also shaped the initial stages of democratization. Indeed, the political transformations throughout Eastern Europe and in most parts of the FSU were initially guided by the advice and direction provided by consultants working closely with the IFIs. Democratic discourse in the early stages of transformation entailed very little in terms of democratic theory, and was concerned principally with the rapid establishment of constitutions and political institutions, so that social demands could not form in time to challenge the direction of democratization (Balcerowicz, 1994; Aslund, 1994). Chapter 1

concludes with some critical responses to the early directions of democratization approaches throughout Eastern Europe and the FSU.

In chapter 2, I define and elaborate the concept of trust. I distinguish between concrete (inter-personal) and abstract (social) trust, and show how social trust can manifest itself within civil society. I also demonstrate how the concept of trust became relevant in earlier approaches to modernization and political development during the 1960s and early 1970s.

The purpose of this chapter is to elaborate the role of trust both in the context of state-society relations and within society itself. At the end of chapter 2, I connect these issues to the process of democratization, arguing that in the context of democratization in Eastern Europe and the FSU, the concept of trust represents an essential resource.

The thesis continues in chapter 3 with a more detailed analysis of democratization. I argue that any approach to democratization inevitably reflects a given perspective on democracy itself. In the case of Eastern Europe and the FSU, there is no doubt that the dominant perspective on democracy is that of liberal democracy.

After providing some definitions and elaboration on the concept of democracy, and on issues of democratization, I then argue that the process of democratization entails, in addition to institution-building, a cultural component. Specifically, I argue that it is becoming increasingly clear that the institutional bias of liberal democracy, and the approaches to democratization it generates, fail to take account of the cultural elements of democracy.

In elaborating the significance of political culture in the context of democratization, I argue that civil society faces a paradoxical situation: on the one hand,

only a democratic political culture within civil society can further the process of democratization while, on the other hand, such a political culture can only emerge under conditions of democracy. This is where the concept of trust takes on a central role in the process of democratization. The paradoxical situation of civil society requires a rational solution based on expectations rather than knowledge or facts. It is through the intervention of trust that such a solution can be found.

In chapter 4, I develop a 'trust matrix' initially formulated by Piotr Sztompka (1995), which allows for a qualitative analysis of the trustworthiness of conditions/objects/institutions under conditions of transformation in Eastern Europe and the FSU. The 'trust matrix' also allows for an analysis of the conditions indicative of distrust within the state-society relationship. In this chapter, I utilize empirical evidence from throughout the transforming regions in order to determine whether trust constitutes a scarce resource in Eastern Europe and the FSU. I conclude that there are indeed indications that a lack of trust in the conditions/objects/institutions of the transforming countries serves to threaten the viability of democratization. Moreover, it is the transformation process itself which contributes to the lack of trust within the state-society relationship. This leads to the major argument of the thesis: *to the extent that the transformation process generates distrust within the state-society relationship, the process becomes self-perpetuating, therefore approximating a condition.*

Finally, in chapters 5 and 6, I examine in greater depth the concept of trust in relation to the state-society relationship in Lithuania. These chapters serve as an illustrative case study, so that it becomes more readily apparent how one might utilize the concept of trust to evaluate transformations in other countries. I argue that in the specific

context of Lithuania, trust is scarce but not absent. In chapter 5, I provide an overview of the transformation process in Lithuania. In so doing, I emphasize both the process of marketization and the process of democratization. In addition, I examine the impact of transformation dynamics in a variety of sectors and social realms, including health, education, gender and the environment. The purpose of this chapter is to provide the context in which the state-society relationship in Lithuania is evolving.

In chapter 6, I use both quantitative and qualitative approaches to analyzing the status of trust within the state-society relationship in Lithuania. According to the quantitative approaches, trust in Lithuania has decreased over time, but has not yet resulted in a large-scale transference of trust away from the state-society relationship and toward other types of conditions/objects/institutions.

Nevertheless, there are indications that the 'trustworthiness' of conditions/objects/institutions is precarious, and increasingly, there are indeed signs that the conditions indicative of distrust are emerging. Using the 'trust matrix' developed in chapter 4, I examine each of the conditions/objects/institutions in which trust is vested. I conclude that Lithuania's transformation is far from over.

In the conclusion of the thesis I summarize the major arguments and conclusions, focusing both on conceptual and on empirical issues. I also provide a comparative perspective in relation to the status of trust in the state-society relationships throughout Eastern Europe and the FSU. I argue that while there are considerable variations in this respect, there is little doubt that none of the countries presently undergoing transformation have completed this process. In some cases, the transformation process quite clearly has given rise to distrust to such an extent, that it is indeed possible to speak of a

'transformation condition'. Finally, based on the findings of the thesis, I speculate on the future prospects of the transforming countries, given the status of trust in their respective state-society relationships.

Conclusion

State-society relations can be studied in any context, not only in the context of the transformations in Eastern Europe and the FSU. Indeed, many countries around the world have undertaken transformation projects, albeit none as significant in terms of the scope of transformation in relation to time as the transformations studied in this thesis. Nevertheless, the theoretical framework of this thesis is applicable in particular to the developing countries as well. Many of these have, in recent years, abandoned any autonomous form of development strategy, and have instead plunged head first into the anarchy of the global political economy (Toye, 1987; Kohli, 1993; Kay, 1993). Countries such as Mexico and Turkey, for example, have without a doubt experienced considerable success in some areas since adopting a neo-liberal approach to development. On the other hand, both these countries have also failed in achieving an improved material and spiritual quality of life for most of their respective populations. Both countries continue to experience periods of major social instability, including violence and near-civil war conditions. And in both countries poverty continues to affect substantial parts of the population, the environment continues to suffer, and the voices of particular groups, such as women, continue to be rather 'undemocratically' drowned out. Both Mexico and Turkey appear stuck in a condition where it is indeed possible to increase economic performance, but where the dynamics of underdevelopment appear to perpetually

reproduce themselves in spite of economic indicators and the apparent institutionalization of liberal democracy (Hamilton and Kim, 1993; Onis, 1995).

It may well be that the fundamental problematic in countries such as Turkey and Mexico is not so much economic inefficiencies, but rather an incongruence between the legal framework and institutional structure of the economic and political systems and their performance on the one hand, and the psychological outlook of the citizens on the other hand. Whatever transformations the state in such countries might initiate, so long as there is no trust within the state-society relationships, such transformations will never be completed.

Indeed, while the dominant approach to the transformations in Eastern Europe and the FSU may well preach the virtues of neo-liberalism, and promise entrance into the ranks of the formerly exclusive club of Western wealth and power, there are some dissenting voices. In some analyses, many of the transformations in Eastern Europe and the FSU are from centrally planned socialism to peripheral capitalism with Third World characteristics (Galtung, 1990). Others suggest that at best, Eastern Europe can expect a 'Latin Americanization', whereby one form of economic and social polarization is replaced by another (Gunder Frank, 1990). Again others emphasize the internal polarization inevitably generated by capitalism, and the accompanying growth in inequality, unemployment and poverty (Amin, 1990). Wallerstein (1992) seeks to douse any expectations of the transformation process by pointing out that countries like Hungary were poor prior to communism, during communism, and are still poor after communism. Bill Lomax (1995) questions the very idea of transformation in Eastern Europe and the FSU:

...the upheavals of 1989-91 did not represent revolutionary changes, but rather the culmination of a long-term process of collapse; not the transition of one system to another, but the resolution of an intra-system crisis and the recuperation of a system of authoritarian power, a process for which the Hungarian economist Erzsebet Szalai has coined the term 'metamorphosis of power' (Lomax, 1995, 179).

In view of this type of analysis, it is not in the least surprising to find that many people in Eastern Europe and the FSU do indeed mistrust the state and its representative institutions. The views expressed by Amin, Gunder-Frank, and Lomax are, of course, reflective of the critical view of global political economy and the hegemony of neo-liberalism. It seems appropriate, therefore, to turn to chapter 1 at this point, and begin with the global discursive context of transformation.

Chapter 1: The Political Economy of Transformation: theory and practice

With the fall of communism in Eastern Europe and the FSU, the world has changed dramatically. First and foremost, the Cold War, which defined world politics for over forty years, has ended. This, in turn, has generated an entirely new discourse within strategic studies. No longer do we live in a world of two superpowers, competing for power and influence, and creating intuitively insane defense doctrines such as 'Mutually Assured Destruction' (MAD). Instead, the concern has now shifted to the threat of nuclear and other weapons of mass destruction falling into the hands of less than reputable states, or worse, terrorists (Hersh, 1994; Carnahan and Smith, 1994; Handleman, 1994).

The Western defense alliance, NATO, has expanded to include in various capacities the states of the new Eastern Europe, and has made forays even into the FSU. Countries as far away as Kyrgyzstan and Kazakhstan now fall within the jurisdiction of the new 'European' security system (Lieven, 1994; Joenniemi, 1997).

The regional divisions on the world political map have also undergone considerable redrawing. Western Europe is expanding to include countries such as Poland, the Czech Republic and Slovenia, while the Balkans stand as a region of their own, characterized by instability and violence. The Baltic has joined with the Scandinavian countries of Northern Europe, while countries such as Ukraine and Belarus remain within the Russian sphere of influence. Transcaucasia and Central Asia have suddenly emerged as regions, albeit of little economic and political consequence as of yet (Delamaide, 1994; Alexandrova, 1992).

Existing regional organizations are on the verge of expanding, such as the European Union, or have already expanded, such as the Economic Conference

Organization (Ramazani, 1993; Pipes, 1994; Islam, 1994). New regional organizations are being created rapidly, such as the Central Asian Commonwealth (Gharabaghi, 1994, Olcott, 1996; Kubicek, 1997), the Black Sea Cooperation Council and the Slavic Federation (Delamaide, 1994). And, of course, there is the Commonwealth of Independent States (CIS), a regional organization that has become notorious especially amongst its members for having failed to produce a benefit to anyone but its regional hegemon--Russia (Odom and Dujarric, 1995; Kagedan, 1994).

The fall of communism has had more tragic consequences as well. Ethnic conflicts suddenly emerged everywhere in the formerly communist countries. Thus, Yugoslavia disintegrated violently, Armenia and Azerbaijan intensified their military conflict, Tajikistan entered a protracted civil war, and violent confrontations took place in Ukraine, Georgia, Kyrgyzstan, Moldova, Bulgaria, Albania and Rumania. Russia fought a pseudo-ethnic war with Chechnya, and has faced the threat of other violent conflicts in various parts of its vast territory.

New migration patterns have emerged that have not always been welcome. Thus, Germany has experienced an influx of immigrants and refugees from the East, in addition to having to accommodate 19 million East Germans. Canada recently experienced an influx of gypsies from the Czech Republic. Italy has had to deal with thousands of Albanian refugees from the Kosovo region of Yugoslavia (OECD, 1993).

New threats to national and global security have been identified, such as the ever-expanding international trade in narcotics, attributed to increased production in Central Asia and other parts of the FSU, as well as to the availability of new transit routes for

Latin American cocaine via the Baltic into Western Europe (Lee, 1995; Turbiville, 1992; Stares, 1996).

The fall of communism in Eastern Europe and the FSU has also had a number of indirect effects on other parts of the world. Many donor countries, for example, have reassessed their foreign disbursement strategies, and have redirected some aid flows toward Eastern Europe and the FSU, thus negatively affecting countries in Africa and South Asia in particular.

The vast Soviet arsenal, which became far too expensive to maintain for Russia alone, is being sold off to states with questionable defense and foreign policies. Iran, for example, has purchased a submarine from North Korea, and anti-aircraft missiles from Ukraine. Libya, Iraq, Syria and Indonesia are some of the other buyers in a largely unregulated arms market (Naylor, 1995).

The list is endless. We are, for better or for worse, in a new era, characterized by a New World Order, which often is referred to as the 'New World Disorder' (Miliband, 1996; Shaw, 1994; Devlin, 1994). Within the context of this New World (Dis)Order, the countries of Eastern Europe and the FSU are undergoing a process of transformation. It would clearly be naive to suggest that such a process can take place anywhere disconnected from the dynamics of the global political economy. To the contrary, the transformations in Eastern Europe and the FSU are themselves symptoms of that political economy. This is the case both in practice, as these countries are in the process of (re-)integrating into the global political economy, and in the context of political discourse, as these countries have become the latest battle ground for various perspectives within

political economy. In the following section of this chapter, I will examine in some detail the *discursive context* of transformation in Eastern Europe and the FSU.

The Discursive Context of Transformation

The collapse of communism could not have come at a worse time for those who have argued for many years that the structure of the international political system and the dynamics within the international economic order is flawed, and that they serve principally the interests of a handful of states and non-state actors at the centre of the global political economy (Hettne, 1995; Cox, 1987; Gill and Law, 1988). At least until the mid-1970s, debates pertaining to the global political economy appeared realistic, in as much as change was not altogether unthinkable. The call for the New International Economic Order (NIEO) and other declarations by organizations such as the United Nations Conference on Trade and Development (UNCTAD) and the Non-Alignment Movement (NAM) rendered the 1970s a decade of hope for the marginalized countries around the world. Moreover, the dialogue between rich and poor, or between centre and periphery, although conflictual, at least was serious (Williams, 1991; Rothstein, 1979).

All this started to change with the onset of the debt crisis in the early 1980s, and the concomitant rise of neo-liberal forces in the United States, Britain and Germany. Reaganomics and Thatcherism in particular had a significant impact on the debates pertaining to the global political economy (Gill, 1990). Given the influence of the United States in the major international institutions, including the World Bank and the International Monetary Fund (IMF), the dialogue between centre and periphery largely subsided, hope disappeared, and what emerged in its place resembled more a monologue

carried out by neo-liberal preachers based in the US and Western Europe. The call for change within the global political economy was drowned out by the declarations of the major power centres in the world.

The 1980s were the decade of structural adjustment both in the centre and in the periphery (Mosley et al., 1991; Mosley, 1987). Neo-liberal development economics was the ideological basis for action, but it was also the technical basis of operationalizing structural change. Initially, the common sense foundation of neo-liberalism appeared to generate positive results. Model cases in the periphery were cited regularly, especially by the major international financial institutions (IFIs). These 'success stories' included Ghana, Thailand, Turkey and even Brazil. Also cited were the Asian Tigers, who were experiencing spectacular economic growth (Mosley et al., 1991; Kirkpatrick and Onis, 1991; Sahasakul, 1991; Toye, 1991). This was the beginning of the neo-liberal hegemony.

By the late 1980s, the critics of neo-liberalism began to re-emerge, and they had at their disposal empirical evidence of the many failures of neo-liberal development economics (Danahen, 1994). Of the model cases, Ghana had fallen apart, leaving its economy in a state of disaster (Rothchild, 1991; Herbst, 1993). Brazil, although having experienced economic growth, clearly had also experienced horrendous inequalities, leaving a substantial part of its population to starve, suffer from disease, or live without shelter (Graham and Wilson, 1990). Turkey began experiencing significant economic problems, including high levels of inflation, a devaluation of its currency, and a rapidly increasing foreign debt (Barkey, 1990). The Asian Tigers, as it turned out, had not followed neo-liberal policy strategies at all, but had, quite to the contrary, done just about everything neo-liberals had warned against. Indeed, the most successful economies of the

1980s, as it turned out, were those that were largely state managed (Toye, 1987; Stubbs, 1994)!

Thus, by the late 1980s, the critics were back, armed with solid data, and challenging the neo-liberal hegemony. Then the Wall came tumbling down.

The collapse of communism served to confirm, in the minds of many, the superiority of capitalism over communism. Throughout the 1980s, neo-liberals had argued that market-oriented economic policy was crucial not only because of its superior economic outcomes, but also because it furthered virtuous political outcomes. In short, if the market were just left to its own devices, democracy would follow. In principle, this is an odd argument indeed. What rendered it almost absurd was the virtual absence of any further explanation as to why this should be. Also missing, of course, was any kind of dialogue about just what exactly constitutes democracy.

Critics attempted to intervene in this rhetoric, but they found few openings for this purpose. There were suggestions, based on extensive analysis and empirical evidence, that perhaps the Western-style democracies were themselves in trouble, and should not be quite so confident about their own futures. Moreover, one should not assume that liberal democracy constitutes the only possible form of democracy, or, for that matter, even the best one. Indeed, the world-wide trend is anti-democratic. Given the rise of global forces, driven by finance capital that is anonymous and unaccountable to anyone, the future of democracy, the welfare state, peace on earth, and environmental survival of the human species is greatly endangered.

Given these bleak assessments on the part of the critics of the neo-liberal hegemony, there was, of course, great demand for alternative forms of social organization

and economic management. And critics produced extensive suggestions. A common denominator of almost all the alternative schemes, however, was the increased need for state intervention, and a fundamental rethinking of the concept of democracy. Grass roots movements and social movements had to be elevated in importance, and governments had to be accountable. Large multinational corporations had to be held in check, and their activities would certainly have to be closely monitored. Huge investments to alleviate poverty, environmental degradation, unemployment, and all kinds of other social problems were necessary. Most importantly, the accumulation of capital had to change. Capitalism itself had to change, if not altogether be abandoned (Miliband, 1994; Ticktin, 1995; Cox, M., 1995).

In a world that had for over 40 years been constructed around the conflict (or competition) between capitalism and communism, between East and West, between the United States and the Soviet Union, between the forces of good and the forces of evil (hence, the 'evil empire'), these proposals sounded suspiciously like a call for socialism and/or communism. And whatever chance such a call may have had prior to November 1989, it became subject to ridicule thereafter¹.

The fall of communism, first in Eastern Europe and then in the Soviet Union itself, provided a major boost to the hegemony of neo-liberalism for two reasons. First, because Eastern Europeans chose to abandon communism on their own accord, thereby demonstrating unequivocally their preference for capitalism. And second, because in the absence of communist state control, the failings of communist economics and a communist

¹ The need to completely eliminate all traces of communism was reinforced, in the minds of many (public and private observers) by the Tianamin Square massacre in China.

political system became exposed. And there really were many failings. Prior to the fall of the Berlin Wall, East Germany was thought to be on the verge of overtaking comparable Western countries in terms of economic size. When Western economists finally had a chance to examine the East German economy up close, it became obvious that the country resembled more a Third World country than a Western European one. Indeed, the industrial basis of East Germany was outdated and virtually useless, its environment nearly destroyed, the social system barely capable of maintaining a minimum standard of living, and the treasury close to bankruptcy. One after the other, the Eastern European countries opened their books, and as it turned out, they were all hopelessly impoverished and economically somewhere in the last century.

Politically, the extent of dissatisfaction with communism was even more apparent. Statues of Lenin and other communist heroes were beheaded and unceremoniously dumped in garbage disposal areas. The crimes of Stalin and some of the long time East European leaders were elaborated, as if there had not been enough evidence before. In Rumania, the President and his wife were shot in front of live TV cameras. People all over Eastern Europe were espousing the virtues of democracy (and the West), and condemning the vices of communism. Indeed, almost instantaneously, East Europeans were pushing to redefine themselves as Europeans, dropping the 'East' without any hesitation whatsoever.

The collapse of communism was seen as an indication that the West, and its economic and political systems, were simply better. From now on, everybody was going to be 'rocking in the free world'.

By the beginning of the 1990s, then, critics of the neo-liberal hegemony clearly were on the defensive. The world was celebrating the victory of the West over the East, and the leaders of the Western World, who were also the promoters of neo-liberalism, were treated as war heroes--they had, after all, won the Cold War. But as much as the events in Eastern Europe and the FSU provided a boost for the neo-liberal hegemony, the very same events also created the opening for critics to re-group.

Developments throughout Eastern Europe and the FSU quickly changed the euphoria of the West into the tragedy of the East, and eventually into a global tragedy. The conflict in the former Yugoslavia certainly took forefront in the Western media, but other conflicts, including the Armenian-Azeri conflict over Nargorno-Karabagh, the Russian invasion of Chechnya, the civil war in Tajikistan, and violence in Rumania, Moldova, Ukraine and Georgia contributed to the realization in the West and throughout the world that the end of the Cold War may not in fact mean the end of war, violence, or other disturbing dynamics (Hunter, 1994; Walker, 1996; Sunary, 1995). Moreover, the economic disasters throughout the FSU in particular, but also in many parts of Eastern Europe (Rumania, Bulgaria, Slovakia, Albania), and the political developments in countries such as Hungary, Lithuania, Rumania, and Moldova, where the former communists came to power once again, but this time through a legitimate electoral process, demonstrated unequivocally that the end of communism as it existed prior to 1989, certainly did not mean the end of misery. More importantly, in the absence of communism, capitalism still could not perform miracles. Indeed, in many formerly communist countries, the new capitalism looked a lot worse than the old communism.

Critics of neo-liberalism were quick to point out that the reform measures proposed and for the most part implemented by Western advisors and IFIs have led to reduced economic output, and have not by any stretch of the imagination brought about democracy. Given that those were the stated goals of the neo-liberal hegemony, the teachings of that hegemony must be flawed. This is not really a logical argument, and quite clearly it is overly simplistic and leaves out considerable amounts of crucial information. But it was enough to create debate. By the mid-1990s, the neo-liberal hegemony continues to dominate, but it now has to respond to the relentless criticism of its critics. Their voice can no longer be ignored, because the hoped-for instant success of neo-liberal structural adjustments has not materialized.

All of this, of course, ignores completely the fact that many of the dynamics in Eastern Europe and the FSU have taken place for decades in Africa, parts of Asia and parts of Latin America. Critics also pointed to the disaster of Ghana as evidence that the neo-liberal hegemony may be flawed. But the battle over perspectives within political economy simply will not be decided by what happens in Ghana. Any African country (with the possible exception of South Africa) is marginalized within the global political economy to the extent that developments there hardly influence the way we think about social organization, political systems, or economic management. The same is true for many countries in Latin America and South Asia².

Eastern Europe and the FSU are different. These regions matter, in part because of their historical significance, in part because of their geographic location (Eurasia) and

² Although Chile is frequently cited in the contemporary development literature, as is, of course, India.

associated strategic significance, but mostly because of their link with capitalism's most significant challenger this century--communism

The future of Eastern Europe and the FSU will have considerable impact well beyond their respective boundaries. At least to a considerable extent, the transformation debate is about the future of social organization throughout the world. For much of this century, the debates on alternative forms of social organization have been dominated by the successes and failures of two fundamentally distinctive forms--capitalism and communism. At the present time, the debate between these two forms appears to have been resolved in favour of the former. Nevertheless, there remain many questions about the viability of unfettered capitalism, and more specifically, about the precise nature of the social, political, and economic management of this powerful form. The 'spectre of Marx' remains with us, and as a result, there are many different perspectives pertaining to the most appropriate form of social organization as we enter the 21st century.

Unlike in previous centuries, however, whatever form of social organization prevails through the battle of perspectives, it is likely to become entrenched globally, as the forces of globalization appear unstoppable at this time. For decades, the different perspectives were using the 'Third World' as their battle ground. The results have been rather mixed. Throughout Africa and in much of Asia and Latin America, the material conditions of life have not improved much for a vast majority, and in some cases, they have probably deteriorated. Eastern Europe and the FSU represent the new battle grounds. There is no question that the forces of orthodox (neo-liberal) thought have managed to mobilize far greater resources than their critical counterparts. Unless the

latter begin to involve themselves in greater numbers and in greater depth, the only hope that remains is that the former will indeed 'dig their own graves'.

The discursive context of transformation is thus dominated by orthodox thought, which, in turn, in the specific context of the transformations in Eastern Europe and the FSU, is informed by neo-liberal development ideology. As such, we can identify four specific areas in which the contributions of the global discursive context have been particularly significant.

The first is within the realm of *ideas*. The idea of the market, of democracy, of political institutions, and of state-society relations are global ideas that were introduced to the region at the outset of the transformation. There has been a notable absence, for example, of any notion of a uniquely Czech, Hungarian, Lithuanian, or Russian market. No attempts were ever made anywhere in Eastern Europe or the FSU to create a market system that suits the unique characteristics of a particular country. Instead, the idea of the market was adopted wholesale from global discourse. This explains why the policy packages introduced throughout the region are all so strikingly similar. Moreover, the agents of implementation of a market system in the region were also global in character. Thus, the IFIs are agents of the dominant global discourse. Individual economic consultants, such as Jeffrey Sachs, are members of a global managerial class, that also reflects the dominant global discourse. Moreover, the idea of the market is accompanied by a very particular idea about political institutions. Thus, it is no coincidence that having adopted the global idea of the market, virtually all the countries of Eastern Europe and the FSU are also striving toward liberal democracy, at least at the declaratory level. Indeed, there is no question that Fukuyama's (1989; 1992) argument about the global acceptance

of liberal democracy as the ideal idea for structuring national governance finds fertile grounds in this region.

Having determined that the economic system will be structured according to the global discourse of neo-liberal economics, and the political system will be structured in a complementary fashion to this discourse, unsurprisingly, state-society relations also reflect the global idea of the appropriate level and characteristics of national governance. This means that states must retreat from excessive intervention in the social sphere, but it also means that any thoughts of re-articulating a more genuine relationship between civil society and the state must be abandoned, lest this may involve economic adjustments that are not complementary to the global ideas. As a result, the fundamental character of state-society relations is virtually identical throughout the region. Some exceptions apply, however, in particular in those countries that have not yet implemented many reforms, and that have become increasingly marginalized by the global political economy. Thus, the Central Asian states of the FSU may well be characterized by rather different state-society relations; however, this is not because they necessarily planned it this way. More likely, it is because the agents of the transmission of global ideas have retreated from the region (or have not yet appeared in full strength).

This ties in directly with the second major contribution of the global political economy to the transformations in Eastern Europe and the FSU--the transmission of *ideology*. The dominant ideology in the contemporary global political economy is neo-liberalism. As the global political economy is being reproduced at the national level, so is its ideology. This, in turn, negates the possibility of allowing for unique policy initiatives

to deal with issues such as poverty, social justice, gender relations, the environment and so on.

This does not mean, of course, that such issues are simply ignored. It does mean, however, that there are predetermined ways of addressing them, and that the sequence in which and the extent to which they will be addressed is also predetermined. Counter-ideological approaches, such as a civil society-led policy initiative pertaining to the prioritization of the eradication of poverty over, for example, balancing the national budget, are not only undesirable, but would fundamentally violate the normative patterns of social relations within the political economy. With the entrenchment of neo-liberal ideology throughout much of the region, therefore, it is hardly surprising that the so-called leftist successors to the formerly Communist Parties in Eastern Europe and the FSU did not alter the transformation strategies in any fundamental ways when they came to power following the initial period of 'nationalist' governments. Indeed, it is indicative of the power of global ideology that political parties with very strong nationalist roots and political parties with very strong communist roots come up with essentially identical transformation strategies (in spite of substantially different rhetoric).

A third major contribution of the global political economy to the countries in transition is within the realm of *culture*, particularly popular culture. It is almost embarrassing how little interest there is in the music, film and literature of the region. Instead, popular culture has been imported almost entirely from the global community, notably of course from the United States. Thus, extremely poorly dubbed versions of American films are preferred to perfectly well produced indigenous gems. The film industries throughout Eastern Europe and the FSU are in severe crisis, because they have

not been able to generate sufficient revenues. Quite simply, notwithstanding the apparent rampant nationalism said to exist throughout the region, no one wants to see indigenous films. Likewise, when it comes to literature, the battle between Kundera and Grisham in the Czech Republic was handily decided in favour of the latter, notwithstanding horrendous translations. According to the 'diva' of Ukraine, opera singers must now travel all over the world to make any kind of living, because the public 'much prefers the Rolling Stones to Opera' (conversations with the diva, Kiev, 1995). A private Ukrainian TV channel airs American cartoons with a Russian voice-over all morning, featuring the same voice for each and every character. This channel reputedly has a larger audience than the Ukrainian state channel, which tends to broadcast homemade programs in Ukrainian (conversations with Ukrainians, Kiev, June 1995).

As a fourth major contributions to the transformations in Eastern Europe and the FSU, the global political economy has provided much needed *technology*, both physical technology and technological know-how. Thus, items such as computers (Soviet-made computers were of notoriously poor quality and also not compatible with globally used computer software), communication equipment such as fax machines, telephone systems, and access to the Internet, as well as other equipment specific to particular industries. Equally if not more importantly, business know-how, including advertising, marketing, management, retailing, and so on have all been imported from within the global political economy. Likewise, organizational structures, processes and principles as well as industrial relations also were imported from the global community. In short, the entire technological foundation of the transforming political economies in the region are products of the global political economy.

All together, these four major contributions of the global political economy to the transformations across Eastern Europe and the FSU have created a (vertical) network of linkages between the individual political economies of the region and the global one. This is, of course, the effect of global integration, and it is felt at all levels of the national political economy. The integration of the transforming regions/countries reflects to a great degree the structure of the international political economy, but it nevertheless requires agency. Arguably most significant in this context have been the international financial institutions, most notably the IMF and the World Bank. It is worthwhile, therefore, to briefly consider the role of the IFIs in the transformation process and the manner in which they connect the national and global levels of analysis in the context of transformation.

The Role of International Financial Institutions in the Transformation Process

With much support and at least as much criticism, the IFIs have, over the past two decades, taken on a very high profile role both within the global economy and within the context of national economic policy-making, in particular in less developed countries (LDCs) (Mosley et al., 1991; Mosley, 1987). Without question, a major factor in the elevation of the IFIs to the forefront of the international economy has been the debt crisis of the late 1970s and especially the early 1980s. In response to this crisis, the International Monetary Fund (IMF) and the World Bank re-evaluated their respective approaches to fulfilling their mandates, and developed what is commonly referred to as loan conditionality and structural adjustment programs (SAPs).

Although perhaps not entirely uniformly, loan conditionalities and structural adjustment programs have generally been accepted and supported by orthodox political economists and rejected or at least harshly criticized by their critical counterparts. In brief, the debate has centred around three issues: the effectiveness of the approach, the legitimacy of the approach in the context of the intrusion on sovereignty, and the legitimacy of the approach in the context of the hegemony of the orthodoxy (or neo-liberalism). The debate itself is far from over. However, it appears quite clear that, in the meantime, the activities of the IFIs are firmly entrenched within orthodox ideology, orthodox discourse, and orthodox economic policy (Shaw and Swatuk, 1994; Ihonvbere, 1994; Kohli, 1993).

In large part because the Soviet-type economic system represents the antithesis of orthodox economic thought and policy, the IFIs have been front and centre in the transformation process in Eastern Europe and the FSU. The main IFIs in this context have been the IMF, the World Bank, the European Investment Bank (EIB), and the European Bank for Reconstruction and Development (EBRD) and the EU, mostly through its PHARE program. Also involved, albeit to a lesser extent, have been the Bank for International Settlements (BIS), the International Development Bank (IDB), and the Asian Development Bank (ADB) (the latter continues to have considerable involvement in the new states of Central Asia). In spite of their different mandates, these IFIs have had overlapping, although not necessarily wasteful, involvements. The IMF has been the lead-institution, with solid backing from the G-7 and through the use of cross-conditionalities, whereby the involvement of other IFIs is conditional on an agreement with the IMF

pertaining to the overall economic strategy to be pursued by a given country (Zecchini, 1995, 118).

In addition to institutional financing, the IFIs have fulfilled three crucial functions: they have catalyzed financial support from other sources, they have embodied the most pervasive form of economic conditionality that can be applied to a sovereign state, and they have supplied critical expertise to analyze economic policy issues, to design market-oriented policies, and to implement those policies in an effective manner (Zecchini, 1995, 116-17). As many observers have pointed out, however, while the role of the IFIs has been significant, it has also been modest compared to other factors and local reformers (Csaba, 1995; Drabek, 1995). Moreover, while all the IFIs have established a broad consensus on policy objectives, involving growth, better living standards, etc., it must be recognized that as the lead institution in the context of transformation, the IMF has a fundamentally more basic objective to meet:

...the traditional and central concern of the IMF has been neither economic growth as such nor equity but macro-economic stability in the short and medium term. Its main role is that of the major global regulator of economic policy, acting on behalf of the common interests of all member states, particularly of the G-7 group, to assist in maintaining a proper international economic order. Its services are called upon when that order is endangered, and Fund programs are designed specifically to assist in removing danger and restoring order (Gomulka, 1995, 318).

As Michel Camdessus, the Managing Director of the IMF, has pointed out, “for the IMF, there is no more important task than to assist countries to become integrated into a growing world economy. The IMF was created to do that, and it has been a large part of our work since 1945” (Camdessus, 1992, 1). Unsurprisingly, therefore, the Fund’s priority in the process of transformation has been macro-economic stabilization, involving

all the usual steps such as price liberalization, reduction of budget deficits, curbing inflation, etc. As early as 1991, the Fund held discussions with many of the Eastern European countries in transition:

The discussions emphasized tight monetary and fiscal policy to prevent inflation and unsustainable external imbalances in the wake of price and external sector liberalization. They recommended privatization or restructuring of public enterprises to enhance efficiency in the context of creating an environment hospitable to entrepreneurship, economic transformation, and growth. They also cited the need for financial and banking reforms to promote financial intermediation (IMF, 1991, 25).

Over the past seven years, the IMF has taken on two distinctive roles in the transformation process. Its most visible role has revolved around the provision of financial support. This has involved a variety of arrangements, including the common stand-by arrangements, extended arrangements, the Compensatory and Contingency Financing Facility (CCFF), the Concessional Facility (ESAF), and the Systemic Transformation Facility (STF), which was specifically designed for the economies in transition (Rodlauer, 1995, 109). In addition, the IMF has taken on the role of providing policy advice and technical assistance, pertaining to the design and implementation of macro-economic policies, fiscal administration, central banking, the collection and evaluation of economic and financial statistics, and the training of senior government officials (Rodlauer, 1995, 110).

Generally, the IMF has been a proponent of shock therapy, although it has avoided the use of that terminology. In its 1991 *Annual Report*, the institutional view of the IMF was that “a more gradual approach would only prolong the difficult transition period”, and Eastern European governments are repeatedly called upon to ‘move forward boldly’

(IMF, 1991) By 1993, the Fund suggested that the debate between gradualism and shock therapy 'had become moribund', and that the issue at hand was sequencing (IMF, 1993, 47). By 1994, various IMF publications were citing extensive empirical data from actual transformation processes underway in Eastern Europe and the FSU in an attempt to demonstrate the superiority of rapid and far-reaching reforms over gradualism (IMF, 1994a & 1994b). Interestingly, although the IMF has made extensive use of conditionalities in its loan packages, and moreover, although it is the medium through which cross-conditionality is enforced, the Fund has sought to distance itself from responsibility and, indeed, from its central place in the transformation process, from the beginning. As Michel Camdessus suggested in 1992 with respect to the new states of the FSU, "the transformation of the economies of the 15 republics is essentially *their* task. International financial assistance is critical, but it can only be a complement to *their* efforts, *their* savings, *their* investment in infrastructure and in expanding the productive base of the economy" (*emphasis in the original*) (Camdessus, 1992, 6). Yet, as the Economist Intelligence Unit points out, "it would be ... misleading to underestimate the role of the Fund in influencing the policy mix, the intensity of particular policies, and their sequencing [in Eastern Europe and the FSU]" (World Bank, 1995, 15).

Like the IMF, the World Bank has been involved in every formerly socialist country in Eastern Europe and the FSU almost from the beginning of the transformation process. Unlike the IMF, however, the World Bank's focus has been micro-economic reform, which is consistent with its institutional mandate (World Bank, 1992 and 1991). Over the past two decades, the World Bank has focused a great deal of its attention on structural adjustment programs in less developed countries, which have typically entailed

loan conditionalities. Such programs have invariably been based on a fundamentally neo-liberal economic perspective, and as such, they have promoted policy frameworks designed to minimize the role of the state in the economy, and to 'free' the private sector from regulatory and administrative impediments

Perhaps unsurprisingly, one of the dominant criticisms levied against the Bank has been that it promotes undifferentiated adjustment measures in highly differentiated settings. Some observers of World Bank activities in Eastern Europe and the FSU argue that this criticism is not valid in this context: "the World Bank strategy and support differs from country to country, and is tailored to each country, based on individual needs, the stage of transition, and the state of the economy" (Wallich, 1995, 59). While it is undoubtedly true that there are indeed differences in the specific formulation and content of ongoing World Bank programs in the countries in transition, such differences are clearly limited to specific aspects of such programs. In general terms, all programs are consistent with the Bank's neo-liberal perspective, and World Bank discussions on the issue of transformation revolve around the same issues (restructuring, privatization, taxation, trade liberalization, private investment, etc.) as earlier discussions about structural adjustment programs in the less developed countries (World Bank, 1995b).

While even supporters of the Bank have criticized the Bank for failing to respond to the different circumstances presenting themselves in Soviet-type economies as compared to the economies of LDCs (Winiacki, 1995), there has on the whole been little criticism of the undifferentiated treatment of these Soviet-type economies themselves. Thus, while different countries have undertaken very different reforms at different speeds, the World Bank recommendations to them have largely been the same. From the Bank's

perspective, the same logic of transformation ought to apply to Mongolia and Poland, and to Tajikistan and the Czech Republic.

Like the IMF, the World Bank has used a variety of lending arrangements to accomplish different goals. These include quick disbursing Structural Adjustment Loans (SALs), which are used in conjunction with the IMF, and are designed to support macro-economic adjustment and stabilization. Two types of Sector Adjustment Loans (SECALs), which are designed to effect fundamental policy and institutional change in particular sectors, have been used: the Rehabilitation Loan for multi-sector critical short term needs, and the Economic Recovery Loan for economic stabilization programs (the latter work in conjunction with the IMF's STFs). The Bank has also provided extensive Investment Loans, which provide project support and specific investment financing; for example, for schools, the environment, or physical infrastructure. There have also been a number of Sector Loans, Hybrid Loans, and Technical Assistance Loans (Wallich, 1995, 62-63).

There is no doubt that many of the Bank's activities have been needed and necessary, and have had a positive effect. There has been some controversy over the degree of support provided by the Bank directly to the private sector. While the Bank is prevented from doing so by the *Articles of Agreement*, which require that lending to the private sector be supported by government guarantees, the Bank has undertaken a number of measures designed to indirectly support the private sector, including the following (Wallich, 1995, 83-87):

- support for financial sector reform;
- financing of market-friendly infrastructure;
- technical assistance and institution building;

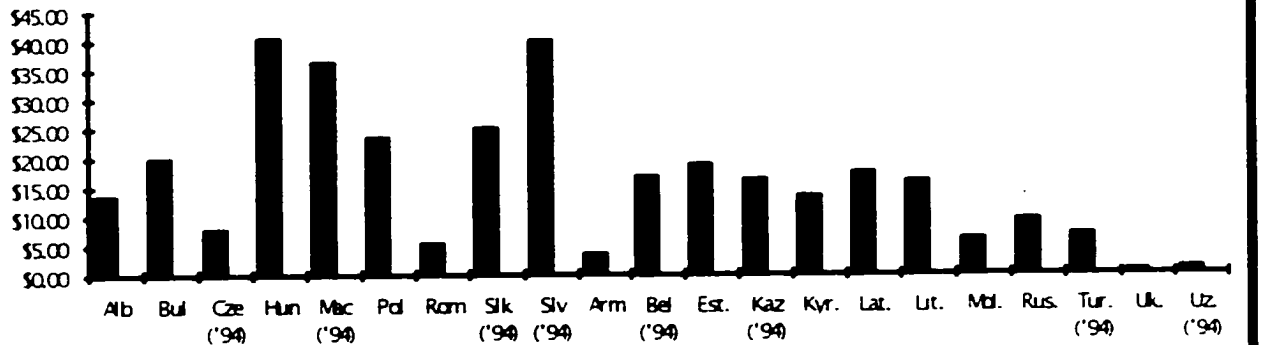
- technical assistance for the design of privatization programs;
- indirect support for the private sector through guarantees;
- strengthening of capital markets; and
- establishment of contractual compliance guarantees.

The evaluation of IFI involvement in the transformation process is, at this point at least, at best mixed. While it is arguably true that notwithstanding any weaknesses of IFI approaches, no other approach has proven more effective (Brada, Schoenfeld & Slay, 1995, 51), there clearly are some significant problems. First, "the IFI's financial assistance has *de facto* rewarded mostly those countries that embarked on the transformation of their economies earlier than others, that have progressed more rapidly, and that have not been burdened by the excessive weight of accumulated external debt" (Zecchini, 1995, 121) (Figure 1). Figure 1 clearly shows that all the formerly Soviet republics have received considerably less in terms of per capita lending than the Eastern European countries that embarked on significant reforms largely corresponding to IMF and World Bank recommendations. Indeed, the Czech Republic was offered loans it had to refuse, as they exceeded the country's absorption capacity, and the Czech government was concerned about increasing its debt load.

Moreover, while the IFIs have made substantial commitments of assistance to the countries in transition (although substantially less than what is needed according to their own estimates), there is also a very significant gap between commitments and disbursements (Zecchini, 1995, 121). Perhaps most significantly, the IFIs have so far at least been unable to induce the inflow of private funds into the transitional economies. Indeed, while the IFI's presence in a country is insufficient to induce private investment, their negative reports (eg: of compliance with conditionalities) suffices to discourage

investment (as they are the principle suppliers of information, data, analysis and forecasting) (Zecchini, 1995, 125).

Figure 1: Lending per capita in Europe and Central Asia in 1993
(or the most recent year that lending took place)



Source: Christine Wallich, 'What's Right And Wrong With World Bank Involvement in Eastern Europe', *Journal of Comparative Economics*, 20 (1), 1995, 67.

Like much of the non-institutional orthodoxy, the IFIs have, at the declaratory level, demonstrated a concern for the socio-economic consequences of transformation. The annual reports of the World Bank and the IMF, for example, are replete with references to protecting the poor, the environment, and the unemployed. After nearly a decade of experience with transformation, many of these pledges are beginning to appear shallow, and perhaps not entirely consistent with the promotion of ever faster and more far-reaching adjustment and reform, always backed by loan conditionalities. As Table 1 clearly indicates, in the early stages of lending (1990-1993), a mere 9% of the total was earmarked for 'social' purposes (environment and education). It is one thing to debate the appropriateness of conditionalities in principle; it is quite another thing to be oblivious to their potential consequences: "The application of pressure on IFI clients is a skill that

institutions such as the IMF have practiced for years, attempting to press upon reluctant governments austerity policies that may prove unpopular with the electorate without pushing so far as to lead to the fall of the government” (Brada, Schoenfeld & Slay, 1995, 56) The fact is that many of the regimes who have complied with conditionalities, as well as those who have pursued rapid and far-reaching reforms in accordance with IFI ideology, have indeed fallen, including those in Hungary and Poland, two of the favourites of the orthodoxy.

TABLE 1: Lending to Europe and Central Asia, by Sector, 1990-1993

Sector	% of total lending	Millions of US\$
Non-project (adjustment, rehabilitation)	29	3536.1
Energy (oil, gas, coal)	12	1469.0
Transportation	10	1123.0
Energy (power)	10	1120.0
Agriculture and rural development	10	1043.4
Development and finance companies	6	740.0
Urban development	4	485.0
Industry	4	451.0
Education	3	407.2
Public-sector management	3	402.0
Water supply and sewage	3	377.5
Population, health care, and nutrition	3	371.0
Telecommunications	2	300.0
Technical assistance	1	159.2
Small scale enterprises	--	60.0
Total	100	12,044.4

Source: Christine Wallich, ‘What’s Right and Wrong With World Bank Involvement in Eastern Europe’, *Journal of Comparative Economics*, 20 (1), 1995, 64.

As is the case in much of the developing world, IFIs have assumed a major role in the economic policy planning and implementation process in Eastern Europe and the former Soviet Union. Without a doubt, the approach taken by the IFIs reflects the neo-

liberal ideology which characterizes IFI activity throughout the world. Clearly, the lending carried out by both the IMF and the World Bank has provided much needed resources for the transformation process to proceed. On the other hand, IFIs have been highly directive in this process, and, as a result, they have eliminated many policy options for the countries in transition.

The World Bank in particular has also been involved in addressing some of the negative consequences of economic transformation, including, of course, the design of social assistance programs for those facing hardship. In addition, the World Bank has taken some steps to address environmental concerns in Eastern Europe and the former Soviet Union, however, these concerns are clearly secondary to the broader task of economic reform. The *Environmental Action Programme for Central and Eastern Europe*, initiated in 1993, for example, was prioritized accordingly from the start:

Unlike the Rio Declaration, the program does not try to draw up a bill to fix everything and then ask for the money. We're trying to look at ways of getting the biggest bang for the buck that's available right now... (*World Bank News*, April 29, 1993, p. 14).

The ideology of IFIs, neo-liberalism, is an ideology not only of economic policy direction, but more generally, of political economy. As such, it transcends the realm of economic transformation, and impacts on the political arena as well. While the IFIs have not taken direct action to shape the political development, and specifically, the political institution building in Eastern Europe and the former Soviet Union, their presence and their activities reflect the direction that political development, at least at the declaratory level, has been taking throughout the transforming regions (arguably more so in Eastern Europe than in the FSU). To this, I will turn now.

The Politics of Transformation

It is telling in itself that much of the transformation debate is about economics. political change, which is frequently taken as synonymous with democratization, is either assumed, or considered as a function of economic change. There is no question that democratization has, over the past ten years, become a central issue in contemporary political discourse as well as political practice. Indeed, the 'wave of democratization' often referred to in orthodox discourse is not imagined. There has been great movement within LDCs to dismantle authoritarian structures and to build 'democratic' ones in their place. There has also, however, been considerable criticism of the substance of these new formal democratic structures. Questions abound about how democratic they are, what kind of democracy they endorse, in whose benefit they operate, and who they exclude (Qadir et al., 1993; Philip, 1993; Black, 1993) (see chapter 3).

It should be noted that the orthodox democratization discourse in general and the orthodox democratization discourse *in the specific context of Eastern Europe and the FSU* are not identical. The former is focused on LDCs that have for extensive periods of time been governed by military regimes or civilian dictatorships backed by the military, but that have also been fundamentally capitalist and that have already experienced national liberation struggles. The question arises, then, whether we can "...compare cases in which democratization is an apt summary of the political movement with cases in which it shares the political stage with other--perhaps dominant--processes of political change" (Brunce, 1995, 91)?

What becomes abundantly clear is that in Eastern Europe and the FSU, political change is not synonymous with democratization. Indeed, in many cases, democratization is an issue of secondary importance, standing in the shadow of the 'real' political issue national liberation:

Virtually every one of the East European transitions amounted to national liberation... Fully 22 of the 27 states that make up the Former Soviet Union and Eastern Europe are *new* states. Is it any wonder, then, that nationalism is central to the collapse of communism, that nation-building and state-building are central to the story of post-communism, and that all the states in the region, new and old, are weak (Bruce, 1995, 91).

Within the orthodox perspective on transformation, democratization is conceptualized as an integral part of the transformation process, but quite separately from the democratization discourse that already existed prior to any of the transformations. Democratic theory *per se* is therefore largely absent in this context. Indeed, the issue of democratization is dealt with in a fundamentally un-theoretical, practical manner. Nevertheless, we can, without too much difficulty, identify a theoretical bias toward liberal democracy within the orthodoxy, in part because of the focus on political institutions modeled after Western countries, but perhaps more profoundly as a result of the centrality of economic liberalization and privatization within the democratization of transforming countries.

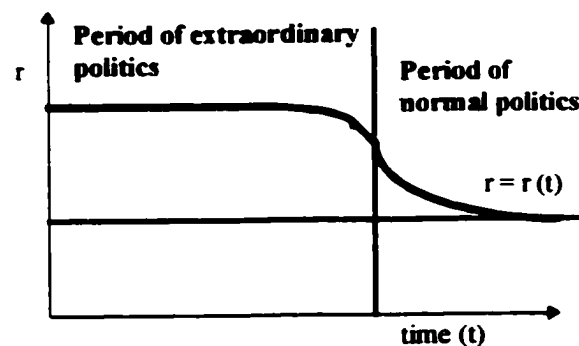
Democracy and Economic Reform

Anders Aslund has suggested that there is an empirical correlation between democratization and the transition to a market economy for three reasons: first, because there was no economic pluralism under the old system; second, because there is a need to

rebuild the state, and third, because there is a need to demonstrate that the new state has done away with the power of the old *nomenklature* (a hidden reference to the need for trust?) (Aslund, 1994, 63-64). It is essential, therefore, to build democracy as rapidly as possible, as this is the only way to gain legitimacy for rapid economic reforms

Among the proponents of shock therapy, the rationale for rapid democratization is closely linked to the goals of economic reform. Leszek Balcerowicz (1994) explains this linkage in terms of what he calls the 'period of extraordinary politics'(Figure 2). The euphoria surrounding political liberalization and change after many decades of active and discursive oppression will yield a brief period of time during which people are willing to make sacrifices for the sake of maintaining the momentum for political change. After some time, however, the routine of democratic politics will take over, and a period of 'normal politics' sets in, characterized by party politics and political posturing. During this time, people are not prepared to make sacrifices, but instead, are conscious of their democratic rights and newly won freedom, so that it becomes more difficult to introduce tough economic reforms.

Figure 2: Extraordinary and Normal Politics



Source: Leszek Balcerowicz, 'Understanding Post-Communist Transitions', *Journal of Democracy*, 5 (4), 1994, 85.

It is quite apparent that the approach advocated by Balcerowicz is problematic from a philosophical perspective. In effect, this approach amounts to a form of psychological politics, in which populations are manipulated to support various measures not on the strength of their substance, but rather on the basis of emotional whims. While this may at first appear rather similar to what routinely takes place in Western democracies, the context of Eastern Europe and the former Soviet Union clearly is unique. The measures for which support is being solicited during the period of extraordinary politics do not pertain to isolated issues or measures with limited impact on society, but rather they pertain to the fundamental political, economic and social premises of the respective countries.

The process itself is clearly not overly concerned with democracy. Aslund (1994), for example, suggests that “new constitutions are best written and ratified quickly, for the earlier a constitution is adopted, the less various political forces will know about their relative strength...”. The vision of democracy implicit in this kind of a statement is certainly not one that seeks to take account of civil society-based movements. Indeed, there is a clear Hobbesian element discernible here. It appears to be assumed that some form of institutional structure must be imposed upon societies before these fragment into social movements with various interests and concerns. In other words, civil society is not capable of generating order from within; rather, the politics of civil society must take place within the context of a pre-existing order.

The relationship between economic and political reform is often articulated in the context of decentralization (of formal, including economic, power). Such articulations

abandon the Hobbesian element of the ones discussed above, and adopt instead a strictly liberal conceptualization of democracy *and marketization*. Devolution and decentralization are essential foundations of both democracy and marketization. Thus, there is an inherent relationship between democratization and privatization, which is constituted through the decentralization of power (Dorraj, 1994; Hicks & Kaminski, 1995). From this (macro-)perspective, economic and political liberalization support each other. On the other hand, the implementation of simultaneous transitions can give rise to contradictory processes as well (Castillo, 1997; Lijphart and Waisman, 1996). Democracy can place obstacles in the way of implementing tough reforms, while tough reforms can turn people off democracy. Democratic demand requires politicians to choose one of three options: they can increase overall spending, which would exacerbate economic problems; they can reallocate current spending, which would upset those who lose out; or they can ignore the demands, which would upset those who make these demands (Armijo, Bierstecker & Lowenthal, 1994, 162).

There are three structural characteristics of economic reform which are difficult to reconcile for democratization³. First, such reform exacts social costs immediately, but promises benefits only in the future. Second, the social costs are unevenly distributed and are necessarily designed to increase inequality. And third, those who do benefit from the reform may not even realize it, as such benefits may not be tangible. Economic reform also poses some risks for democratization. Failed reform can undermine the credibility of

³ Lijphart and Waisman (1996) argue that economic liberalization and democratic consolidation are characterized by an opposing logic, whereby the former reflects a process of differentiation and the latter reflects a process of mobilization.

democracy, and give credence to alternative, authoritarian systems (Armijo, Bierstecker & Lowenthal, 1994, 163).

In the end, it becomes obvious that the orthodoxy has much more to say about economic than about political transformation. The status of democratization in Eastern Europe and the FSU has been aptly described as institutional chaos (Zielonka, 1994, 88). There are three major reasons for such chaos: first, questions abound about the number, structure and prerogatives of institutional actors; second, institutions are susceptible to 'political engineering', and are therefore the prime target of the 'new democratic elites', and third, in the absence of strong parties and loyal constituencies, institutions represent the only sure political prize (Zielonka, 1994, 88). In transitional countries, the structure of government and its institutional set-up are largely the result of pre-electoral strategy on the part of the incumbent and the opposition, whereby institutional preferences are determined by electoral expectations. Thus, the institutional structure is not always the one most suitable for prevailing political and economic conditions. But, "once established, any institutional framework tends to endure, because change is costly and uncertain" (Colomer, 1995, 84).

While orthodox prescriptions for democratization are focused on the need to build institutions, they lack concrete substance pertaining to the type of institutions that would be appropriate in the context of countries undergoing transformation. The introduction of concepts from economic theory, based on conceptualizations of rational behaviour, has not been very helpful. It is of course true that in order for democracy to work, institutions must be designed in such a way so as to give those who want to destroy them an incentive not to do so. "Democratic political reform and market-based economic reform share the

same underlying dependence on well-structured incentives” (Ordeshook, 1995, 48). The real question is what such incentives might look like. Some have suggested that the process of democratization must focus to a greater extent on business and business associations, as these are essential actors both in the process of democratization as well as in the consolidation of democracy at a later stage (Sullivan, 1994). Yet the question remains as to how one can provide the appropriate incentives to gain the support of the business community without exacerbating the problems of simultaneous transition elaborated earlier?

Ultimately, there is no coherent democracy discourse that is relevant to the specific conditions of Eastern Europe and the FSU. In praxis, there has been an attempt to transfer the democratic reality of the West to the transforming countries of the East, which has made few if any allowances for the different *political* conditions prevalent in the latter. To the extent that democracy has been considered at all, the focus has been squarely on liberal democracy. Moreover, within the debate, clear priority is accorded to the ‘liberal’ within liberal democracy, rather than democracy itself, which has rendered the entire discourse highly economic in character. In the end, this has given rise to what some observers have referred to as ‘scam democracy’ (Krol, 1995, 37), which, in the context of the Russian Federation, for example, has been described as follows:

The real lesson of 1993 is that for Yeltsin, as indeed for pretty much the entire Russian political class, the rhetoric of liberal democracy is little more than a useful cover for ambition. It came in very handy for getting rid of Gorbachev and securing a favourable redistribution of state property in the form of ‘privatization’, but its principles were never internalized. Even the most radical of the liberals around Yeltsin were interested not in democracy, but in the creation of a market economy within an authoritarian polity (Colomer, 1995, 63).

Democracy, it must be recognized, involves significantly more than a liberal economic framework. In particular in Eastern Europe and the FSU, where forces of nationalism persist, and where the vision of the nature of social relations in the future remains uncertain and contested, a strictly economic approach to democratization will not work. Moreover, to the extent that democratization has come to signify westernization, the future of democracy in the East will be strongly influenced by the state of democracy in the West. When Le Pen does well in France, the East thinks that xenophobia is legitimate in the context of democracy: "...the West is where the fate of democracy will be decided. If we want to solve the pre-democratic crisis in the new democracies, we have to find at least a partial solution to the 'post-democratic' crisis in the West" (Krol, 1995, 39).

Without a doubt, the issue of democratization in the context of the transformations in Eastern Europe and the FSU is complex, given the intrusive nature of the fundamentally non-democratic international political economy. From a critical perspective, what has transpired in Eastern Europe and the FSU since 1989 has very little to do with freedom, and even less with democratization. Indeed, there have not been any 'revolutions', certainly not in the sense that has given rise to the euphoria within the orthodoxy. Instead, critical theorists see the developments in post-communist Eastern Europe and the FSU in the context of historical continuities specific to these regions on the one hand, and global social, political and economic forces on the other hand.

The popular 'revolutions' of 1989 (and 1991 in the FSU) were not social revolutions in a structural sense (Skocpol, 1979). From a class perspective, both the popular 'revolutions' and the Bolshevik Revolution of 1917 were constructed as class-based movements without the appropriate classes; bourgeois movements in the former

case without the bourgeoisie, and proletarian movements in the latter case without the proletariat (Lomax, 1994; 1995). The net result in both cases was the ascendance of political elites who quickly monopolized social and economic power as well. While contemporary Eastern Europe and the FSU now feature different political elites, the basic structures of power and social relations have not fundamentally changed.

The problem is accentuated by the fact that the membership of the 'new' political elites is frequently drawn from the ranks of the 'old' political elites. Indeed, as the Communist parties of Eastern Europe and the former Soviet Union recognized that the end of their unquestionable hold on power was nearing, many manoeuvred quickly to position themselves at the forefront of the new political and economic reality. Moreover, it was not only the politically visible members of the Communist parties who took this approach, but also the large number of backroom tacticians, party-affiliated intellectuals, and pseudo-economic and political planners who had been shielded from public life, but who nevertheless had been active participants in the schemes of the Communist parties (Fisher, 1996; Higley et al., 1996; Lomax, 1994; 1995).

We have thus been witness not to a 'surge to freedom' (Brown, 1991), or to 'people's revolutions' (Ash, 1990), much less to the end of history (Fukuyama, 1989; 1992), but rather to a 'metamorphosis of power': "a power structure which is taking on many of the features of its forebear under the old regime, as a new ruling elite extends and consolidates its power by expanding its control over property and markets, while legitimizing itself in terms of the new democratic ideology" (Lomax, 1994, 49).

The transformations, so far, at least, have been first and foremost about the *replacement* of political elites. The 'communists' are out and the 'liberals' are in. But, as

indicated above, even this 'replacement' is more complex than it may appear at first sight. Many of the liberals within the new political elite were the communists within the old political elite. This is particularly striking in the Central Asian and Transcaucasian republics of the FSU, where there has been virtually no change in the personnel of governments (Olcott, 1992; Gharabaghi, 1994). It is also true, however, in other Eastern European states and republics of the FSU, where former Communist parties have regained power, such as in Lithuania, Poland, Hungary, Bulgaria and Slovakia. Even in Russia, the communists have made significant electoral strides, gaining a plurality in the Duma elections of 1995.

From a critical perspective, the transformations in Eastern Europe and the FSU have so far been fundamentally undemocratic. While some of the central institutions (parliaments, courts) and processes (elections) of Western liberal democracy have indeed emerged, the political systems as a whole have remained elitist, unrepresentative and unresponsive. Although critical theorists would level similar charges against the actually existing liberal democracies of Western Europe and North America, the problematic in Eastern Europe and the former Soviet Union is far more acute. An appropriate point of departure that lies at the heart of critical political economy for questioning the democratic content of transformation is this question posed by James Petras (1994, 19) among many others: "...what is democratic about the new structure of decision-making when external elites--the IMF, overseas bankers and investors, Western state leaders, political party officials and subsidized academics--shape the basic socio-economic decisions and electoral practices of the nations in question?"

In order to gain a greater appreciation for why critical theorists are so perplexed at the orthodox discourse of transformation, it is worthwhile to quote Petras at length:

What democratic 'revolution' (except in Orwellian terms) restores the power, privileges and prerogatives of management over workers in the workplace, increases management and state power to fire workers, transfers public property to private, national property to foreign ownership, displaces farm workers and co-operative farmers and restores old landowners and re-concentrates income at the top? It is a strange notion of democracy that encourages the re-emergence of ancient ethnic hatreds and parochial loyalties, that undermines the separation of church and state, that sells off lucrative public enterprises to foreign capital (or to local 'entrepreneurs', more accurately swindlers) at give away prices, that develops a policy that increases rents, prices and interest payments which drives low income tenants from their own homes, undermines consumer living standards, bankrupts producers and increases unemployment (Petras, 1994, 19)?

The critical response to the politics of orthodox transformation ideology extends to the economic sphere as well. Critical theorists argue that the specific content of an orthodox transformation strategy has never had broad popular support in Eastern Europe or the FSU. While there was, in many countries, an expression of general support for transformation, *transformation strategy* was never subjected to public debate. As Arnot points out in the specific context of Russia, the transformation elites there never bothered to consider the contradictory nature of public opinion with respect to market reforms.

Time and again respondents, in answer to general questions, would declare themselves in favour of the market, reflecting a general desire for change and an improvement in their living standards. However, when the questions became more specific, whether it be regarding attitudes to price increases, unemployment or increased income differentiation, the majority of respondents would go on to reject every single element necessary for the introduction of the market (Arnot, 1994, 11).

The democratization of the countries in transition, ostensibly one of the major goals of orthodox transformation strategies, is taking place in a rather undemocratic way.

The model of democracy that is being sought is articulated from outside of the transforming region, and reflects the interests of the market enthusiasts of the West and of the IFIs. Moreover, democratization in Eastern Europe and the FSU has evolved with a strong institutional bias, whereby the framework for democratic action is imposed from above. Although orthodox political economists accord a central role to civil society as well, that role is defined within the parameters of economic liberalism. In other words, it is specifically those elements within civil society that have as their primary interest the limitation of state interference in the economy and the development of strong private economic sectors that are to be furthered. Other elements of civil society, notably those concerned with gender, the environment or poverty, as well as those elements that are articulating fundamentally non-liberal social relations and economic systems, are to be marginalized.

This approach to democratization has several negative effects that encourage not only the development of minimalist democracy (see chapter 3), but also the elevation of criminal elements within civil society to take on leading roles within the transformation process as a whole. Thus, references to Mafia capitalism and 'comrade criminal' abound, and the content of such references is very real indeed. Certainly at this stage in the transformation process, organizations engaged in criminal and/or informal economic activities have been significantly more accessible to many elements within civil society than any state organ or foreign advisory body (see chapter 4).

Beyond the long-term effects of such 'democratization', there are also short-term features of the 'democratization campaign' in the FSU and in Eastern Europe which are difficult to reconcile with any type of democracy, and which demonstrate unequivocally

where the priorities of the orthodox transformation strategy lies. In Russia, for example, President Yeltsin has repeatedly violated the constitution in the most extreme forms, yet, he has sustained the support of most Western countries and the IFIs in return for promising the continuation of the transformation strategy:

Faced with parliamentary opposition to his economic program, Yeltsin decided to announce the dissolution of parliament, an act expressly prohibited in the constitution. When the MPs sought to resist this act by occupying the Parliament building, Yeltsin had them surrounded and cut off, and this led to the ill-judged but constitutionally legitimate effort by the parliament to strip Yeltsin of power. Yeltsin responded to a march on a radio station with a military assault on the Parliament building, the arrest of parliamentary leaders, and the closing down of Russia's supreme court, which had properly opposed his attempt to violate the constitution. Yeltsin also imposed censorship and closed down hostile newspapers. MPs who had participated in the occupation of the Parliament building were thrown out of their flats within three days of Yeltsin's victory (Gowan, 1995, 50-51).

In this chapter, I have demonstrated the connections between the international political economy and transformation processes at the national and sub-national levels in Eastern Europe and the FSU. The predominance of neo-liberal ideology, both in terms of economic development and in terms of political systems and democratization, has resulted in a hegemonic position of liberal democratic discourse and, to the extent that democratic institutions and processes have been established, practice. The idea of democratization in the context of the transformations in Eastern Europe and the FSU has been defined and elaborated by the global discursive context, it has been transferred by the agents of that discourse, first and foremost represented by the IFIs, and it is being implemented by the 'new' elites at the national level who have re-defined their own identities on the basis of the criteria for governance set forth by the global discourse of transformation.

This is the discursive context in which the state-society relationships in Eastern Europe and the FSU are evolving. At a time when the social order of these regions is transforming rapidly and completely, the global context hardly contributes to bridging the gap between state and society. As I argue in the following chapter, this has significant implications for the process of democratization. Specifically, the state-society relationships appear to be evolving in the absence of trust both, within society and between society and the state. Whether or not sustainable democracy can be built in the absence of trust is an open question. I will explore this issue in chapter 2.

Chapter 2: The Concept of Trust: some theoretical considerations

Given that for many scholars from a variety of disciplines, trust “is a necessary condition for both civil society and democracy” (Rose, 1994, 18), it is surprising how little of the literature pertaining to civil society and democratization includes a discussion of this concept. In part, at least, this can be explained by the fact that the concept of trust suffers from significant problems with respect to terminology and definitions. Frequently, terms such as confidence, faith, cultural values, and values more generally are used interchangeably with the term trust. Each of these terms also suffers from weak definitions and terminological ambiguity. In the end, “it is probably neither realistic nor helpful to look for a definition of ‘trust’ in terms of sufficient and necessary conditions... There will always be a variety of uses for the word ‘trust’, and new uses may develop in the future... The meaning of ‘trust’ is best elucidated by looking at various situations in which the word is applied” (Lagerspetz, 1998, 4).

A second difficulty with the concept of trust is that it does not lend itself readily to quantification, and this makes it difficult to incorporate it into empirical analysis. To the extent that quantitative studies of trust have been undertaken, they still cannot prove anything, and rely on the prior assumption that it is in fact trust that is being measured (generally through public opinion surveys) (Inkeles, 1997). In this respect, the concept of trust also has considerable similarities to related concepts, such as confidence and faith.

A further difficulty with the concept of trust is that it has evolved as an analytical tool in a cross-disciplinary fashion, including psychology, sociology, philosophy, economics and, more recently, political science. In principle, this is hardly a deficit in

terms of its analytic value. The difficulty is based on the differences of language and focus represented within each of these disciplines. This is plainly evident in the recent attempts by political economists to incorporate the concept into the analysis of democratization and civil society. Moving from the sexual learning theories of Freudian psychoanalysis to theories of participatory democracy represents an interesting challenge.

Notwithstanding the above, the concept of trust has without a doubt been a significant part of political theory for centuries, if not always explicitly, then at least implicitly. While political philosophers such as Aristotle, Plato, Machiavelli, Hobbes, Locke, and Rousseau dealt with the concept in their respective articulations of democracy and other forms of governance, the concept of trust has more recently been incorporated into approaches to international political economy that have included some emphasis on political psychology. Thus, Francis Fukuyama produced a lengthy essay on 'trust and the social virtues', in which he distinguishes between low-trust societies and high-trust societies. The former are characterized by fragmentation and political instability while the latter feature high levels of integration and communitarian 'peace' (Fukuyama, 1997).

George Soros has contributed to this 'psychological' approach to international political economy by developing the concept of 'open society', based to a significant degree on the philosophy of Karl Popper. Soros also draws on the works of Anthony Giddens (1992), and in particular, the idea of structuration theory, to argue that even in the world of finance, the concept of trust represents a mediating factor in the interaction between agency and structure (Soros, 1997; 1998).

Benjamin Barber has articulated a world view based on two contending forms of social organization, which he metaphorically terms 'McWorld' and 'Jihad'. McWorld

represents the high-trust consumer culture which allows for the continued evolution of corporate relations under conditions of relative stability, while 'Jihad' represents the disintegration of a generalized social trust, and a retreat into more parochial, tribal, and family-based social associations (Barber, B., 1995).

Robert Kaplan's thesis on 'the coming anarchy', along with Huntington's 'clash of civilizations' represent further attempts to incorporate political psychology into the study of international political economy. They are joined by Adam Seligman (1997), Daniel Nelson (1996), and Larry Diamond (1996), who have sought to articulate theories of democratization and civil society in the specific context of social relationships and the concept of trust.

Notwithstanding differences in perspective, on a more general level all these approaches feature an emphasis on the sociological basis of political economy (unlike more orthodox approaches, which tend to emphasize traditional political themes and economic dynamics). The sociology of political economy, in turn, incorporates explicitly a psychological dimension, specifically group psychology.

In this chapter, I will examine the concept of trust in the context of its relationship to political economy. I will therefore trace the role of trust in the literature from Aristotle to contemporary writings on democratization and civil society. As I will demonstrate, the concept of trust allows us to bridge a number of different concepts considered central to the current debates about democratization: notably, of course, the concepts of civil society and political culture. In the following chapter, I will elaborate further on the latter two concepts.

Trust relates to the basis of cooperative social relations, and as such, plays an important part in philosophical and political debates about human nature and its consequences for social existence:

On the most general and abstract level it can be stated that the need for perduring, stable and universally recognized structures of trust is rooted in the fundamental indeterminacy of social interaction. This indeterminacy, between social actors, between social actors and their goals, and between social actors and resources, results in a basic unpredictability in social life notwithstanding the universality of human interdependence (Seligman, 1992, 169).

Aristotle, and to a lesser extent also Plato, sought to circumvent the whole question of trust by postulating that man, by nature, is a social animal, which implies at least some degree of pre-ordained capacity for social interaction, presumably in cooperative, or at least sustainable, ways. Much later, Machiavelli and then Hobbes, had quite different thoughts on the matter. As Machiavelli makes very clear in *The Prince*, trust constitutes an obstacle to power, and therefore should not in any way be incorporated into governance. In fact, trust represents doubt, which is the worst enemy of the Prince. In case of doubt, Machiavelli prescribed, kill, maim and destroy, but do not trust¹.

Unlike Machiavelli, Thomas Hobbes saw trust not so much as an obstacle to power, but rather as a potential obstacle to social order. Hobbes believed that society is essentially comprised of strangers, who more than anything else are concerned with self-preservation, through the defense of body and material possessions. As a result, society is filled with competing ambition, and not trust but suspicion is the order of the day (Govier,

¹ Machiavelli considered the concept of trust principally in the context of the ruler trusting the ruled. For him, trust is a moral issue: since it involves the risk of betrayal, a ruler has a moral responsibility to his subjects not to trust (and risk betrayal) if this could jeopardize

1997, 18). On the other hand, Hobbes also realized that social order would have to be maintained through a strong, central authority. The principle job of such an authority would of course be managing the fears and anxieties of its suspicious subjects. That, in turn, would be facilitated by the concept of trust, inasmuch as subjects who trust that the central authority can protect them from the associated chaos of a reversion to the state of nature would be less anxious and therefore less troublesome subjects. In this way, Hobbes, notwithstanding his reputation for favouring absolutism, actually contributes to the idea that cooperative relations can be furthered without undue violence or coercion (ie: pseudo-democratically) through trust between subjects and rulers (Weil, 1986; Govier, 1997; Lummis, 1996, 27-29).

Rousseau's great contribution to democracy discourse was of course the idea of the social contract. Although he never explicitly wrote about trust, Rousseau clearly implied the concept in his elaboration of the contract. In effect, the social contract represents a promise, made by and to all parties signing on to the contract. Promises, in turn, are relevant only within a generalized atmosphere of trust. If there is a prior expectation that the promise will not be kept, the contract itself loses value, and perhaps becomes entirely worthless (Lummis, 1996, 143; also Gambetta, 1988; Johnson, 1993, 17-18).²

The concept of trust is yet more explicitly incorporated into the political theory of John Locke. Locke sought to differentiate legitimate governmental authority from illegitimate authority. His view of legitimacy was elaborated in the broader context of

the security of the polity (Johnson, 1993, 6-7).

rights and responsibilities (or duties) Illegitimate governmental authority is characterized by a disassociation from the ruled, whereby the authority to govern becomes increasingly distant from the consent to be governed. Legitimate authority, in contrast, represents a collaboratively arrived at arrangement between the rulers and the ruled. As such, it entails a psychological relationship in addition to the political relationship based on governance

In legitimate political societies, ... , governmental power is in fact conceived both by rulers and ruled as a trust and...the psychic relations between rulers and ruled can also consequently aspire to be one of trust: confidence, the giving and receiving of clear, veridical, and carefully observed mutual understandings, a relation of trust deservedly received and trust rationally and freely accorded. Seen in this way, politics at its best is an intricate field of cooperative agency, linking a multiplicity of free agents, none of whom can know each others future actions but all of whom must in some measure rely upon each others future actions (Dunn, 1988, 83).

What becomes abundantly clear from the above, is that notwithstanding the difficulties with respect to terminology and definition, the concept of trust has occupied an important position in the evolution and the development of social theory over the centuries. As the concerns of Machiavelli, Hobbes, Rousseau and Locke clearly indicate, the idea of trust is indeed a central component of state-society relations. In order to understand how the concept of trust is utilized in the late twentieth century, it is necessary to examine its substance in somewhat greater detail.

Concrete Versus Abstract Trust

“Trust is both a human passion and a modality of human action: a more or less consciously chosen policy for handling the freedom of other human agents or agencies”

² The recent contract (treaties) pertaining to the Arab-Israeli peace talks are slowly but surely falling into this category.

(Dunn, 1988, 73). Human agency can certainly be conceptualized in groups of individuals. however, in the specific context of trust, such agency can concretely be conceptualized with respect to interpersonal relations.

Some of the most extensive analysis of concrete trust originates in psychoanalysis, specifically of the Freudian and neo-Freudian variety. According to Erik Erikson, for example, the very first instance of trust is constituted through the relationship between infant and mother. Indeed, in psychoanalytical terms, trust is not really an instinctual reaction of the newborn, but rather his or her very first learned fact. The psychoanalytic contributions to the study of trust in other disciplines was thus carried through the 1950s by the likes of Erikson, and then by Martin Deutsch in the 1960s and Jullian Rotter in the 1970s. In substance, psychoanalytical approaches establish the *experiential character* of trust in inter-personal relations. Trust is constituted through expectations based on ones' experiences: trusting, we generalize from our limited experience, extending it to what we assume will be similar cases (Luhmann, 1979, 46).

Trust, seen as an attitude, entails a number of features, or expectations, held by one individual in relation to another. These include, first, an expectation of benign, not harmful behaviour based on the belief of the trusted agent's motivation and competence. Second, it entails an attribution or assumption of general integrity on the part of the other; a sense that the trusted agent is a good agent. Third, a willingness to rely or depend on the trusted agent, and an acceptance of the risks and vulnerabilities that this entails. Finally, the attitude of trust entails a general disposition to interpret the trusted agent's actions favourably (Govier, 1997, 5-6; Good, 1988; Hardin, 1993; Barber, 1983):

In trusting another person whom we know, our expectations are typically based on our experience with him or her and what we know from this experience. But when there is trust, our expectations go beyond what evidence proves: in new situations, from trusted agents whom we believe have the capacity to initiate actions, we expect decent and caring behaviour (Govier, 1997, 6)

A somewhat different perspective on trust views the concept essentially from a rational choice perspective, whereby the decision to trust entails a calculation of the likely outcome of trusting. Moreover, the outcome of trusting is based on the interests of the person being trusted. Trust should therefore be bestowed only on those who, and only under circumstances where, it is in the interest of the person being trusted to fulfill the expectations of the person trusting (Hardin, 1993; Mishler and Rose, 1997; Coleman, 1990).

The rational choice interpretation of the concept of trust is one attempt to position the concept more firmly within the realm of rationality. There is, within the literature, general agreement that trust is indeed rational, so long as it is understood not as a human passion, but rather as a modality of human action, as expressed by John Dunn (1988). Rationality is itself, of course, contextual, and when the context changes, so do the boundaries of rationality. Thus, Garfinkel conducted an experiment with his psychology students in the 1960s, in which students approached strangers in the community and behaved in a manner that was clearly out of context of the actual social situation at hand (Garfinkel, 1963). The subjects were thus presented with grounds for not trusting either their own sense of what the actual social reality was, or the reality claims of their interlocutors. The result of this for many of the subjects was bewilderment to the point that some of them even began to doubt their own sanity (Good, 1988, 32).

The anthropologist Colin Turnbull describes his experiences with a tribe in Africa called the Ik, who, after having been forced to move from their traditional habitat due to the creation of a national park, found themselves in a geographic area where their traditional lifestyle of hunting and gathering was not possible. Turnbull describes how this tribe quickly changed from one with a reputation for openness and friendliness to anyone who cared to visit, as well as a long history of communitarian principles, to one where individualism reigned supreme, and no one trusted anyone. In fact, lying became the order of the day, and was very much seen as an acceptable way of conduct. The resultant atomization of the community was fatalistically accepted (Turnbull, 1990; Govier, 1997, 72-76).

Interpersonal trust fundamentally is a way of relating with imperfect knowledge. Between two individuals, it is possible to base one's view of the others' capacities and motivations in particular areas on one's experience and knowledge of his or her capacities and motivations in other areas. Interpersonal relations are concrete inasmuch as the truster and trustee can concretely be identified, and the field of trust pertains to a single relationship in a single context.

Trust becomes abstract when it exists not between individuals, but rather between groups, or between groups and structures or institutions, and their representatives. Indeed, on a daily basis we are confronted with having to trust individuals we do not know, and therefore, with whom we do not have any experience to rationally decide whether to trust or not to trust. Doctors, lawyers, pilots, bus drivers and day care attendants are just some of the examples. We could choose not to trust, and therefore not to avail ourselves of their services, but without a doubt, this would make life extremely

difficult. On the other hand, it would not appear to be especially rational to simply blindly trust a stranger, in particular when it comes to significant matters such as health or flying, where the consequences of being disappointed could be severe.

In fact, we do not trust blindly; we do however re-position our trust, away from interpersonal trust, and directed instead at social roles. We may not know the doctor personally, but we do know what is required to become a doctor in our society. We generally have some understanding about the training process, and about the accountability of doctors not only to their patients, but also to a medical board. Similarly, we do know what is required of pilots, if not specifically, then at least by virtue of knowing that we ourselves would not be allowed to fly planes. Our trust is therefore directed not at the person, but at the social institutions we associate with the social role of the person. Again, this kind of trust is contextual. We are more likely to submit to a medical doctor we do not personally know in Canada than in Ethiopia, in spite of the fact that we likely know nothing about medical standards in the latter country. Thus, once again we are drawn to the familiar, only this time it is the familiar system or culture rather than the familiar person (Govier, 1997, chpt. 4).

Because of the complexities of modern societies, trust has become an essential attribute of the modern citizen. For the most part, we have no real evidence for the many things we believe to be true, and for the many actions we take with expected outcomes. Of course, we could find such evidence in each instance, but there are far too many instances for this to be meaningful. As Hardwig puts it, "the list of things I believe, though I have no evidence for the truth of them, is, if not infinite, virtually endless" (Hardwig, 1988, 127; also Coady, 1992).

As the second millennium nears its end, the requirements of trust are substantial. Not only must we as individuals have trust in various professions, and in the processes that generate competence within those professions, but we must also trust in each other's trust. There is little point in trusting the financial system if no one else trusts it. Indeed, the very concept of money relies on the trust of almost everyone in order to be meaningful. If I trust that money fairly compensates me for my work, but no one else shares this trust, my money would hardly be useful, and therefore would no longer compensate me for my work (Luhmann, 1979, 46).

Social trust is abstract in the sense that it is not targeted specifically, nor does it have a specific origin. Moreover, social trust encompasses an infinite number of relationships, which are simplified into categories such as order, process, and institutions so that we can more effectively evaluate our trust vis-à-vis these objects of our trust (Barber, 1983; Luhmann, 1988).

Below, I will discuss the specific role of trust in contemporary social relations, particularly as it pertains to civil society and democratization. Throughout this discussion I will assume that concrete trust and abstract trust, although different, nevertheless are related: "an individual's experience of being personally betrayed and trying to recover trust is not totally remote from what it is for a community to lose and attempt to reclaim trust" (Johnson, 1993, 2).

The Political Economy of Trust

According to John Dunn, "over considerable areas of the world,...., it is now reasonable to believe that establishing or sustaining a social frame that facilitates human

flourishing does depend upon establishing and sustaining structures of government and responsibility which in some measure merit and earn trust" (Dunn, 1988, 79-80; Dunn, 1986). Social relations are constituted according to the most basic principle of political economy: the relational dynamics within agency, within structure, and, arguably most importantly, between agency and structure. Grossly simplified, but practical for the purposes of this thesis, this can be translated into the relational dynamics within civil society, within the state and its institutions, and between civil society and the state. A political economy that excludes one or more of these sets of relationships would be one that presently at least is nowhere to be found.

In theory, of course, it is possible to argue that in an anarchist political economy, where any form of governance by means of a central authority (such as the state) is seen as illegitimate, at least the set of relationships entailed in the state-society complex could indeed be excluded. The fact of the matter is, however, that outside of sub-state geographical areas where the responsible central authority chooses not to govern (Harlem, Karachi, various areas in Rwanda), and countries where central authority is contested and therefore temporarily disabled (Sierra Leone, Afghanistan), nowhere is anarchism to be found. Therefore, the exclusion of the sets of relationships emanating from the state-society complex can hardly be justified in the context of any existing national political economy (Dunn, 1988).

Of course, the Marxist conceptualization of political economy also has no need for contemplating social relations in terms of trust in any of the sets of relationships mentioned above, however, for very different reasons than do the anarchists. In Marxist analysis, all social relations are by definition saturated with exploitation, and therefore,

trust, or at least rational trust, is not possible. The reason for withholding trust has already been established, and until there is a fundamental change in the context of social relations, which really means until there is an actually existing Marxist political economy, trust of any kind is misplaced. In a real Marxist political economy, however, the concept of state is eliminated, so that once again, at least the set of relationships pertaining to the state-society complex must necessarily be excluded (Dunn, 1988, 77-78). Again, however, it is quite clear that there is no such thing as a Marxist political economy, and in fact, attempts to create such political economies earlier this century clearly were not fruitful, and ultimately led to the creation of a rather mutated version of Marxist political economy (Stalinism).

In the evolution of political economy as a field of study, the concept of trust found fertile grounds within the modernization theories of the 1960s in particular. At that time, many scholars were concerned about the fate of the many new countries in the international political economy, which, after having emerged from centuries of colonialism, found themselves in unstable economic and political predicaments. The academic wisdom at the time, then, was the notion of modernization, which held that economic and political difficulties would best be solved by replicating the strategies of Western countries from decades earlier. The unique aspect of modernization theory, at least by today's standards, was the separation of politics and economics, or more specifically, political and economic development. And it was principally in the context of theories of political development that the concept of trust become one of considerable importance.

The concept of political development in the 1960s was closely tied to political culture. Trust (or its absence), it was argued, constitutes a defining characteristic of any political culture. According to Lucien Pye (1965, 22), "political cultures are built either upon the fundamental faith that it is possible to trust and work with fellowmen or upon the expectation that most people are to be distrusted and that strangers in particular are likely to be dangerous". Pye argued explicitly that trust relates to the prospects for national development: "the presence of diffuse trust seems to impede seriously the creation of the kinds of public organizations essential for national development". At the same time, the presence of trust should not be viewed uncritically either: "an equal obstacle to development, however, is the widespread existence of an uncritical and childlike trust in the rulers and in all forms of higher authority" (Pye, 1965, 22).

The role of trust in the context of state-society relations (or mass-elite relations) is articulated succinctly by Verba (1965, 536):

In all political systems the general sense of trust individuals have in those who hold political power is a resource that the latter may use in wielding that power. If non-elites do not in some way identify with and have confidence in political elites, the elites will have to exact obedience by more forceful and perhaps more destabilizing means.

Without a doubt one of the more influential contributors to the debates pertaining to political development has been Samuel P. Huntington. Huntington argued that political stability was a requirement for modernization, and that any period of rapid modernization would give rise to large-scale social mobilization. The pace of social mobilization would inevitably exceed the pace of political development, and thus place too many demands on the political system which would hardly be equipped to address such demands. The key to modernization, therefore, according to Huntington, at least, is institutionalization.

Political institutions are the essential feature of any modern political system, and it is only through the medium of such institutions that political demands arising from large-scale social mobilization can be processed (Huntington, 1968).

Huntington was advocating for the establishment of political institutions not as an end in itself, but rather because he believed that only such institutions could guide the public psyche, or the political culture of highly mobilized societies in the direction of modernization. Thus he turned his attention to behavioural patterns in modernizing societies, and to the moral content of political interaction. A modern society, he concluded, must be a moral society: "morality requires trust; trust involves predictability, and predictability requires regularized and institutionalized patterns of behaviour" (Huntington, 1968, 24).

Huntington thus positioned the idea of political development in the context of state-society relations. He had a vague notion about civil society, and the importance of cooperative relations between civil society and the state, and he believed that ultimately the basis of cooperation could best be generated through the predictability of institutions, or, in other words, through institutions that could be trusted to deliver the same goods, day in and day out.

The emphasis on the role of institutions in the promulgation of trust reflects a strong (philosophically) liberal bias. "Personal trust as 'the confident expectation of benign intentions in another free agent is too risky', too closely associated with the dangers of betrayal, to provide adequate grounds for political allegiance. Modern political societies are better constituted by trust conceived as a strategically defined reliance on

well-designed procedures and institutions agreed to by agents who are notionally rational and free” (Johnson³, 1993, 54)

Along with Huntington, other modernization theorists came to similar conclusions. In his study of protest and change in modernizing societies, S N Eisenstadt concluded that political development could not proceed smoothly without some sense of affinity (used by him interchangeably with the term trust) between the masses and the elites, and amongst the elites themselves: “insofar as there exists some affinity, even if it is rather passive, between the modernizing elite or elites and the major groups and strata, and among the modernizing elites, the process of political modernization is smooth with relatively few far-reaching eruptions” (Eisenstadt, 1966, 148).

The concept of trust thus became entrenched in the modernization discourse. From Lucien Pye to Talcott Parsons, and from Edward Shils to Robert Bellah and Harold Isaacs, the idea that somehow the process of political development required a psychological commitment on the part of the masses and the elites, became central. Modernization entailed a significant promise, but also a long term process. The psychological commitment required, therefore, was trust: in the process, in the institutions which were generated by the process, and in the value of the promised dividend sometime in the future.

It is, of course, not surprising that modernization theorists increasingly began to focus on the concept of trust. Their mode of analysis, and in particular their more

³ According to Johnson, this reliance on institutions poses problems with respect to morality: “the move from agency to state makes it very much less clear just how in modern politics responsibility, praise and blame are to be located. Officeholders may be as much insulated by their office as identified through it. Trust in the veracity of collective

prescriptive work, was from the beginning based on the idea of replicating the developments of Western, or already modern, societies:

This focus on the changing nature of trust in modernizing societies is not surprising given the extraordinary importance of a universal basis of trust in modern democratic societies. The emphasis in modern societies on consensus, the ideology of pragmatism, problem-solving, and technocratic expertise, as well as conflict management (as opposed to ideological fission), are all founded on an image of society based on interconnected networks of trust--between citizens, families, voluntary organizations, religious denominations, civic associations, and the like. Similarly, the very legitimation of modern societies is founded on the trust of authority and of governments as generalizations of trust on the primary, interpersonal level. In fact, the primary venues of socialization, whether they be the educational system or the mass media, are oriented to the continuing inculcation of this value and what is in fact an ideology of trust in society (Seligman, 1992, 170).

The emphasis on trust developed within the modernization literature as a result of the desire to find ways of promoting cooperative social relations in modernizing societies. It is clear, however, that trust is not the only way to elicit cooperative relations. Outside of pure coercion (wherein the concept of cooperation is somewhat ambiguous), there is also the possibility of encouraging cooperation through self-interest, perhaps with only a minimal degree of coercion or the threat thereof. This type of strategy draws extensively on the teachings of philosophers such as Hobbes, Hume, and Smith, and in many ways does indeed represent existing strategies in modern societies. It finds support in the literature because of its grounding in political realism, and because it does not rely on what might be considered a scarce resource (trust) (Hawthorn, 1988):

Indeed, some amount of trust must be present in any complex economic system, and it is far from inconceivable that systems with a higher level of general trust could come about. It would be risky, however, to make higher levels of trust into a cornerstone of economic reform. We may hope that trust could come about as a by-product of a good economic system (and thus making the system even better),

institutions may be achieved only at the high cost of moral abstraction" (1993, 55).

but one would be putting the cart before the horse were one to bank on trust, solidarity and altruism as the preconditions for reform (Elster and Moene, 1988, quoted in Gambetta, 1988, 224).

It is of course true that performance invokes trust, and that therefore, reform that precedes trust can have an impact on building trust, if it is successful and can deliver the goods. On the other hand, reform, whether economic, political or social, is a process, and its success depends to a large degree on support from those it may impact. Such support, in the absence of trust, may be difficult to elicit. Moreover, it is unlikely that trust is in fact a scarce resource, at least not in the sense that it could become depleted. Quite to the contrary, because trust is formed on an experiential basis (see above), it is a resource that, under particular conditions, increases over time. Finally, as Gambetta (1988, 225) points out, "there are extremely important cases where self-reinforcing arrangements acting on interests are either too costly (or unpleasant) to implement, or unavailable in the first place because trust is in excessively short supply" (also Dunn, 1988; Dasgupta, 1988; Lorenz, 1988).

Pursuing cooperative social relations as a goal hardly requires justification. Cooperative social relations always require at least some level of trust, although whether the role of trust is seen as an integral part of the pursuit of the goal, or, instead, as an inevitable by-product of the end result may well be open to debate. Cooperative social relations are not the equivalent of democracy, however. Democratization is not a process that becomes complete when cooperative social relations have been achieved. The question is how democracy and cooperation relate, and what possible role trust may play in this.

Trust and Democracy

Democracy as a philosophical construct, and democratization as a process through which democracy can be achieved (assuming there is an agreed-upon end state of democracy) and as a process by which an existing political economy can be augmented through the incremental addition of democratic content, are contested ideas with infinite substantive variations. Notwithstanding such variations, there are at least some common elements. All contemporary theories of democracy and all approaches to democratization value transparency, accessibility, and participation. Clearly, not all do so to the same degree. The ultra-liberal democracy of Joseph Schumpeter discourages mass participation in many ways, and some theorists argue that the public does not have what it takes to participate effectively in the political process (Lippman, [1922] 1965). Nevertheless, some form of participation, even if only through periodic elections, is valued in all approaches to democracy.

Like participation, the degree of transparency advocated in various approaches to democracy varies considerably. Without a doubt, no existing democracy is absolutely transparent, and engages exclusively in open and public processes of decision-making. But the idea of openness, of recognizing the citizens' right to information, and of allowing a free press to distribute information to anyone who cares to receive it, is enshrined in all approaches to democracy and democratization.

Accessibility may be more difficult in some conceptualizations of democracy than in others, but again the principle that public institutions are indeed public, and to some degree therefore accountable to the public, holds firm in the literature, regardless of

perspective. No one advocates for democracy without accessibility, without transparency, and without participation or at least the right to participate. Similarly, no one as of yet has promoted the idea of democratization without emphasizing the need for transparency, accessibility and participation.

The real differences pertain to the operation of democracy and the operational issues pertinent to democratization. The question is not how to establish democracy, or how to democratize, but rather how to manage democracy and the democratic process, or how to manage the process of democratization. It is in the context of these questions, that the infinite number of variations in the articulation of democracy and democratization can be grouped, perhaps not neatly, but at least approximately, into two camps: those who envision management through institutions and institutional processes, and those who favour what amounts to a self-management approach. The structural characteristics of these two approaches are not fundamentally different. Both approaches require a core state, a civil society, and public institutions that act as an extension of the state and as an access point for civil society simultaneously. It is not fundamentally a difference of structure; it is a difference of process, emphasis, and value. And, crucially, it is a difference about where to position the role of trust.

It is instructive to note that the orthodox approaches to transformation in Eastern Europe and the FSU, as indicated in chapter 1, do not consider the issue of trust at all. Implicit in their analysis is the idea that the building of liberal democratic institutions will suffice to bridge the gap between state and society. The political culture approaches of the modernization paradigm, in contrast, addressed the issue of trust in much more explicit ways: “the political culture literature argues that the evolution and persistence of mass-

based democracy requires the emergence of certain supportive habits and attitudes among the general public. One of the most basic of these attitudes is a sense of *interpersonal trust* (my emphasis; Inglehart, 1988, 1204). Interpersonal trust was seen as essential to a political culture conducive to democracy because it allowed for the emergence of associational life within civil society; in other words, it represents the essence of *civic virtue* (Almond and Verba, 1963).

In a comparative study of local government in southern and northern Italy, Robert Putnam found that local government works better in the north than in the south. In seeking to determine why this might be, Putnam (1993) discovered that civic or associational life is far more pronounced in the north than it is in the south. This, he concludes, has a major impact on the effectiveness of local government:

Citizens in a civil community, though not self-less saints, regard the public domain as more than a battleground for pursuing personal interests... Citizens in a civic community, on most accounts, are more than merely active, public-spirited, and equal. Virtuous citizens are helpful, respectful and trustful toward one another, even when they differ on matters of substance (Putnam, 1993, 88).

Putnam thus concludes that civic association requires a sense of trust, specifically social trust. Unlike in southern Italy, where the expression of trust is relegated to interpersonal relationships, or at least to the level of familiarity and thereby concrete trust, in northern Italy, abstract trust has evolved, which has allowed for the development of a vibrant civil society.

The performance of a regional government is somehow very closely related to the civic character of social and political life within the region. Regions with many civic associations, many newspaper readers, many issue-oriented voters, and few patron-client networks seem to nourish more effective government (Putnam, 1993, 99).

For Putnam, then, trust constitutes a form of social capital, and by extension, therefore, a moral resource and a public good. It is of course true, as Margaret Levi (1996) points out, that Putnam bases his conclusions on his observations of associational life in small settings, including private leisure clubs. Whether such clubs really constitute a public good and a moral resource, as opposed to a private good that works to exclude and generate divisions within the community, is open to debate. What Putnam's research does indicate, however, is that associational life, based on social trust, can generate quite different relational dynamics within civil society and between civil society and the state (in this case, local government) than can civil life based on concrete trust.

The idea of trust within civil society is much more dynamic in the self-management perspectives of democracy and democratization than in the institutional management perspectives. In the latter, social trust is fundamentally about trust in the efficacy of public institutions. The operation of democracy and the management of the democratic process is mediated through institutional agency, to which civil society is subject rather than participant. The concept of trust is thus significant only in the relationship between state and society, but not so much within civil society itself.

In any of the self-management perspectives of democracy and democratization, the role of civil society is not merely to evaluate the performance of public institutions (although that too), but also to build and perpetuate social relations that are autonomous from the state and its institutions. Indeed, the vibrancy of social relations is (self) managed within the boundaries of civil society. In order for there to be a vibrant civil society, however, there must be trust, specifically social trust. There must be a belief within civil society that the many groups through which it is constituted are acting in

concert, or at least cooperatively, toward different aspects of a common goal. The expectation that others are not out there to achieve self-interest at whatever cost, that fundamentally, others have not only a positive orientation toward their own goals, but have a generalized pro-social orientation (see above), becomes essential. In short, the competitive pursuit of interests on the part of different groups within civil society (which characterizes pluralist and neo-pluralist perspectives of democracy) must be tempered by the presence of social trust.

All of this has considerable implications for democratization, in particular in the context of Eastern Europe and the FSU. If trust within the state-society relationship is indeed a concern in all the perspectives on democracy and democratization, then how has this concern been addressed in the transformations, and specifically the democratizations of Eastern Europe and the FSU. Moreover, if trust within civil society itself is also a concern, at least within the self-management perspectives, then to what extent has this concern been addressed, even by the proponents of these types of perspectives.

Finally, to what extent does the idea of trust help us think about transformation strategy? As I will argue in the following chapter, the concept of trust helps to highlight the significance of the politico-psychological aspects of transformation, and therefore promotes an approach that focuses substantially on civil society, in addition to institutional development. In this respect, I agree with Nelson (1996): “focusing on the citizenry, not institutions or processes, implies a greater concern for the performance of a system in delivering political goods of central importance to individuals and their families—peace, security, and justice, for example”.

In the following chapter, I will examine more closely the concept of democratization and how it has been applied in Eastern Europe and the FSU. Specifically, I will determine the extent to which the institutional bias of liberal democratic formulations dominate the process of democratization completely. I argue that this is not useful, because it neglects to consider the cultural and psychological aspects of state-society relations. I then proceed to connect the idea of democratization with the concepts of civil society and political culture, in an effort to provide the basis for understanding the relevance of the concept of trust to the transformations in Eastern Europe and the FSU

Chapter 3: Democratization, Political Culture and Trust

Democracy has a rich history in political theory as well as numerous other disciplines. Definitions of the concept abound and differences in perspectives are plentiful. Nevertheless, as we approach the end of the second millennium, there remain far more questions than there are answers regarding the substance of democracy, its future in the real world, and its role in social order and development more generally. Yet never has the surge to democracy been greater than now, leading to the popularization of phrases such as the third wave (Huntington, 1991), the end of history (Fukuyama, 1989), and the triumph of the West (and with it, the apparent triumph of western liberal democracy).

In this chapter, I will elaborate the concepts of democratization and political culture, and establish how these are related. With respect to democratization, I will focus on i. how the debates on democratization reflect different perspectives of democracy itself, ii. what is involved in the process of democratization, and iii. how does the process end, and what is involved in democratic consolidation. With respect to political culture, I will focus on i. defining the concept; ii. elaborating its evolution in comparative theory and how this relates to democracy; and iii. demonstrate how the concept of political culture is useful in understanding democratization in Eastern Europe and the FSU. I conclude the chapter by introducing the idea of civil society as a mediator between political culture and democratization. I argue that trust serves as an essential resource for civil society to take up this role of mediating between the afore-mentioned concepts.

From Democracy to Democratization

While debates on democracy continue to generate significant philosophical questions, a substantial debate has developed over the past fifteen years that is considerably more instrumental in nature. The focus of this debate is less democracy and more democratization. The central question pertains to transition (or transformation) from authoritarian (or non-democratic) political systems to democratic governance. Until 1989, the interest in democratization was based principally on the efforts of countries in the Third World (or South, Less Developed Countries, sometimes even traditional societies) to adopt democratic forms of governance, at least at the declaratory level. The interest in democratization intensified after 1989, and again after 1991, with the dramatic regime changes in Eastern Europe and then the even more dramatic collapse (or implosion, and, at least partially, explosion) of the Soviet Union respectively.

The immense volume of academic literature produced in the 1990s pertaining to democratization in the Third World, and perhaps even more so in Eastern Europe and the FSU, generated a series of major debates that are as central in the literature today as they were ten years ago. At the heart of all these debates lies the conception of democracy itself. Depending on one's perspective regarding the parameters of democracy, questions about the role of civil society, the prospects for consolidation, and the relationship of democracy to political culture, economics, ethnic conflict, social justice and myriad other social relations will inevitably be answered differently. Logically, therefore, any discussion of democratization should start with the concept of democracy itself.

Retracing the entire story of democracy would require several volumes, and therefore, I will make no attempt to do so here. Instead, I will outline the basic points of

debate that are of significant relevance to the more recent democratization debate generally, and the actual processes and practices of democratizations in Eastern Europe and the FSU.

Democracy entails a relationship between those who govern and those who are governed that is unique in its use of the concepts of reciprocity and consent. Governance takes place in the interest of the governed. The latter not only consent to being governed, but also consent to the fundamental aspects of the manner in which they are governed. They do not necessarily, however, consent to the concrete forms of government that may develop under the rubric of democracy.

Historically, a distinction has been made between protective forms of democracy and their participatory counterparts. Thus, in one of the earlier modern articulations of democracy, Jeremy Bentham and James Mill argued for the centrality of negative freedoms: protecting the citizen from political authority. The idea of negative freedom provides the impetus of the anti-state argument typically associated with liberal democracy. It finds its allies today in the form of the New Right and of neo-liberalism generally, and in the formulations of democracy by the likes of Friedrich Hayek. "Governmental intervention in civil society must aim at protecting life, liberty and estate, which basically means creating the best possible framework for the operation of the free market" (Sorenson, 1993, 6).

In contrast to the emphasis on the liberal in liberal democracy, other political theorists argued that democracy not only must further individual freedom, but also must promote human development generally. Thus, John Stuart Mill considered political participation on the part of the citizens to constitute a central component of democracy.

He recognized, moreover, that political participation in light of economic inequality could quickly lead to exclusion and therefore fundamentally anti-democratic systems of governance. He extended his emphasis on economic forms of exclusion to gender exclusion as well, thereby introducing to democratic discourse the idea of the universal franchise. Jean Jacques Rousseau, although in every other way quite distinctive from John Stuart Mill, also argued that political participation must constitute a central aspect of democratic governance. Without it, according to Rousseau, democracy would quickly be reduced to democratic moments, in accordance with elections, and complete disempowerment between elections.

In contemporary democratic discourse, Rousseau's concern with political participation and empowerment is echoed by, for example, C.B. Mcpherson (1977) and Carol Pateman (1970). Not only do they agree that political participation in the process of governance is essential, but they extend the idea of participation to other spheres of social life as well, most notably the workplace.

The question of how liberalism and democracy can be connected was most easily resolved by Karl Marx. For him, the idea of negative freedom in the sense of protection from the state hardly reflects democracy. Rather, Marx saw the state first and foremost as an instrument of the capitalist class, and therefore associated the idea of liberalism with governance by the capitalist class. In this sense, liberalism and democracy were simply not reconcilable. A more moderate assessment of the potential contradictions in the relationship between liberalism and democracy is that of Robert Dahl (1985, 60), who suggested that modern, corporate capitalism tends to produce inequalities in social and

economic resources so great as to bring about severe violations of political equality and hence of the democratic process.

Notwithstanding the almost infinite number of different perspectives, refinements, conceptual nuances, and politico-ideological interventions in democratic discourse, two categorically distinct approaches can readily be identified. One approach sees democracy principally as a *political method*, a mechanism for choosing political leadership. "the democratic method is that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote" (Schumpeter, 1976, 260). This approach, without a doubt, reflects a minimalist definition of democracy, central to which is the process of elections.

A second approach, that stands in sharp contrast to Schumpeter's articulation of the democratic method, is one based on the principle of *democratic autonomy*. This approach advocates a high degree of democratic accountability of the state to the citizens, a democratic reordering of society, substantial direct participation in local and community-based institutions, and the self-management of cooperatively owned enterprises (Sorenson, 1993, 10). The most extensive elaboration of this approach is that of David Held (1987, 271):

Individuals should be free and equal in the determination of the conditions of their own lives; that is, they should enjoy equal rights (and, accordingly, equal obligations) in the specification of the framework which generates and limits the opportunities available to them, so long as they do not deploy this framework to negate the rights of others.

Unlike Schumpeter, therefore, Held is concerned not only with citizen participation in deciding who the decision-makers will be, but also with citizen participation in the

process of decision-making itself. Although not nearly as maximalist as recent articulations of radical democracy (for example, Laclau and Mouffe, 1985, Lummis, 1996), in contradistinction to the minimalist approach, Held's articulation is certainly much more far-reaching, and therefore also more demanding, of the concept of democracy.

A frequently cited, more or less neutral, approach to defining democracy is that of Robert Dahl (although Dahl's approach does approximate that of Held much more so than that of Schumpeter). Dahl (1971, 3) maintains the institutional bias of liberal democracy, but he does elaborate eight fundamental institutional guarantees, which, whenever met, lead to what he refers to as ployarchy:

1. Freedom to form and join organizations
2. Freedom of expression
3. The right to vote
4. Eligibility to hold public office
5. The right of political leaders to compete for support and votes
6. Alternative sources of information
7. Free and fair elections
8. Institutions for making government policies dependent on votes and other expressions of preference

The contributions to the debates about the substance of democracy cited above all have in common a bias toward the formal, institutional dimensions of the concept. There are, of course, other approaches, that are less concerned about the institutional structure of democracy, and instead place emphasis on the role of civil society in constituting democracy. Grouping those types of approaches in the same category as the ones cited above is, however, problematic. In most cases (with the exception of radical democracy articulations), the role of civil society is seen as an adjunct to institutional democracy, not

as a substitute. In this sense, advocates of a civil society approach to thinking about democracy begin with a critique of the institutional approaches and then propose alternative ways (based on a focus on civil society) to overcome whatever shortcomings might have been identified (Seligman, 1992; Hall, 1995; Cohen and Arato, 1992; Nelson, 1995)

Indeed, the resurgence of civil society in the comparative politics literature over the past fifteen years is related not so much to efforts at re-defining democracy, but rather to the concrete need, at this time, to think about democratization, given the wave of countries in transition from non-democratic political systems to democratic ones. It is in this context that a debate has ensued between two broad perspectives, which sometimes are referred to as vertical approaches and horizontal approaches to democratization (Griffiths, 1997). Below, I will examine in some detail the conceptual debates pertaining to democratization and, specifically, their relevance to the transformations in Eastern Europe and the FSU.

The New Paradigm of Democratization

Democratization is the process by which a non- (or less) democratic system is replaced with a (more) democratic one. Simple as this statement may appear, it immediately points to the problematic nature of the idea of democratization. Is it really a replacement of one system for another, or is more about metamorphosis, a gradual reproduction or re-engineering from within? Is the final product democracy, or could it be a mixed system, with democratic and other features? Is it in fact possible to speak of democratization in the context of fundamentally, or even marginally, authoritarian political

systems that are engaged in various forms of liberalization? Where does the process of democratization begin, and where does it end? Perhaps most importantly, does the process of democratization have to be democratic, or do the ends justify the means? All of these questions must be addressed before one can properly define the term democratization. Even then, of course, it is quite clear that democratization does relate, in some way, to democracy, and thus one's perspective on any given process of democratization will likely be contingent on one's perspective on democracy itself.

In some articulations of democratization, the focus is on the *stages* of transition which, of course, is reminiscent of the modernization paradigm of the late 1950s and the 1960s (for example, Rostow, 1971). Dunkwart Rustow (1970), for example, suggests that there are four stages of transition. The first is the consolidation of national unity, during which the boundaries of the national political community are drawn. This is followed by the preparatory stage, during which initial challenges to the existing order unfold. Third, the decision phase sets in, where leaders decide to initiate democratic procedures. This phase can also be initiated from below, where the initial democratic procedures are manifested within civil society rather than the public institutions of the polity. Finally, the transition nears completion during the consolidation phase, where democratic procedures and democratic culture become ritualized (also Stepan, 1988).

The idea of a transition to democracy raises questions about *pre-conditions*. Under what circumstances does or can or will likely the transition begin? There have been numerous lists of pre-conditions, but generally they all revolve around four issues: economic resources (wealth and poverty), political culture (protestantism and catholicism), social structure (specifically class structure; bourgeoisie and aristocracy), and

external factors (spill-over effects and external pressure): “the preconditions set the stage: they form the scene upon which the actors play. The preconditions cannot foretell whether the actors will produce democracy or not, but they can provide some information about what kind of outcome we can expect from the players” (Sorenson, 1993, 28).

Whatever the preconditions for setting into motion the process of democratization, the question still remains as to who and why. For any transition process to be initiated from above, the motivation to do so has to be identifiable. Specifically in the context of rulers, this is quite a serious question. After all, the very essence of democracy is to forestall the possibility of undue advantage being gained through the access to political power. Under democratic conditions, in any perspective, the predictability of such advantage diminishes:

In a democracy, no single group can be sure that its interests will ultimately prevail. Even the most powerful group, be it local or foreign business, armed forces, bureaucracy or other privileged elements, must be ready to face the possibility that it can lose out in conflicts with other groups, which means that its interests may not be looked after (Sorenson, 1993, 29).

As Przeworski (1988, 79) points out, therefore, “democratization is only possible if there exist institutions that provide a reasonable expectation that interests of major political forces would not be affected highly adversely under democratic competition, given the resources these forces can muster”. The importance of elite predictions regarding their own fate under conditions of democratization is readily apparent in the context of Eastern Europe and the FSU. Prior to the dissolution of the Communist Party *approtchiks*, members of these elites ensured their continued elite status by transferring their political power into economic power, either through theft of public monies or, more

commonly, by informally and generally illegally profiting from the early privatization schemes. Indeed, surveys from the early transformation period throughout Eastern Europe and the FSU showed that elite support for marketization was invariably significantly higher than mass support (Rhodes, 1995). Such enthusiasm can be understood in the context of the extensive preparations that members of the elite undertook in anticipation of democracy (Handelman, 1994; Lomax, 1995; Drakulic, 1996)

This raises the question of transition from below. If indeed it is difficult to motivate elites to initiate transition, then what are the prospects for initiation from below? Not good, is the immediate answer. As Karl (1990, 9) points out, "...no stable political democracy has resulted from regime transitions in which mass actors have gained control, even momentarily, over traditional ruling classes. Efforts at reform from below...have met with subversive opposition from unsurpressed traditional elites". This is not to say, however, that civil society cannot help to motivate elites with respect to initiating transition. As the *Solidarity* movement in Poland, *Charter 77* in Czechoslovakia, and *Sajudis* in Lithuania demonstrated, movements within civil society can very much have an impact on the initiation of the democratization process (Lieven 1993; Bankowicz, 1994a; Lewis, 1995).

Once the process of democratization has been set into motion, the question is when it might end. Indeed, this is a debate in itself. Does the process of democratization ever end? In some perspectives, it does not. Democratization is a continuous process not only of creating democracy, but also of maintaining it. In other perspectives, however, the process ends when democracy has been consolidated. Prior to consolidation,

democratizing systems are subject to all kinds of dangers and threats, such as economic crises, political or social breakdown, or military intervention. As Robert Dahl (1995, 8-9) suggests, unconsolidated democracies (which, presumably means those still undergoing a process of democratization), are especially vulnerable to these kinds of threats: "in countries with deeply rooted democratic cultures, some of these difficulties might be less threatening to democratic stability. In the older democracies, democratic values, beliefs, practices, and habits are typically products of a lengthy historical growth long antecedent to the actual arrival of the full array of political institutions [of democracy]"

Dahl argues, moreover, that the process of democratization is characterized by three sets of quite different victories. The first victory is the end of authoritarianism, which is a time of hope. The second victory is the establishment of democratic institutions, which is a time of triumph. Finally, the third victory, and this is the one most difficult to achieve, is the sustaining of democracy, and this is a time of avoidance: specifically, avoidance of a time of trouble (Dahl, 1995, 7).

It is clear from the above that Dahl's conceptualization of the consolidation of democracy moves uneasily into the realm of *political culture*. In the final analysis, Dahl, along with many others, concludes that the inevitable challenges to the new democratic order cannot be successfully met by institutions alone. There must be a cultural component, if not a cultural resistance to the re-introduction of non-democratic forms. I will explore the role of culture below.

However, first, it should be made clear that not all scholars agree with this line of argument. Indeed, Fisher, along with Przeworski, argues that the decisive step toward democracy is the devolution of power from a group of people to a set of rules

(Przeworski, 1991, 14). "Societal factors, such as high levels of socioeconomic development or political traditions of participation and tolerance, are not prerequisites but outcomes of democracy" (Fisher, 1996, 5). Of course, democracy cannot properly produce these outcomes until it has been consolidated. What does this mean? According to Linz, a consolidated democracy is one in which "none of the major political actors, parties, or organized interests, forces or institutions consider that there is any alternative to democratic processes to gain power and that no political institution or group has a claim to veto the action of democratically elected decision-makers... To put it simply, democracy must be seen as the only game in town" (Linz, 1990, 158).

The question of *consolidation* becomes then a central aspect of democratization. As Huntington points out, in each of the previous two waves of democratization, countervailing forces emerged that in many cases spelled the end of democracy. He cites cases such as Chile and Argentina, but certainly in the context of Eastern Europe, one might also consider the tentative steps taken in Hungary in 1956 and in Czechoslovakia in 1968, although these cases clearly are not entirely comparable. Nevertheless, for Huntington, consolidation must be the priority. He goes as far as suggesting that there is little point at this time to promote democracy in more countries. Instead, the focus ought to be the consolidation of democracy in those countries, where democratization is well on its way (Huntington, 1997).

Huntington does quite realistically assess the threat to emerging democracies in the 1990s: "with third wave democracies, the problem is not overthrow but erosion: the intermittent and gradual weakening of democracy by those elected to lead it" (Huntington, 1996, 8). Much like Huntington, Diamond (1996) also recognizes the threat of

democratic erosion, although he argues that there is no significant push in the authoritarian direction either. In fact, according to Diamond, in the contemporary political economy there really is no anti-democratic ideology with global appeal (Diamond, 1996, 23).

A serious threat to democracy is executive arrogation, which occurs when "an elected chief executive concentrates power in his own hands, subordinates or even suspends the legislature, and rules largely by decree" (Huntington, 1996, 9). This is indeed what has happened in a number of countries in Eastern Europe and the FSU. In the latter, it is with some dismay that one notes the decision on the part of each of the five Central Asian presidents to extend their stay in power until the next millennium by means of referenda. This method may well sound democratic but, in the end (especially given the suspect nature of elections in the region), this move simply delays the inevitable test of peaceful transition from one executive to the next. Whatever consolidation may mean, one can certainly understand the need for it intuitively.

The immediate questions that arise in the context of consolidation are twofold: how to consolidate, and when is consolidation complete? According to Shedler (1997), consolidating democracy consists of two negative and two positive variants. On the negative side, consolidation involves avoiding democratic breakdown, but also preventing democratic erosion. On the positive side, it involves completing democracy, and also deepening it. In this sense, Shedler, along with other theorists, has a somewhat teleological view of democratization, that naturally moves from authoritarian to electoral (democracy based on elections only, but not necessarily on democratic governance) to liberal to advanced, unless this process encounters obstacles it cannot overcome.

Huntington (1997) too elaborates the distinction between liberal democracy (which is desirable) and electoral democracy (which is more desirable than authoritarianism but less than liberal democracy). For him, however, consolidation is difficult because it involves a significant cultural element. Indeed, a natural consolidation of democracy is based on social, economic and cultural preconditions that generally are not found in democratizing countries. Therefore, in the absence of these preconditions, consolidation depends on the will as well as the skill of political leaders, who essentially have to craft a consolidated democracy.

If crafting does indeed become the way to consolidate, then questions arise pertaining to the focus of the consolidation project. One answer, unsurprisingly, directs us to the institutional structure of liberal democracy, and in particular to political parties:

Focusing on political parties and the party system must remain a central theme for assessing progress towards the consolidation of liberal democracies following regime change. A strong system of political parties is a guarantee of the responsiveness and adaptability of a democracy and therefore of its viability. Political parties are the effective intermediary structures in liberal democracies, as political and organizational linkages between state and society. They provide the most important test of exactly how far these systems are pluralist...; they are central to the acquisition of legitimacy of new democracies (Pridham, 1995, 1).

From the perspective of the countries of Eastern Europe and the FSU, this is not good news. Their consolidation apparently still lies in the distant future. In Poland, party fragmentation has been the order of the day since 1989 (Grzybowski, 1994a; Smolar, 1998; Gebethner, 1996), while in the Czech Republic and in all three Baltic states, for example, party polarization has rendered the party system either unstable, or at least not conducive to attracting public support and gaining legitimacy (Wightman, 1995; Kostecky, 1995; Dellenbrant, 1994a). The troubles of the Russian party system are

well-documented even in the mass media, while there really is no party system to speak of in any of the Central Asian countries. On the other hand, party fragmentation and polarization have been less of an issue in Rumania and Bulgaria, two countries generally thought of as well behind in the race to consolidate democracy (Dellenbrant, 1994b; Shafire, 1997; Bankowicz, 1994b; Karasimeonov, 1995).

Quite aside from fragmentation and polarization, there is also the question of legitimacy. If Pridham is right, and political parties are indeed central to the acquisition of legitimacy of new democracies, then the evidence from surveys is not positive. Political parties were the least trusted institution in Russia in 1993, with no less than 93% of respondents indicating that they distrust parties (Rose, 1994, 26). Not to be outdone, a survey conducted in Eastern Europe in 1994 indicates that out of fifteen institutions (both public and private), trust in political parties was lowest. In fact, greater degrees of trust were expressed in the army, farm organizations, and, surprisingly, even the police (Mishler and Rose, 1997, 423) (see chapter 4).

The consolidation of democracy has been articulated as considerably more complex than merely the establishment of a functioning market system. Indeed, in order to even concern oneself with the concept of consolidation, three conditions should be met. First, a state must exist. According to Linz and Stepan (1996), democratic consolidation can only take place within the realm of the state. Moreover, it is not only a state in the legal sense, but in also in a functional sense. In those states that do exist legally, but where the state is not in fact able to govern in any way, and where it is at best a secondary political authority next to sub-national groups of whatever type, there cannot be any democratic consolidation.

A second precondition for democratic consolidation is that the democratic transition is in fact complete. For Linz and Stepan, this means that the democratic system features regular, free and fair elections, and that there are no reserve domains (of undemocratic authority), military prerogatives or authoritarian enclaves. Diamond (1996, 23) adds to this the idea of vertical and horizontal accountability (also O'Donnell, 1998, Griffiths, 1997).

Third, the rulers must govern democratically. By this, Linz and Stepan emphasize that the mere presence of formally democratic institutions is not sufficient. Such institutions must operate according to their mandate, which must have been established according to democratic procedures and not in violation of the second precondition cited above.

Consolidation encompasses behavioural, attitudinal, and constitutional dimensions (Linz and Stepan, 1996, 15). As such, in addition to the three preconditions cited above, there are five additional conditions that must be met in order for democratic consolidation to proceed. These are: the presence of a civil society defined as all the groups and private actors that are not directly associated with the state but operate within the legal and political boundaries of the democracy; the presence of a political society, defined as the institutions of government and representation (such as political parties, legislatures, political leaders), the rule of law, the presence of a state bureaucracy that does not have an autonomous political agenda, and finally, the presence of economic society, defined as a set of socio-politically crafted and accepted norms, institutions, and regulations that mediate between the state and the market (Linz and Stepan, 1996, 16-21; also Gunther et al., 1996).

The elements listed by Linz and Stepan as being central requirements for democratic consolidation conform or exceed the standards set by others. Nevertheless, there continues to be a sense that, notwithstanding all the conditions imposed on the democratic consolidation, something still is missing. O'Donnell tries to capture this by arguing that new democracies are characterized in two at times contradictory ways: they are formally institutionalized, but they are also informally institutionalized:

... the problem with many new polyarchies is not that they lack institutionalization. Rather, the way in which political scientists usually conceptualize some institutions prevents us from recognizing that these polyarchies actually have two extremely important institutions. One is highly formalized but intermittent: elections. The other is informal, permanent, pervasive: particularism (or clientelism, broadly defined) (O'Donnell, 1996, 35).

What O'Donnell is hinting at, but never quite elaborates, is the presence of informal dynamics within the process of democratization that can play a significant role, both supportive and detracting, in the formation of democratic systems. This ultimately leads him to conclude that the very concept of consolidation is flawed, in as much as the criteria by which it is judged are objective in nature, whereas the process of democratization contains a great deal of subjective (informal) elements. More specifically, such informal elements are constituted within the realm of culture, or political culture.

In reviewing all the arguments relating to democratization presented above, it becomes abundantly clear that the democratization discourse is replete with references to political culture. Yet, there appears to be a hesitancy to elaborate this very crucial aspect of the process of democratization. In addition to O'Donnell, Diamond also recognizes the centrality of political culture, but fails to elaborate:

As consolidation advances, there is a widening of the range of political actors who come to assume democratic conduct (and democratic loyalty) on the part of their adversaries, a transition from instrumental to principled commitments to the democratic framework, a growth in trust and cooperation among political competitors, and a socialization of the general population (through both deliberate efforts and the practice of democracy in politics and civil society). Although many contemporary theorists are strangely determined to avoid the term, I believe that these elements of the consolidation process encompass a shift in political culture (Diamond, 1996, 33).

Below, I will investigate how the concept of political culture(s) might be useful in augmenting our understanding of democratization. In addition, I will demonstrate that the concept of civil society, which has always been cited alongside but not generally within the democratization discourse, might usefully be connected at the junctures of democratization and political culture.

Democratization and Political Culture

The study of political culture, at least within the realm of political science, emerged in the early 1960s, and was greatly promoted by the seminal work of Gabriel Almond and Sidney Verba, *The Civic Culture*, published first in 1963. Prior to the Almond and Verba book, political culture was studied principally in the form of 'national character' (Rosenbaum, 1975, chpt. 1). Almond (1956) and Beer and Ulam (1958) had set the ground work for *The Civic Culture* in the late 1950s. What made *The Civic Culture* unique, and a major springboard for the future study of political culture, was that it not merely elaborated the concept, but also sought to empirically test the concept through five case studies (England, Germany, Italy, the US and Mexico).

In short order thereafter, numerous case studies appeared seeking to delineate the significance of political cultural traits of various societies in the context of political development and modernization. The project of the political culture approach at this time was to determine the extent to which attitudinal and emotional characteristics of societies impact on the potential for political development. Implicit in the project was the assumption that such characteristics were the most significant obstacles in the larger project of modernization.

According to its authors, *The Civic Culture* is “a study of the political culture of democracy and the social structures and processes that sustain it” (1963, 1). The authors thus studied political culture in *existing democracies*, and sought to determine what elements within that culture were congruent with the sustaining of a stable democratic system.¹ As such, there was no attempt to study the process of change within political culture that might *lead to* democratization. Moreover, Almond and Verba utilized a liberal perspective of democracy, which explains how they arrived at the conclusion that ‘civic virtue’, the foundation of a stable democratic system, denoted associational life in a non-political sense. Carole Pateman (1989, 95), among others, has pointed out that within this perspective, “democracy is held to be a system where citizens alienated their right to decide about their own political lives to non-political experts”. Indeed, the ‘civic virtue’ concept is such that citizens could participate in the political process directly, but *choose* not to because of the *a priori* established competence of the system (Pateman, 1989).

¹ It is somewhat curious that Almond and Verba decided to include Mexico in their study. In 1959, when the data for *The Civic Culture* was collected, Mexico hardly qualified as a democracy of any type.

The study of political culture lost much of its momentum through the 1970s and the 1980s, perhaps because of an increasing awareness that the cultural assumptions of the approach contained a number of simplifications and less than objectively arrived at conclusions. The wholesale characterization of a people began to appear analytically weak and not entirely politically neutral. Nevertheless, the field of study survived and, as indicated above, is now seemingly in a major resurgence. Significant changes in the international political economy that have impacted on the individual, and his/her role in society, have given rise to new sets of values, new social priorities, and new cleavages within societies that are in need of study (for example, issues of ethnicity and national identity; gender issues; changes in production methods and its implications for the sociology of work; environmental changes impacting on individual health and well-being). Thus, the idea of values, and in particular social values, as constituting significant input into the political and socioeconomic systems at every level found new currency in the mid-1970s, and has been increasingly adopted in the more general political economy discourse through the 1980s and to the present day (for example, Inglehart², 1971; 1977; 1988; Flanagan, 1982; Putnam et al., 1983).

In his essay entitled 'Comparative Political Culture' (1965), Sidney Verba defines the concept as "the system of empirical beliefs, expressive symbols, and values which defines the situation in which political action takes place. It provides the subjective

² Ronald Inglehart has played a particularly significant role in ensuring the survival of political culture studies. He has spearheaded efforts to collect cross-national data through the Eurobarometer series since 1973, and he has published numerous articles detailing his quantitative analysis of values and beliefs and their relationship to democracy. See *Modernization and Postmodernization: Cultural, Economic and Political Change in 43 Societies*. Princeton UP, 1997.

orientation to politics" (p. 513). This is not fundamentally different from more recent definitions of the concept. Brown (1989, 2), for example, defines political culture as consisting of "the subjective perception of history and politics, the fundamental beliefs and values, the foci of identification and loyalty, and the political knowledge and expectations which are the product of the specific historical experience of nations and groups".

Political culture, according to Verba, does not easily change, but it is not inherently static. "The basic values of a group may not be easily changed, yet, under certain types of pressure and over time they can change rather drastically" (Verba, 1965, 520). This double qualification of changeability is, at least to some degree, self-negating. Political culture changes not easily (which implies slowly), but with pressure, can change dramatically (which implies at a much faster rate), but then only over time (which once again puts the breaks on change). We are left not really knowing what the potential for change in political culture is. This ambivalence with respect to spelling out the prospect for change within political culture is reflected in much of the political culture literature. Inglehart (1997; 1988), for example, who focuses on post-material values in his analysis, argues on the one hand that culture is a stable feature of national societies enduring over extended periods of time, but then on the other hand, indicates how the rapid rise of post-material values in some European countries during the 1970s and early 1980s has fundamentally transformed their political culture (also Inkeles, 1997). Verba does indicate, however, that change does not have to come from within political culture; to the contrary, he suggests that basic beliefs have now become the object of direct concern and attempted manipulation by the political elites in many nations (Verba, 1965, 520).

Verba identifies four major political beliefs that are particularly relevant to the project of political culture. First, he refers to *national identity*, which constitutes the foundation of political culture. To the extent that there are major sub-groups that prioritize other identities, and therefore other loyalties that compete with that to the nation-state, there might be a problem. On the other hand, when other loyalties co-exist with that to the nation-state, but do not replace such loyalty, political culture becomes conducive to a democratic political system. This, however, Verba sees as an unlikely scenario; in most cases (remembering that he was writing in the 1960s), there is a clash of loyalties (529-534).

Transposing this idea to the contemporary context of Eastern Europe and the FSU, it becomes readily apparent that the question of national identity is at best contested in these new states. The obvious cases are Yugoslavia, Albania, Russia, and most of the Central Asian states. These cases are obvious because alternative identifications are generally based on ethnicity, and have already had a very visible political impact. The disintegration of the Yugoslav Federation clearly points to a significant and profound problematic in the cohesiveness of national identity. Similarly, the disintegrative pressures on the Russian Federation (as exemplified by the war in Chechnya), the battle for greater autonomy in the Armenian regions in Azerbaijan, the Moldovan problems in the Dniester region of the country, and of course, the velvet divorce between the Czechs and the Slovaks are clear reflections of competing identifications and loyalties.

In addition to such obvious examples, there are numerous more subtle ones as well, some still related to the issue of ethnicity (such as the Hungarian minority in Rumania, gypsies in Hungary and the Czech Republic, Russians in Kazakhstan, and Turks

in Bulgaria), and others related to issues of religion (witness Tajikistan, but also Jews in Lithuania, the church in Poland), historical life styles (nomads in Central Asia), and even economic efficiency (the Mafia throughout Eastern Europe and the FSU). Moreover, the issue of rural-urban differentiation, although as of yet largely unexplored, also suggests clashes in loyalty. In the Russian hinterland, for example, national loyalties not only are scarce, but the very existence of the national entity is considered largely irrelevant to daily life.

A second major belief cited by Verba is that related to what he terms horizontal integration: "the extent to which members of a political system have trust and confidence in their fellow political actors is a crucial aspect of the horizontal integration of a political culture" (p. 535). Verba suggests that the lack of horizontal integration may lead to political conflict.

Again, it is not difficult to identify some of the features of horizontal integration (or lack thereof) in Eastern Europe and the FSU. Quite aside from the integrational problems arising from ethnic differentiation (as cited above), there is also considerable evidence now that individuals within these societies are anything but trusting of one another. Given the steep increase in crime, particularly petty theft and muggings, and given moreover the all pervasive nature of corruption throughout the region (although there are differences in degree from country to country), vigilance is the order of the day. Although perhaps less so in Eastern Europe, or at least in the Visegrad states of Eastern Europe, but certainly in the FSU, the Hobbesian world of locking your chest, your house and hiring private guards is not too far from reality.

A third major political belief cited by Verba pertains to governmental output. This is not so much about what the polity is, but rather what it does, and therefore, this belief is fundamentally about expectations. Verba cites two extreme positions with respect to expectations: first, there is the possibility of no real expectations from governmental output. The focus instead is on other sources of life activity and change, such as the family or the immediate community. In this perspective, the government, and the institutions through which it is represented, have little relevance. Second, there is the possibility of extensive expectations regarding governmental output, and moreover, the expectation that such output will reach all spheres of social, and at times even individual, life. Along with these types of expectation comes a method of evaluating governmental performance at many different levels and under many different circumstances. Expectations, and the political beliefs from which they originate are extremely significant, according to Verba (p. 538): "beliefs about the desirability of governmental activity are an aspect of the political culture with significant implications for the effectiveness and stability of a political system. These beliefs set the goals of the political system and define the load (or overload) that the culture places on that system".

In the specific context of Eastern Europe and the FSU, both types of expectations can be identified. Thus, in some regions there is clear evidence of disassociation from the state (and from government) and a retrenchment at some different level. In the Central Asian countries, for example, formal political institutions, such as political parties, legislatures and the executive, simply do not reach the predominantly rural populations in the mountains. Political life is community based and takes place largely outside of the purview of the state, notwithstanding external influences such as mining activities carried

out by major global corporations (which is one major difference between what was commonly termed traditional societies and these communities—they are not in fact cut off from the global political and economic systems).

Other indications that governmental output is less relevant include the phenomenal size and scope of informal economies, in addition to the political and economic systems of organized crime. Without a doubt, however, there are major differences in this regard from country to country, although by and large, the lack of expectations from government is more pronounced in the FSU than in Eastern Europe (with some exceptions, such as some regions in Romania and Bulgaria, as well as in Albania and to a much lesser extent in Slovakia).

More pronounced is of course the problem of excessive expectations of governmental output. In part, this is due to the inexperience with the new regimes. In the course of the revolutions of 1989 and 1991, euphoric expectations of dramatic political, social and economic change took on unrealistic dimensions, based partly on distorted representations of Western political and economic life, promoted both by internal opposition movements and, perhaps more sinisterly, by Western political and social forces preoccupied with bringing down the communist systems. Especially in the context of economic change, there was a general expectation of a dramatic improvement in the material quality of life, which not only did not materialize, but in fact in all cases presented its depressing opposite: a rapid and profound deterioration in the material quality of life.

Very much related to the belief in governmental output, is a belief pertaining to the process of decision-making. This belief specifically relates to the proper role of the individual in the political process. It is not merely a question of what the political system

actually calls for in terms of individual participation. More than this, it is about what the general social orientation toward the concept of participation is. If indeed there is a strong belief that participation is desirable and ought to be institutionalized, then the absence of opportunity would impact significantly on the legitimacy of the political process.

We can apply this element of political culture to the contemporary context of Eastern Europe and the FSU. Again we find that given people's view that governmental institutions are occupied by members of the old elites, regardless of whether or not this is actually the case (and in fact, it is the case in some of the countries of the region, but not in others), the view is that such institutions are not especially accessible to the people at large. Indeed, an accentuating factor is the public perception of the involvement of international actors such as the World Bank and the IMF, who frequently are seen as having greater access to participation in the political process than the people themselves. In many cases (but not all; Central Asia, and to a lesser extent, the countries of the Transcaucasian region are exceptions), the new regimes were brought into their present position by social movements with broad popular support (such as *Solidarity* in Poland or *Sajudis* in Lithuania), who then quickly were demobilized and excluded from participation in the formal political process.

Verba suggests that the four beliefs as outlined above are related to one another in relatively complex ways. What is of significance here, is his argument regarding change. Specifically, he argues that to the extent that new beliefs replace old ones (especially when this takes place rapidly), difficulties can arise (p. 544). For example, a rapid change from *I am a subject to authority* to *I am a full political participant*, can result in expectations that overload the political system unable (or unwilling) to incorporate change at that pace.

To the extent that new beliefs can be merged with old ones, so that being a subject to authority can co-exist with being a participant, a democratic process might unfold.

Political culture does not come about fortuitously. It has its origins in a two step process of political socialization. The first step is learning through what Verba characterizes as non-political processes, such as school, peer group, within the family. The second step is gaining experience with the actual operation of the political process (usually in adulthood). The relationship between these two steps is crucial:

...one of the major determinants of a political culture maybe the way in which pre-political experiences relate to the inferences one would draw from politics itself. Insofar as these are sharply different—for instance, authority patterns in non-political situations differ substantially from those patterns within politics—the possibility of developing a stable political culture in which the cultural expectations of governmental performances are congruent with actual governmental performance may be slight (p. 553).

For an entire generation of people across Eastern Europe and the FSU, this poses all kinds of difficulties. Their political socialization through learning through non-political processes took place within the broader context of communism, while their experience with the actual political process is being accumulated within the context of the transformation, featuring authority patterns both of liberalism (and some democratic content) as well as simply political dysfunction and chaos (especially in Russia). For this generation, there really is a significant clash of non-political and political experiences with authority and political process. Of course, this argument could also be turned on its head. Thus, to the extent that the non-political processes under communism were not actually reflective of the political system and its coercive and repressive features, this clash of experience with authority patterns might actually have been more pronounced under

communism than it is now. It is clear that any assumption of continuity between these two steps of political socialization in Eastern Europe and the FSU is misplaced.

The final, and arguably the most significant, element of Verba's articulation of the concept of political culture is the connection between the four major political beliefs and the political history of the political system in question. First, with respect to national identity, Verba suggests that the manner in which the nation was formed is of utmost importance (p. 555). Second, with respect to horizontal integration, one might ask whether the national history is conducive to trust or distrust (which would undoubtedly relate to how the nation was formed in the first place, although the history of the relations between social actors may of course pre-date the formation of the nation-state). Third, with respect to the decision-making process, one might trace historically the ability of the political system to integrate new groups and new demands into the decision-making process. Fourth, in the context of governmental output, or performance, the issue of greatest relevance pertains to the ability to meet demands over time, and to distribute goods and services effectively, also over time (pp. 555-559).

In general, according to Verba, "one can ask of all these problems whether they are once and for all resolved, or whether they persist as continuing problems in a system. And does their solution or attempted solution involve a crisis" (559)? In the context of Eastern Europe and the FSU, it is clear that none of these problems have as of yet been resolved, and to the extent that resolution has even been attempted, frequently crisis has indeed been generated. The difficulty here, of course, is the discontinuous history of the region, and of each country in it. For example, does one consider the period of communism as an interruption in national development, or does it in fact represent the

formation of the nation? Alternatively, are these really all 'new' nations that were formed only with the collapse of the communist system?

Clearly, there are considerable variations across Eastern Europe and the FSU. Thus, the Central Asian states that emerged from the ashes of the Soviet Union, almost unintentionally (there never was any significant movement, elite or mass based, for independence in any of these countries), might indeed think of 1991 as their national birthday. A country like Ukraine, on the other hand, with a rich history of over a thousand years, might have greater difficulty identifying its birthday. Its population was born into the communist political system, and it is not entirely clear how far back the collective political memory of Ukrainians really goes. For Lithuania, in contrast, there is no doubt. Like its Baltic neighbours, Lithuania has always seen the communist period as one of occupation, and therefore dates its birthday to well before the onset of communism. In Eastern Europe, Yugoslavia and the former Czechoslovakia have to deal with similar ambiguities. Their brands of (failed) federalism are indicative of the difficulties and ambiguities entailed in nation-building.

The issue of national identity is further complicated in these countries due to the international character of the previous political system, or at least of that system's ideology. Thus, really until the collapse of communism, Eastern European and Soviet citizens had to contend with (frequently imposed) identities of the communist man or woman, a Soviet identity, and the whole idea of being Eastern European as opposed to simply European or Central European. At the sub-national level too, a variety of problems can be identified. Nationality policies under communism were based on avoidance of the issue, which on the one hand, resulted in the more or less peaceful coexistence of many

different ethnic groups but, on the other hand, was also a very repressive way of dealing with the issue. Thus, regardless of the resurgence of pre-communist national identifications, these must compete with a resurgence of post-communist ethnic identifications.

The issue of horizontal integration, and of the historical place of trust within society, is also complicated substantially by the region's communist past. Without a doubt, trust in one's neighbours, and in the social orientation of one's community, was scarce, especially in the Stalinist period of communism (which, in the Soviet Union, ended more or less with the death of Stalin, but in some of the Eastern European countries continued well into the 1980s—particularly in Rumania, Albania, East Germany and Bulgaria, although perhaps also in Czechoslovakia after the Soviet invasion of 1968). The Stalinist state excelled at recruiting private individuals to spy on others in the name of national security and the integrity of the state and its ideology. In fact, Stalinism was very much based on the propagation of public and generalized mistrust as a form of social control. Post-Stalinist approaches to governance and political process were perhaps less Orwellian, but nevertheless continued to support a general dynamic of mistrust.

The decision-making process across Eastern Europe and the FSU historically has not fared well in terms of including new groups or incorporating new demands. In some cases, such as the three Baltic states and some of the Eastern European countries, there was indeed a brief, but important inter-war period of at least semi-democracy, during which the decision-making process did demonstrate some capacity to incorporate new groups and demands. In many of these cases, however, the experience was short-lived, and also accompanied with the very worst forms of exclusions and discriminations. The

Jews in Lithuania, Gypsies in Hungary and the Czech Republic and the Turks in Bulgaria, although not new to the region, were never incorporated into the decision-making process, nor were their demands ever heard, much less dealt with. Under communism, the whole issue of participation in the decision-making process was of course irrelevant, equally so for new and old groups.

In the end, we are left with the question of performance and political history. In some cases, there may well be a distant history of greatness and governmental performance (although certainly not in terms of equal distribution of material resources). Thus, Lithuania and Poland might have some faint memory of their joint empire three centuries ago, Hungary might recall its pre-Ottoman years of Glory, and in Central Asia Ghenghis Khan might well live on in popular legends. But performance is not a fond memory if we limit ourselves to the past fifty years. The very question of the political system's ability to deal with demands seems out of place in communist systems where the very articulation of demands was systematically oppressed. Similarly, the distribution of goods and services also does not invoke positive memories, given the repeated, if not consistent, shortages of these throughout Eastern Europe and the FSU. To the extent that demands were in fact articulated, always initially within elite circles-- such as, for example, in East Germany in 1953, in Hungary in 1956 and in Czechoslovakia in 1968--these clearly encountered a political system not capable of meeting any demands other than its own, and a political process that quickly made the transition from political negotiation to the threat of or even the use of force.

Only in Poland and in Hungary in the 1980s was there any indication that the communist political system could indeed make adjustments based not so much on

articulated demands, but rather on the recognition in elite circles that the current system was unsustainable (although the grassroots-based Solidarity movement in Poland did successfully place its demands on the official political agenda) Soliciting a response to demands is not the same as invoking confidence in governmental performance Thus, although in Hungary significant changes were made (not to the political system) in the economic realm, these did not really result in an improvement in the distribution of goods and services. Likewise, although the Solidarity movement was able to make it onto the official agenda, the changes implemented did not correspond to the expectations of the movement.

Ironically, to the extent that there is any collective memory of 'performance' in Eastern Europe and the FSU, it pertains not to governmental performance, but rather to performance in the informal sectors of the economy and even the socio-political dynamics, which were located significantly, but not entirely, outside of the purview of the state. The dysfunctional distribution of goods and services was complemented by a much more efficient and effective system of distribution within the informal economies of the countries in the region. Moreover, even social associations were facilitated effectively by informal and generally illegal organizations, including organized crime. Going back to the issue of horizontal integration, and perhaps also of national identity formation, these informal sectors clearly are not without consequence. While, on the one hand, the informal socio-economic system of social relations helped to promote trust within society, it also helped to create informal socio-economic communities, with social and political boundaries, thereby adding to inter-community distrust and sub-national sources of loyalty and allegiances. Since the informal sectors in Eastern Europe and the FSU grew largely in

response to the failures of the state, one can assume that such loyalties and allegiances do in fact replace, rather than complement, those to the state.

We can tentatively conclude from the above that the relationship between the four major beliefs cited by Verba as central elements of political culture, and the political histories that contextualize these beliefs, are not at all conducive to a political culture that could further a stable and open political system and process. Indeed, although Verba's articulation of political culture is dated, and perhaps also flawed in several respects (as indicated above), it nevertheless reflects many of the complexities and problems of transformation in Eastern Europe and the FSU. If political culture does indeed have any relevance to the process of democratization, then the prospects for democratic consolidation in most countries in Eastern Europe and the FSU are not all that great. As Verba indicates, moreover, "the more problems [in the context of the four major beliefs] that arise simultaneously, the greater is the difficulty of solving any of them in a way that makes for a stable and integrated political culture. It is not merely that one problem is added to the other, but rather that one exacerbates the other" (p. 560).

Below, I will examine in greater detail the relationship between political culture and democratization, and its relevance to the transformations in Eastern Europe and the FSU. It is in this context that the idea of civil society becomes especially relevant. All approaches to transformation in this region emphasize the importance of a vibrant civil society for the successful completion of transformation. Different approaches might highlight the role of civil society for different reasons, and might even have quite divergent understandings of the concept of civil society. But nevertheless, there can be no question that the idea of a civil society is universally recognized as constituting a central component

of transformation. Moreover, not only does the concept of civil society help to explain the relationship between political culture and democratization, but it also provides the basis for introducing the concept of trust to this analysis.

The Role of Political Culture in the Process of Democratization

The initial thrust of actual democratization approaches in Eastern Europe and the FSU was focused on the building of institutions, notably legislatures, and the formation of a party system. In addition, democratization was in practice tied to the (re)drafting of constitutions, and the creation of a legal system reflecting individual freedoms, rights, and responsibilities. In this sense, there can be no doubt that at least in practice, democratization was firmly entrenched in the principles of liberal democracy and, for the most part, it was a minimalist type liberal democracy, the cornerstone of which was, and arguably continues to be, the electoral process. Although there was talk of promoting a democratic culture from the beginning, the mechanism by which this was to take place was the market, and the free exchange of goods and services that the market entails.

In this sense, the approach to transformation in Eastern Europe and the FSU has some parallels to the approaches to modernization in Latin America, Africa and South Asia in the 1950s and the 1960s. At that time too, the project fundamentally was to westernize, although the language then, as today, avoided this term as much as possible. In practice, the institutional structures promoted during the era of modernization were essentially those already operational in the West, and the institutional structures promoted today in the context of transformation are those that are already in place in Western Europe, North America, Japan, and Australia. As it turns out, however, the democratizers

today are learning a very similar lesson learned by the modernizers then formality, including the establishment of formal institutions, legislatures, constitutions, laws, and political parties is not enough for sustainable democracy: something else is required. And as was the case then, today it is increasingly becoming clear that the answer lies within the realm of informality, including perhaps, culture:

The transformation of political life toward a plural, participatory democracy depends, ultimately, on citizenship. And citizenship is not a matter of procedure and institutional roles as much as it is an artifact of culture, comprised of attitudes, norms and expectations. As the public political realm expands, replacing intra-party and ideological limitations, citizens become legitimators with expectations for responsive political institutions and leaders (Nelson, 1995b, 165)

Increasingly, the argument that liberty as the dividend of democracy is inherently valuable and to be sought after is seen as contingent on culture. Specifically, the primacy of the individual, her natural rights as elaborated by Locke, indeed the very concept of individualism, is recognized as a fundamentally Western European cultural artifact, that was successfully transplanted into North America (which was not all that difficult given the British heritage of the dominant North American communities in the 18th century), but that may not so easily be transferable today, especially not to environments as different as Latin America, Africa, and Asia. Even Eastern Europe and the FSU might well be too different: "...even in closely related political cultures like that of orthodox Russia and Eastern Europe, duty, community and...populist collectivism take precedence over individual rights" (Bova, 1997, 116).

Political culture is thus rapidly regaining its currency in the democratization debates. "Cultural value shapes the valuations placed on desired goals, notions of political community, and criteria of legitimacy. They cannot, moreover, be reduced to

epiphenomenal expressions of some underlying social, structural, economic, or other set of variables” (Brynen et al., 1995, 9). After having abandoned the concept because of its suspect empirical application, and because of its alleged ethnocentric roots dating back to Almond and Verba and *The Civic Culture* (1963), the concept of political culture is now cautiously being endorsed: “notwithstanding all the problems it poses for empirical analysis, (political culture) seems too important to be ignored. Without factoring in the complexities of culture, values, beliefs, ideology, and legitimacy, we risk being left with arid economic reductionism” (Hudson, 1995, 62).

Without a doubt, however, there are some risks in associating political culture and democratization. Thus, the culture argument has been used in the past to either discredit the democratizations in East Asia, to question the democracy of Japan, or to attribute political stability resulting from at least political liberalization but in some cases perhaps also democratization, to some vague notion of Confucianism or Buddhism (Friedman, 1994). Thus, resistance to the use of the concept in the context of democratization is strong especially from those closely associated with the democratization project in non-Western cultural settings. Democracy, according to these scholars, is not dependent on an *a priori* existing democratic culture. Any country can democratize. Democratization is fundamentally a political process that depends on the capacity to make political compromises and to take political action. It is about pact making and consensus building, not about culture (Friedman, 1994, 1-10). Indeed, Friedman’s valiant effort to rescue democratization efforts in East Asia from superficial cultural theories is outdone by this scathing attack on such theories:

Unfortunately, ... many of today's partisans of democracy have assumed not only that the superiority of democracy is self-evident, but that the converse is also true: a country's failure to embrace it is evidence of political perversity or moral obtuseness on the part of its citizenry. From this perspective, the inability or unwillingness of people elsewhere in the world to install and maintain democratic governments is to be explained by assigning some kind of handicap or immaturity to the people themselves (Anderson, 1995, 77)

The question then remains: what is the relationship between political culture and democratization? Almond and Verba (1963) argued that a political culture characterized by 'civic virtue' is 'congruent' with stable democratic systems. The idea of 'civic virtue' denotes the presence of non-political associational life and a high degree of interpersonal trust. Their empirical research in five countries (Britain, US, Germany, Italy, and Mexico) indicated that where 'civic virtue' was significantly present, democracy was the most stable (Britain and the US). Where 'civic virtue' was limited (especially in Italy), democracy was less stable. Almond and Verba did not, however, posit a causal relationship between political culture and democracy. In fact, they very carefully avoided any such implication: "the civic culture is said to 'fit', to be 'particularly appropriate' for, and to be 'most congruent' with a stable democracy" (Lijphart, 1989, 48).

The issue of causality has been carefully sidestepped by numerous scholars concerned with political culture. Thus, Inglehart (1997) suggests that 'culture is a major determinant of the political and economic development of nations' (Inkeles, 1997, 175). Elsewhere, Inglehart (1988, 1203) argued that "different societies are characterized to very different degrees by a specific syndrome of political cultural attitudes; ... the cultural differences are relatively enduring, but not immutable; and... they have major political consequences, being closely linked to the viability of democratic institutions". Clearly,

Inglehart, like Almond and Verba, is not quite committing to a causal relationship between political culture (and specifically, 'civic virtue') and democracy.

The nature of the relationship between political culture and democracy can perhaps best be determined in the negative, or in terms of what it is not. For one thing, there is no single political culture that either causes democracy, is required for democracy to function, or is a prerequisite for democratization to be initiated. It is not nearly as obvious, however, that there is no single political culture that renders democratization prohibitive. Islamic politics has frequently been cited as perhaps the only remaining challenge to (liberal) democratic politics (Huntington, 1996; Fukuyama, 1989; Sorenson, 1996). Perhaps an Islamic political culture (and it is not at all clear what this might entail) does indeed render democratization prohibitive, although Anderson (1995) would certainly disagree, as would a host of others (Abrahamian, 1989; Mernissi, 1992).

We can also state conclusively that there is no political culture so rigid that it could not adjust to the cultural requirements (whatever those might be) of democracy. After all, no existing democracy has always been democratic; political culture, if it is relevant at all, has always had to adjust to the democratic process. Post-Nazi Germany is as democratic as post-fascist Spain, and as post-fascist Italy and Japan as well. Napoleonic France was hardly democratic, yet this is, arguably, the birthplace of liberal democracy.

Nevertheless, there may be some political beliefs, or values, that are indeed conducive to democratization. Most commonly, of course, one finds references to individualism, or the primacy of the individual, or natural rights pertaining to the individual. But it is important to be clear: the individual is the central element of liberal democracy. It stands to reason, that the institutional structure of liberal democracy, in so

far as it is constructed in places outside of its original home as a replica of existing political systems in Western Europe or North America, relies on the same principles, and on the same political beliefs and values as it does in its place of origin. To the extent that communitarian values take precedence over the individual, this may indeed pose a problem of political culture in non-Western settings where the replication of Western liberal democracy is pursued.

Perhaps this is where the analysis should simply end. Democratization requires a political cultural orientation towards the primacy of the individual in social relations, and where such an orientation is not found, democratization will fail or at best produce fragile, pseudo-democratic systems. From a democratic perspective such as that advanced by Held (1987) (cited above), this proposition would fare well in empirical tests: Japan is the only exception that quickly comes to mind. From a minimalist democratic perspective as advanced by Schumpeter, the proposition looks less convincing: many of the countries of Latin America that would qualify as democratic under this perspective, as well as South Africa, Israel, Turkey, and perhaps even some of the East Asian countries, and certainly India, have political cultures in which the primacy of the individual is at the very least highly contested.

At any rate, the entire debate about the importance of the primacy of the individual within political culture, and its relationship to democratization, rests on the assumption that democratization is indeed simply the replication of Western political systems. Such an assumption is contested.

Although without a doubt, the institutional structures of democratizing countries almost invariably are very similar to that of the Western European ones in particular, the

political process and the informal dynamics between the institutions, and between the institutions and society, are not at all identical. What is different not only between non-Western and Western democratic political systems and processes, but also among the Western ones themselves, and what in fact renders all such systems unique at least to some degree, is both the internal structure and dynamic of civil society, and its relationship to the state (and also, in many cases and to varying degrees, to the international political economy more generally).

The idea of civil society has a rich philosophical tradition, and its articulation draws heavily on the works of Hegel, Marx, Locke, Gramsci and many others. In recent years, the idea has been conceptualized particularly in the context of democratization, and there are considerable variations in such conceptualizations. Brynen et al. point to three quite distinctive approaches. The first is an *organizational approach*, where civil society denotes how society organizes itself at the level between the family and the state. Within this approach, "social organization outside the auspices of the state is important because it counterweighs the power of the state, dilutes its control over society, and articulates and advances various societal interests vis-a-vis the dominant political elites" (Brynen et al., 1995, 11).

A second approach emphasizes the *civility of civil society*, and "traces the emergence and consolidation of ideas of pluralism and tolerance within society, as well as emphasizing the role that these ideas play in sustaining democratic interaction" (Brynen et al., 1995, 11). A third approach focuses on the *changing patterns of state-society relations*, given that "modernization and modernity bring with them economic development, urbanization, and an expansion of education, communication and

transportation, which sustains a complex societal division of labour". This, in turn, generates a variety of "cross-cutting economic and other interests and undercuts the ascriptive, primordial identifications of ethnicity, religion, tribe or clan". The resultant new patterns of state-society relations "are characterized by the concepts of individualism, citizenship, and legal personhood, and by a complex web of rights protecting political association and economic activity" (Brynen et al., 1995, 11).

What is fundamentally missing in each of these approaches is some articulation of the relationship between civil society and democratic forms of government, or the process of democratization. There are at least two such articulations. One emphasizes the ability of "associational life in general and the habits of association in particular to foster patterns of civility in the actions of citizens in a democratic polity", while the other emphasizes instead "civil society as a sphere of action that is independent of the state and that is capable—precisely for this reason—of energizing resistance to a tyrannical regime" (Foley and Edwards, 1997, 39). We thus see a relationship between patterns of civility and democracy on the one hand, and action from below and anti-authoritarianism on the other hand.

Each of these approaches also has shortcomings. As Foley and Edwards compellingly argue, extrapolating from patterns of civility within associational life to the macro-political level is problematic, while assuming democratic tendencies within civil society capable of overthrowing one type of regime is irresponsible:

Where emphasis is placed on the ability of civil society to oppose a tyrannical state its ability to oppose a democratic one is either ignored outright or countered with qualifications that themselves undermine the power of the civil society argument generally. When emphasis is placed on the formation of habits of the heart conducive to cooperation and collective action..., the mechanisms by which such

microsocial effects translate into macropolitical outcomes are weakly specified or contradictory or both (Foley and Edwards, 1997, 47)

For Waltzer (1992), the problematic outlined by Foley and Edwards results in what he terms the paradox of the civil society argument. He argues that the sequencing within the relationship between civil society and democracy is circular: democracy requires a democratic civil society, while such a civil society will be democratic only in the context of democracy.

This clearly poses a problem for the relationship between civil society and democratization, the process of becoming democratic. There is widespread agreement among scholars that while civil society is essential for the operation of democracy, it must at the same time already conform to some of the more fundamental elements of democratic processes (Blaney and Pasha, 1993; Held 1987):

... social groups must recognize that the government has a legitimate role to play in structuring public life. They must recognize that there are limits to their own activities which, if breached, makes governmental action against them legitimate. They must recognize that there are processes and procedures which must be followed in the structuring of their relations among themselves, their relations with the government and the pursuit of what they believe to be within their interests. This means that there must be recognition of a sense of restraint; the end does not justify any means, and the means must be kept in accord of the basic rules of the game. Civil society, therefore, means not just the existence of independent groups, but the recognition of all players that there are partners and that there are certain defined areas of activity within which they should not participate (White et al., 1993, 226-27).

Within this perspective, civil society clearly cannot mediate directly between political culture and democratization, because only a civil society already governed by a democratic political culture (and we still do not really know what this means) promotes democracy. Curiously, civil society is all about moderating the emphasis on the individual,

which is the one element of a democratic political culture (assuming liberal democracy) we have in fact identified. Within the civility perspective, civil life, or associational life promoting civility really is a way of moderating the impact of individual rights so that social relationships do not deteriorate into zero-sum games, or a clash of individual rights. Its purpose is to facilitate cooperative relations based on an understanding of the common good. The organizational perspective too emphasizes the primacy of the group (or community) over the individual.

It would appear therefore that notwithstanding the primacy of the individual in liberal democratic theory, in the operational realm of liberal democracy a moderation of that primacy is not only acceptable, but in fact required. To moderate one's own primacy, however, requires that one gives something up, and at least that one is prepared to share something. The question is, then, how to motivate someone to give up or to share what is his or her's alone?

This question sounds all too familiar. Above, I considered the same problem with respect to initiating the process of democratization from above: why would the elite do so, given the potential losses. As Przeworski (1988, 79) points out, it may do so if there are reasonable expectations of no severely adverse impact. Elites may rely on the formal institutions of government to ensure their well-being during the period of change. Individuals are less likely to rely on institutions alone. They must find some other way of rationalizing their contribution to cooperative relations. This other way may involve an adjustment in their major political beliefs: develop trust, and the capacity to apply trust at different levels. Individuals must trust that associational life will not have adverse effects on them, that participation in associational life promotes democracy rather than social

cleavages and fragmentation, and moreover, that associational life takes place within the context of a political system that values it—namely, democracy:

The political culture literature argues that the evolution and persistence of mass-based democracy requires the emergence of certain supportive habits and attitudes among the general public. One of the most basic of these attitudes is a sense of interpersonal trust. Almond and Verba concluded that interpersonal trust is a prerequisite to the formation of secondary associations, which, in turn, is essential to effective political participation in any large democracy. A sense of trust is also required for the functioning of the democratic rules of the game: one must view the opposition as a loyal opposition, who will not imprison or execute you if you surrender political power but can be relied upon to govern within the laws and to surrender political power reciprocally if your side wins the next election (Inglehart, 1988, 1204).

In this way, *trust* takes on a central role in the process of democratization. Not only does it impact on the individual's perception of her relationship to the state, but it also impacts on the individual's motivation to partake in associational life. Trust, then, becomes the primary resource in the moderation of the political cultural value through which liberal democracy is constituted. Democratization requires trust in the political system itself, the process of change it is undergoing, and in civil society and its role in at least partially constituting and promoting that change. The absence of trust can have significant consequences:

As citizen's own expectations for their problems to be solved and their needs to be met exceed capacities of new governments, an erosion of citizens' trust in institutions and leaders can begin anew. Interwoven with such an attitudinal detachment will be, invariably, an abandonment of the public sphere—a purposeful apathy that means not voting, not paying attention to political events, and turning away from other associational activities (Nelson, 1995b, 165-66).

The issue of trust has become significant in the transformations in Eastern Europe and the FSU. Increasingly, there is a recognition among scholars that democratization (which is accompanied by marketization in this region—the consequences of the dual

transformation were discussed in chapter 1) cannot proceed smoothly without trust in the new structures, institutions, and processes. Indeed, the technical discourse of transformation is slowly being recognized as insufficient. The psychological and cultural dimensions of transformation are only now becoming clear:

New political systems and their still-fragile democratic characteristics are...buffeted by the very expectations of peoples for whom public legitimation came with struggle and sacrifice. These achievements did not come cheaply in human, material, or psychic terms, and now there is an adamantness on all sides about what is wanted. Poles, Czechoslovaks and others will accept no turning back or half-hearted commitment to the people (Nelson, 1995a, 58).

The dangers of transformation in Eastern Europe and the FSU are not so much about a return to the non-democratic past (unlike failed democratizations in the Third World), but rather a standstill situation, in which there is neither a move toward consolidation nor a reassertion of any type of authoritarianism much less a return to communism. The fear is about the loss of momentum, and the resultant apathy that might leave just enough room for elements of instability, chaos, and even anarchy (this fear, obviously, is more pronounced in some countries than in others):

Liberal democracy in Eastern Europe is on sufferance. There is no radical alternative, like, say, militant Islam, on the horizon. But it is clear that what began as an exhaustion continues as an exhaustion. This has its nice sides. There is a refreshingly unsentimental view of the human and political condition bereft of seriousness concerning obligations and patriotism. The political talk is often very funny, disrespectful, savagely satirical. One cannot, however, fail to notice the accents of despair (Tomas, 1999, 68).

These more generalized statements about despair and exhaustion in Eastern Europe and the FSU are accompanied by frequent, albeit at times seemingly flippant, comments about specific cases, such as a deep mistrust of government and its institutions

in Rumania (Fisher, 1996b), a lack of legitimacy and trust of Russian political institutions (Saivetz, 1996), and widespread mistrust and disillusionment in the Czech Republic (Havel and Klaus, 1996) and in Poland (Smolar, 1997).

For some scholars, this is merely indicative of the political culture ingrained in communist societies over a period of forty or more years. In the context of the Soviet Union, for example, political culture was commonly described as entailing “an acceptance of strict political hierarchy, the taking for granted of political police powers, administrative exile, and restrictions on travel, great deference to the top leader, loyalty to a person rather than to political, and particularly legal, institutions, and a reluctance to engage in autonomous political activity” (Brown, 1989, 19).

For others, however, the issue is more complex. While the above listed cultural characteristics may well have been the goal of the system, political culture in Eastern Europe and the FSU, if it ever corresponded to these characteristics, began to change quite some time ago: “in the late 1970s Eastern Europeans of all strata and segments outside the *nomenclatura* began to withdraw their tacit acceptance of the party’s justification of central planning and sociopolitical controls in the face of widespread evidence of state socialism’s poor performance” (Nelson, 1995a, 34). The recognition of the need for political trust, according to Nelson, came ironically enough first from the communist elite itself: “with Poland and Hungary as the paramount examples, communist elites began to recognize the requirement of public trust. They were painfully aware that they did not have that trust, and thus had no way to deal with the endemic problems that had fostered mass disaffection in the first place” (Nelson, 1995a, 36).

The issue of trust is thus beginning to be recognized in the transformation literature as important³ (Nelson, 1995; Sztompka, 1991, 1995). In the previous chapter, I elaborated the concept of trust in some detail, and I related it to the process of democratization. In the following chapter, I will examine the concept of trust specifically in the context of the political economy of transformation in Eastern Europe and the FSU. In order to do so, I will develop a 'trust matrix' based on the conceptual work of Piotr Sztompka (1995, 1991). The emphasis in this conceptual model is on different types of trust and the objects in which trust is vested. Substantively, this approach seeks to determine the trustworthiness of such objects. I argue that the conditions generated by the transformation processes in Eastern Europe and the FSU have significantly compromised this trustworthiness.

³ Orthodox approaches to transformation assume that trust is significant in the context of democracy, but not in the *process of democratization*. In the latter, the emphasis is on building a 'democratic infrastructure' (institutions). I argue in this thesis, in contrast, that trust is an essential ingredient of democratization, inasmuch as it connects the 'democratic infrastructure' to civil society.

Chapter 4: State-Society Relations and the Concept of 'Trust'

The concept of trust is a central component of individual and of social relationships (Govier, 1997; Johnson, 1993; Seligman, 1997; Lagerspetz, 1998) (see chapter 2). Trust is closely related to expectations on the one hand, and to the capacity to deal with unfulfilled expectations on the other hand. As such, trust can be seen as a resource within a relationship (Sztompka, 1995; 1991; Putnam, 1993; Nelson, 1995). The more trust, the greater the capacity of the relationship to deal with instability, mistakes, misfortune, and poorly explained or superficially justified outcomes. Trust can serve as a substitute for information within a relationship. Thus, in Western liberal democracies, election campaigns provide little or only very unreliable information to the electorate. Nevertheless, such campaigns are valued because the electorate trusts that the process is itself useful, and that the outcome of the process will not be detrimental. Trust can therefore also be seen as a cultural phenomenon:

Trust may also be defined as ... a 'social fact' in Durkheim's sense, shared by members of [the] wider community and therefore socially objectified, perceived by external and constraining by each of them. To trust some indicated others, or to be trustful more generally, toward all social objects, may become rules into which people are socialized, expectations they share, or even demands they obey (Sztompka, 1995, 5).

Trust, seen as a set of rules, expectations or even demands, comprises the following beliefs (Sztompka, 1995, 6): a belief in the continuity of the past, the present and the future. This involves an expectation of order within society, trust that society will not generate massive upheavals that might dislocate its historic path. There is, moreover, an expectation of regularity and predictability within social trends, policies, and economic

performance over time. Second, trust involves a belief in the competence, efficiency, expertise, and proper performance of institutions and their personnel. Third, trust also involves a belief in fairness, due process and 'meritocratic justice'. In addition, fairness and due process are applied universally, and all relevant institutions apply equal standards in the execution of their respective mandate. Fourth, trust involves a belief in reasonableness, rationality and reliability. There is an assumption that others will obey the principles of logic, respect facts and exercise objective appraisal as much as possible. Fifth, trust involves a belief in integrity, an assumption that others 'will adopt pro-social, positive orientations, free from hostility, envy and hatred'.

In addition to constituting a set of beliefs, it is possible to differentiate among different types of trust, each of which addresses different types of social objects (Sztompka, 1995, 6). Thus, in accordance with the belief in the continuity of past, present and future, it is possible to identify a *generalized trust*, which is addressed to the social order as a whole. Generalized trust results in the conviction that the social order is stable and represents a value.

Secondly, there is a form of *technological trust*, which involves "the guarantee that there are the right people in the right places, and that they are doing their job properly, which is confirmed by the standards of screening, selecting, supervising and controlling" (Sztompka, 1995, 6). More generally, technological trust involves faith in "the systems of technical accomplishment or professional expertise that organize large areas of the material and social environment in which we live" (Sztompka, 1995, 6).

Closely related to technological trust, it is also possible to refer to *commercial trust* to denote a confidence in the products and their declared characteristics.

Commercial trust “may either refer in a general way to goods of a certain type (corn flakes are healthy), or in a more specific way to goods produced by a certain country (Japanese cars are dependable), concrete firm (I buy IBM only), or even a concrete person--the producer, an author (if this is by LeCarre it will surely be a great book to read)” (Sztompka, 1995, 6).

Fourth, there is an *institutional trust*, which addresses social institutions such as banks, courts, hospitals and police forces. Specifically, there is an assumption that these institutions will be capable, in the sense of possessing the resources and the motivation, to fulfill their respective mandates.

Fifth, there is a *positional trust*, which addresses selected social roles. This includes in particular social roles that are well defined and that are seen as foundational with respect to the health of society and the social order. This would include, for example, doctors, religious figures, university professors, and judges. This type of trust results in a behavioural expectation with respect to the incumbents in these types of positions¹.

Finally, there is *personal trust*, which is directed toward outstanding individuals, who have seemingly made extraordinary contributions to a society, or whose continued actions are seen as crucial in the maintenance of any of the other social objects bestowed with trust.

¹ It is significant that positional trust pertains to both, social roles and the incumbents within those roles. In this sense, the concern raised by Johnson (1993) cited in chapter 2, regarding the liberal bias toward institutional accountability over personal accountability and the impact of this on morality, is moderated. The centrality of social roles along with their incumbents means that both *agency and structure* are targeted in positional trust.

These six types of trust form the basis of the social dynamics conducive to democracy. It is crucial to note that this *does not mean* that high levels of trust are required in all of these in order to sustain democracy. Quite clearly, one or more of these types of trust is very much contested in existing liberal democracies. Personal trust was shaken in the United States by the scandals of the Clinton presidency. The same scandals also shook the public's trust in the efficacy of the major institutions of democracy in the US, notably the Congress. In Italy, many of the political and social institutions are seen as highly ineffective, especially in the southern part of the country. The extraordinary high turnover of governments in Italy contributes to doubts about the efficacy of the structures of governance. Moreover, as the research of Robert Putnam (1983; 1993) has shown clearly, southern Italy is characterized by a climate of distrust, even within the realm of civil society.

The argument here is that the six types of trust cited above are not required for the *sustaining of democracy*, but rather for the *process of democratization*, and for the *consolidation of democracy*. Later in this chapter, as well as in chapter 6, I will cite empirical evidence of low trust in Eastern Europe and the FSU. Without a doubt, most Western liberal democracies also are characterized by low trust at different times and directed at different social objects. I will not attempt in this thesis to deal with the problem of trust in the context of *sustaining democracy*. Instead, my concern is squarely with the problem of trust in the context of *democratization*.

Trust constitutes a resource within a relationship, and as such, it can be gained and strengthened, as well as weakened and lost all together. Gaining trust, or developing trust in something, is a long process which requires the trust-receiver to repeatedly fulfill the

expectations of the trust-giver. Losing trust, on the other hand, can be quite a short process. Depending on the severity and the importance of an unfulfilled expectation, trust can be lost instantly. When trust had been bestowed upon a social object, but then is lost, regaining that trust is considerably more difficult than it was to gain it in the first place² As a result, we can see trust as a dynamic resource rather than a static one, in as much as both access to it as well as its value can change.

Because trust is constituted within relationships, its absence or presence can fundamentally alter the nature and therefore the consequences of such relationships. An unstable relationship can be stabilized through the development of trust. Likewise, a stable relationship can be destabilized through the withdrawal of trust. Within a relationship, trust is the foundation based on which the benefits and emotional gratification of the relationship can reproduce themselves indefinitely. When trust is withdrawn, this reproduction stops abruptly:

If trust is withdrawn from objects trusted earlier, [it can have] highly dysfunctional consequences both for those who were receiving and those who were giving trust. The [former], now devoid of credibility, lose that margin of freedom which allowed them to act in pursuit of their ends. They are now under careful scrutiny and control of those who trusted them before. To reach their goals they have to resort to coercion, naked power, and insulate themselves from the suspicions and observation of others by a wall of secrecy. The self-fulfilling dynamics of growing despotism and alienation of those formerly trusted is on its way. But equally damaging effects touch those who were endowing others with trust, and whose trust was breached. They feel cheated, disenchanted, disappointed, and either

² In *An Ideal Husband*, Oscar Wilde depicts a married couple in which the husband is regarded by his wife as both an ideal husband and an ideal statesman, based on her knowledge of him as a man of sincerity and integrity. When she discovers that he started his political career with fraud, she loses trust in him: 'you were to me something apart from common life, a thing pure, noble, honest, without stain. The world seemed to me finer because you were in it, and goodness more real because you lived. And now--oh, when I think that I made a man like you my ideal! The ideal of my life! (cited in Johnson, 1993, 35).

develop [a] strong hostility toward [the] earlier objects of trust, or fall into apathy, resignation, withdrawal. The creative mobilization is terminated, de-mobilization proceeds, passivism spreads out. If at all, activeness toward formerly trusted objects is now moved by blind hatred and takes destructive forms³ (Sztompka, 1995, 8).

The withdrawal of trust from a relationship does not, however, spell the end of that relationship. Instead, it re-casts the relationship in a different context and through different mechanisms. Thus, both parties to the relationship will seek to find objective benefit and emotional gratification in spite of the now unhealthy and dysfunctional relationship. The precise nature of such alternative mechanisms can vary considerably, however, there is a concerted effort not to duplicate the mechanisms of the unhealthy relationship. The rules of conduct therefore change dramatically. If respect for law and order were central components of the healthy relationship, deviant and criminal behaviour might well become the norm within an unhealthy relationship. If coercion was an unacceptable mechanism under conditions where trust prevailed within the relationship, then it may now be sought out as an efficient mechanism to obtain an objective benefit. Similarly, transparency may be replaced by secrecy, a consultative decision-making process may be replaced by unilateral and largely unaccountable decision-making, and

³ An example of this process is the history of Cuba since 1959. After the popular revolution in Cuba, the Castro regime enjoyed the trust of Cubans (except for the supporters and benefactors of the previous regime) based on the promise of establishing a political system for the people. After Castro had to declare his regime's allegiance to the Soviet Union, which had not been a part of the earlier revolutionary rhetoric, Cubans began to withdraw trust, and indeed, withdraw from political life in response to the regime's increasing use of coercion, which intensified with the withdrawal of trust (ie: a mutually reinforcing process). The most visible state-society relations in Cuba ever since have been related to the relationship between the Cuban state and the expatriate community in the United States. This relationship, without a doubt, has been characterized by 'blind hatred' and has taken 'destructive forms'.

universal standards for fairness and justice may be replaced by targeted, possibly racist or sexist standards.

Under such conditions, it is of course not possible to reconstitute a relationship based on trust. In order for this stalemate to change, the conditions in which a relationship is to re-emerge have to change. That, in turn, may well require a wholesale exchange of the social order, institutions, personnel and rules and expectations.

The approaches to transformation in Eastern Europe and the FSU have not been actively concerned about state-society relationships.

...the great social process underway in East-Central Europe has been fueled and developed mainly by political and even administrative means and acts of state authority, having been conceived and forged by a new political elite born in 1990 to 1991. The societies in transition have not yet created the objective factors enabling them to function spontaneously in support of the transition. This is particularly obvious with respect to economic transformation. Similarly no social classes lead the transition process and it is even difficult to say that any social class or quasi-class, apart from the political elite, is acting consciously or spontaneously as an articulated social group in favour of the transition. Thus we have the beginning of the social revolution without a leading social class (Nikolic, 1996, 103).

The approaches to transformation in Eastern Europe and the FSU have emphasized instead the environments in which state-society relationships are to unfold. Studies and evaluations of the transformations have produced a great deal of literature on the nature of the states (strong states versus weak states), the nature of civil society (strong, active, dynamic versus weak, passive, static), and the nature of systemic reforms (democratization, marketization). There has been only minimal emphasis, however, on the nature of the state-society relationship, and on the status of trust within that relationship. Below, I will investigate the status of trust within the state-society relationships in Eastern

Europe and the FSU based on the criteria elaborated above. Specifically, I will use Sztompka's list of five fundamental beliefs which constitute the concept of trust, and the six social objects to which trust may be addressed, in order to determine whether a condition of trust can presently exist in the state-society relationships in Eastern Europe and the FSU. As I will indicate, the state-society relationships are characterized by a profound level of distrust, and as a result, the consequences of dysfunctional relationships, as elaborated above, have become thoroughly apparent throughout Eastern Europe and the FSU.

Relationships Without Trust

Trust involves a belief in the continuity of the past, the present, and the future, including with respect to orderliness and predictability of social trends, reforms and policies. None of these conditions prevail anywhere in Eastern Europe or the FSU, at least within the formal sphere of social relations. Many of the countries that emerged out of the ashes of communist Eastern Europe and the Soviet Union have never existed as countries before. Those that have, have experienced at least three fundamentally distinctive formal political economies: pre-communism, communism, and the political economy of transformation. Not only are each of these three political economies fundamentally different, but the global context of each also is fundamentally distinctive, so that even to the extent that there have been continuities from one political economy to the other, these continuities have had to adjust to new global realities as well.

Orderliness has been an issue in every transforming country, although clearly to varying degrees, whereby on the whole, there has been much less disorder in Eastern

Europe than in the FSU. Nevertheless, the disaster of Yugoslavia directly affected Serbia (and Macedonia), Croatia, Slovenia, and Bosnia. But more importantly, it served to weaken the belief in the stability of orderliness throughout much of Eastern Europe, because it raised the specter of ethnic hatred. Ethnicity-related issues are central elements of many countries in Eastern Europe, including Albania, Bulgaria, Romania, and Hungary.

The issues of ethnicity is even more pronounced in many parts of the FSU. Open violence bordering civil war has already shaken the societies of Kyrgyzstan, Uzbekistan, Tajikistan, Azerbaijan, Armenia, Georgia, Ukraine, Moldova, and, of course, the Russian Federation. Violent disturbances and highly disruptive protests have taken place in Kazakstan, Latvia, and Belarus.

Orderliness has also been threatened, and in many cases, transformed, by rampant criminal activity, including violent crimes perpetrated both randomly as well as by organized groups. This has also contributed to various social problems which have threatened order, such as a dramatic increase in the consumption of narcotic substances, in particular by youths.

The predictability of social policies, trends and reforms has been minimal throughout much of the transforming countries, although again there are differences in degree. Thus, there has been a significant degree of consistency in the general direction of reforms in the Czech Republic, Poland, Slovenia, Estonia, Latvia and Lithuania. Arguably, Hungary, Rumania, and Albania might also be included in that list. However, even in those countries, the basic direction of transformation is still called into question whenever the economy takes a downturn, as it has in the Czech Republic in recent years for example (Havel, 1997). Even in the more successful countries (by economic criteria),

however, substantial parts of the populations remain uncertain about the basic direction of reform. Thus, subtracting those who disagree with the general direction of reforms from those who agree, the 1996 Eurobarometer survey results are a +24 for the Czech Republic and Estonia, +9 for Slovenia, +7 for Poland, -13 for Latvia and -52 for Lithuania (Eurobarometer, 1996). Notwithstanding the positive figures for the Czech Republic and Estonia, these numbers still indicate that at least a quarter of the populations in those countries disagree with the fundamental direction of reforms!

In other countries, including most of the countries in the FSU, there has not been a clear direction for reforms. In Ukraine, sweeping reforms are implemented and then quickly undone quite regularly. In the Central Asian states, economic reforms have been hesitant and often contradictory. In some, such as Turkmenistan, there has been a very slow move toward privatization, accompanied by a far-reaching entrenchment of the state in the social relations at every level. In the Russian Federation, reforms have proceeded shockingly fast at times, but also unbelievably stagnant at other times. Moreover, such reforms have been tied to personnel within the government, which has been changing notoriously quickly, thus yielding a very low predictability factor.

No one has any idea what will happen when Boris Yeltsin passes from the scene. Even if CIA spymasters could infiltrate the innermost Kremlin and secret police circles, they would still be clueless about what was happening in the rest of the vast Russian Federation or even, for that matter, elsewhere in Moscow. What forces may counteract or accelerate territorial unraveling? How reliable is the chain of command? Will privatization hit a snag once unwieldy state enterprises contain nothing more worth stealing? Will the wholesale larceny of state assets by public officials and 'red directors' eventually produce a popular backlash? Was the war in Chechnya a turning point or just another bump in the road (Holmes, 1996, 24).

In addition to these rather fundamental questions pertaining to the future in Russia, there is also a lack of transparency within the governing structures, not only in Russia, but throughout the transforming countries (Drakulic, 1996). The problem is exacerbated by a lack of transparency within other power structures in state and society. Again using the example of Russia, Holmes comments as follows:

To watch Russian politics is to observe a football game through a soupy fog where you can make out the teams only faintly and in outline, where you are unsure who has the ball or which way he is running, and where you strongly suspect there are some other strange players on the field whose intentions are perhaps sinister but in any case unknown (Holmes, 1996, 24).

Commenting on recent attempts in the Russian Federation to revive the transformation efforts, Boris Kagarlitsky suggests:

This kind of 'Russian cocktail' of protectionism, monopolism, official arbitrariness and the free market represents the most probable results of any attempt the present authorities might make to 'correct the reforms'. Studiously combining the vices and shortcomings of all possible approaches, the state is preparing itself--and all of us--for new radical upheavals (Kagarlitsky, 1995, 169).

The first belief central to the concept of trust can thus hardly be said to be in place anywhere in Eastern Europe or the FSU, much less to be entrenched. We can thus conclude at this point that state-society relationships must evolve in Eastern Europe and the FSU in the absence of a convincing and trustworthy level of orderliness and predictability.

The second belief central to the concept of trust is the belief in the competence and efficiency, as well as the proper management of institutions and their personnel. One of the major lessons of all the transformation experiments in Eastern Europe and the FSU has been that while it is not at all difficult to create institutions, it is quite challenging to make

them function effectively, and although staffing institutions presents no major problem, motivating personnel to work in accordance with the mandate of the institution is quite another story. And even more problematic is the quest to make people believe in these institutions and in their role in society. This is particularly difficult under the strenuous conditions of daily life:

A general survey of the majority of the population is today primarily characterized by disappointment due to unrealized expectations, discontent with the new regime, and frustration with the difficult conditions of the transition. Such a view has brought about declining interest in engagement in political life. ...The majority of the population has paid a great price for economic transition in the form of great impoverishment, a massive reduction in welfare systems, increased unemployment, and increased crime rates, to the extent that it threatens the very life of the citizenry in some countries. Some East-Central European countries now even fit into the group of the world's poorest countries. Eastern Europe could become a Third World in Europe (Nikolic, 1996, 108-109).

Skepticism towards institutions encompasses all spheres of social relations. Thus, political, economic, social and cultural institutions are generally held in low esteem throughout Eastern Europe and the FSU. Even in countries that are said to have been highly successful in their transformations, such as the Czech Republic, a profound distrust toward institutions of any kind prevails, as Vaclav Havel readily concedes:

Many believe that--democracy or no democracy--power is again in the hands of untrustworthy figures whose primary concern is their personal advancement instead of the interests of the people. Many are convinced that honest business people fare badly while fraudulent nouveau riches get the green light. The prevalent opinion is that it pays off in this country to lie and to steal; that many politicians and civil servants are corruptible; that political parties--though they all declare honest intentions in lofty words--are covertly manipulated by suspicious financial groupings. Many wonder why--after eight years of building a market economy--our economic performance leaves much to be desired, and even compels the government to patch together packages of austerity measures; why we choke in smog, when so much money is said to be spent on environment[al] protection; why all prices, including rents and electricity tariffs, have to go up without a corresponding increase in pensions or other social welfare benefits; why they must

fear for their safety when waking in the centres of our cities at night; why almost nothing is being built except banks, hotels and homes for the rich. ...An increasing number of people are disgusted by politics, which they hold responsible--and rightly so--for all these adverse developments. As a consequence, they have begun to feel suspicious of us all, or even taken an aversion to us--notwithstanding the fact that they freely elected us for our offices (Havel, 1997, 2).

The performance of public institutions has not been particularly impressive anywhere in Eastern Europe or in the FSU, certainly not according to the people who are governed by those institutions. In almost all countries, negativity about the performance of political and economic institutions in particular had increased significantly over the first few years of transformation (Table 2).

TABLE 2: Satisfaction (+) versus Dissatisfaction (-) with Development of Democracy (net results in percent)

Country	1991	1994	Trend
Czech Republic	-25	-9	+16
Estonia	-21	-26	-5
Slovakia	-55	-62	-7
Albania	-17	-33	-16
Poland	-21	-40	-19
Hungary	-19	-43	-24
Romania	-11	-36	-25
Latvia	-9	-42	-33
Lithuania	+23	-31	-54
Bulgaria	-6	-87	-81
European Russia	-51	-75	-24
Russia	n.a.	-75	n.a.

Source: *Eurobarometer Survey*, 1994 cited in Charles Gati, 'If Not Democracy, What? Leaders, Laggards and Losers in the Postcommunist World', in Michael Mandelbaum (ed.), *Post-Communism: Four Perspectives*. New York: Council on Foreign Relations, 1996, 179.

Political institutions tend to be perceived more negatively than economic institutions in Eastern Europe and the FSU. In part, this reflects the greater visibility of the political institutions. In addition, the relationship between specific political institutions

and poor performance in the context of democratization is more easily understood than the relationship between economic institutions and poor economic performance. Indeed, poor economic performance is often blamed (usually correctly) on political institutions. In public opinion surveys, queries around the performance of economic institutions tend to be lumped together, resulting in surveys that solicit favourable versus unfavourable responses to the operation of the market economy as a whole. The consistency with which the market economy is falling out of favour throughout Eastern Europe and the FSU is striking, in particular given the 'great success' often attributed (especially by the IFIs) to countries such as Poland, Estonia, and the Czech Republic (Table 3).

TABLE 3: Market Economy: Right (+) or Wrong (-)? (net results in percent)

Country	1991	1994	Trend
Romania ⁴	-5	50	55
Albania	45	41	-4
Estonia	32	14	-18
Poland	47	26	-21
Czech Republic	39	11	-28
Slovakia	29	0	-29
Hungary	52	20	-32
Lithuania	55	9	-46
Bulgaria	45	-2	-47
Latvia	43	-5	-48
European Russia	8	-44	-52
Russia	n.a.	-41	n.a.

Source: *Eurobarometer Survey*, 1994, cited in Charles Gati, 'If Not democracy, What?', 186.

⁴ Rumania clearly is exceptional in this regard. Part of the reason for this discrepancy is that reforms in Rumania were slow in coming. In fact, after having experienced bloody conflict at the beginning of its transformation process, expectations for change were high. The Illiescu regime did not, however, respond to such demands, and Rumania probably experienced less reform than most other Eastern European countries. The strong support for market reforms in 1994 reflect the euphoria in response to the first major attempt at marketization. The following year, support for market reforms had already dropped significantly to +38%, and the downward trend has continued ever since (Eurobarometer, 1996, 17).

While surveys establishing popular satisfaction with democracy and the market economy only indirectly indicate the status of institutional trust, there is also data from surveys that explicitly seek to measure trust (Table 4). This data confirms that institutional trust throughout the region is low, and that low trust is directed to all types of institutions, including those directly associated with government, and those generally associated with civil society.

TABLE 4⁵: Trust in Political and Civil Institutions by Country (Mean Results)

Trust In	Bul	Cze	Hun	Pol	Rum	Bel	Ukr	Slk
Government	2.7	4.6	3.2	3.5	3.3	3.0	2.4	3.7
Parliament	2.2	3.6	3.2	3.5	3.2	2.9	2.6	3.4
Civil Servants	2.9	3.7	3.8	3.5	3.4	3.2	3.0	3.7
Courts	2.8	4.0	4.3	3.9	4.1	3.5	3.2	3.8
Parties	2.5	3.7	2.8	2.6	3.0	2.7	2.4	3.2
Unions	2.5	3.4	3.5	3.0	3.4	3.0	2.7	3.4
Private Enterprise	2.7	4.2	3.9	3.1	4.1	2.9	3.4	3.5
Foreign Experts	2.5	3.6	3.3	2.9	3.4	3.1	3.2	3.2
Police	2.9	3.9	4.2	4.1	3.8	3.2	2.8	3.7
Media	3.7	4.2	3.7	3.9	3.2	3.7	3.7	4.0

Source: Walter Mishler and Richard Rose (1997), 'Trust, Distrust and Skepticism: Popular Evaluations of Civil and Political Institutions in Post-Communist Societies', *The Journal of Politics*, 423.

A significant obstacle to the development of a belief in the efficiency and proper performance of institutions and their personnel is corruption. Corruption has been a strong force in the politics of Eastern Europe and the Soviet Union for decades. One of the more spectacular signs of corruption within Soviet government circles came to light

⁵ Trust in all variables is scored on a seven point scale, where maximum trust=7 and maximum distrust=1. Data for this table was collected by *New Democracies Barometer* in 1994.

during the 1983 cotton scandal in Central Asia, where local officials had been amassing personal wealth by falsifying cotton production reports. As the investigation proceeded, hundreds of officials across Central Asia were implicated. Eventually, the trail led back to Moscow, and Yuri Churbanov, Deputy Minister of the Soviet Ministry of Internal Affairs (and son-in-law of Leonid Brezhnev) as well as Sharaf Rashidov, party boss of Uzbekistan, were arrested (Handelman, 1994a, 82-83).

From 1983 until the disintegration of the Soviet Union, numerous other high ranking officials within the Soviet state were charged with various crimes. Indeed, there is evidence suggesting that private business formed an integral part of the Soviet economy, and that the state structures of the Soviet Union, notably the Communist Party, was organically connected to this private business activity.

...the economy in the former USSR was controlled by what was in essence an organized criminal syndicate: the Communist Party. The bribes that flowed up the party hierarchy former the tribute, the protection money, or the informal taxes, that were a necessary part of conducting business in the USSR (Leitzel, Gaddy and Alexeev, 1995, 27).

It is indicative of the activities of the Soviet state organs that Mr. Filipov, Head of the Analytical Centre of the Russian government, in his report on crime to the government of the Russian Federation, strongly discouraged the use of former members of the Soviet Ministry of the Interior or the Security Ministry in the battle against crime in the post-Soviet era (NYT, 1994).

During the communist era in Eastern Europe and the FSU, Western analysts attributed the high rate of corruption within the communist political and economic systems

to the nature of those systems themselves. Centrally planned economies, they argued, provide an incentive structure for corruption:

A planned economy--where many prices are below market-clearing levels--provides incentives for payoffs as a way to allocate scarce goods and services. In such systems, transactions that would be open and legal in market economies become illegal as bribes are taken and payoffs exacted. Excess demands for goods at official prices encourages those in command of scarce supplies--in addition to selling goods and services to those offering the highest bribes--to create additional bottlenecks as a way of extracting even more payoffs. Such systems are not only rigid, but arbitrary; consequently, in the former centrally planned economies, the requirements and irrationalities of these systems turned almost everyone into a lawbreaker (Rose-Ackerman, 1995, 5).

It is of course true that the incentives for corruption are greater in a system that does not provide a rational basis for professional upward mobility, and in which the accumulation of wealth is largely unrelated to professional merit. On the other hand, if indeed this were the only determinant of corruption, then surely there would have been a decrease in corruption as the transformations in Eastern Europe and the FSU got underway. This, however, has not been the case. Quite to the contrary, corruption has increased dramatically, and has infiltrated every institution and every ministry at all levels. Moreover, corruption appears as rampant in those countries that have undertaken far-reaching reforms rapidly as it does in countries that have begun the transformation only hesitantly and at a slow pace.

In the Czech Republic, for example, the head of the privatization program was arrested and jailed for six years after having systematically given preferential treatment to privatization projects in which he himself held a stake (RFE/RL, 96-01-31). In Latvia, the President recently announced that the resignation of the Minister of Culture due to corruption allegation 'reveals the ultimate alienation of the political elite from society'

(RFE/RL, 97-06-19). In regards to corruption in Latvia, the European Union released a report detailing corrupt practices in the Latvian government and police forces at all levels (RFE/RL, 97-01-03).

It is difficult indeed to imagine how a society could develop a belief in the proper management of governmental institutions in light of massive corruption within these. Moreover, the high levels at which corruption takes place further discredits not only the relevant institutions, but the entire institutional structure of government in Eastern Europe and the FSU. Thus, in Croatia, the Defense Minister and several other highly placed officials within that department were charged by the Croatian Intelligence Agency with the illegal export of weapons (ie. smuggling) (RFE/RL, 97-11-19). In Georgia, the Finance Minister resigned after being targeted by the anti-corruption commission (RFE/RL, 97-04-30). In Kazakstan, the Deputy Defense Minister was charged with the illegal export of weapons as well (RFE/RL, 95-10-24).

The list of crimes in high places is endless and appalling. In the first three years of transformation in Belarus, charges of massive corruption were laid against, amongst others, the Prime Minister, two Deputy Prime Ministers, a presidential aide for special assignments, the Head of the President's Administrative Office, the Presidential Chief of Staff, and the Minister of Defense (Karmanov, 1994, 26). Similarly, in the Russian Federation, in a period of only six months from late 1992 to early 1993, two ministers of foreign economic relations were charged with corruption, as were the Minister of State Security, the Deputy Minister of Internal Affairs, the Deputy Minister of Economics, the Deputy Prime Minister and the Vice-President (Klebnikov, 1993, 128).

Of particular concern with respect to the dramatic increase in corruption throughout Eastern Europe and the FSU is the rampant corruption in the military establishments. In societies where the military has for many decades assumed a central role in the process of governance, as well as in the process of repression and maintaining social order, the deterioration of order within the military institutions themselves is clearly highly disconcerting. In Bulgaria, high ranking military officers were charged with stealing from supplies designated for UN mission soldiers. Their targets included weapons, food supplies and vehicle parts (RFE/RL, 97-11-14; RFE/RL, 97-12-19). Even in Turkmenistan, which is governed by a highly authoritarian regime, President Niyazov publicly accused military officers of corruption (RFE/RL, 96-06-25).

Military corruption is particularly rampant in the Russian Federation, where such corruption is perpetrated at all levels. Former Defense Minister Pavel Grachev, for example, was accused of appropriating and selling Soviet military hardware during the troop withdrawal from East Germany. Along with accusations against the Defense Minister, Russian journalist Dmitri Kholodov had been investigating widespread corruption practices within the armed forces and had threatened to implicate a number of top military officials. He was killed by a letter bomb shortly thereafter. Kholodov was not alone in his accusations. Yuri Boldyrev, a civilian advisor to the Russian anti-corruption department, said in a newspaper interview that he had warned President Yeltsin of 'many specific instances of illegal deals in arms, fuel, food, and real estate and charged that the generals made millions of dollars'. Moreover, former Vice-President Alexandr Rutskoi, supported by former Procurator General Valentin Stepankov, charged the military, and particularly General Grachev, with widespread corruption as early as April 1993 (NYT,

April 26, 1994). In February 1995, documents were made public in the Russian Federation showing that the military had opened an account in a German bank near Berlin in 1992 with a deposit of \$20.6 million. General Grachev denied these charges. At the same time, however, investigators in Germany announced that they had evidence showing that Russian troops took home more than \$4 billion in illegal earnings during their four year withdrawal from East Germany, and that illegal deals 'clearly show the participation or knowledge of the generals' (OMRI, 95-02-14).

Without a doubt, corruption has become a major part of the transformations in Eastern Europe and the FSU. Officials from Eastern Europe and the FSU readily concede this and, in fact, appear far more concerned about it than Western analysts and consultants. Thus, Viktor Ageyev, an official of the Russian Federation Ministry of Internal Affairs, admits that 'it is no secret to anyone that corruption has struck all state structures and the sphere of economic relations with unprecedented force...' (CDPSP, XLVIII (2), 1994, 4). Malcolm Gray, a Canadian correspondent in Moscow, observed that 'these days, [official corruption] can range anywhere from police shake-downs of motorists--typically an officer might overlook a minor traffic violation in return for a \$3 bribe--to demands for huge bribes by highly placed government officials' (Gray, 1994, 17). A Russian émigré, writing in the New York Times, expressed his skepticism toward the legitimacy of the Russian political system as follows:

...some officials think nothing of plunking down \$2.9 million for a mansion in the suburbs of Philadelphia, of sending their offspring to Ivy League schools (tuition paid in cash) and their wives on shopping sprees at Tiffany's--all, presumably on government salaries (NYT, August 18, 1994).

Western analysts and consultants, particularly those of orthodox persuasion, recognize, of course, that corruption constitutes a serious problem in the process of transformation. Their policy prescriptions are, however, sadly simplistic and hardly creative: simply improve law enforcement, and corruption, as well as crime, ought to be reduced dramatically (M. Gray, 1995; Kaufmann, 1997; Rose-Ackerman, 1995). Yet, some of the most corrupt institutions and institutional personnel are precisely those entrusted with law-enforcement, both at the level of policing, and at the level of the courts.

Police corruption has been publicly recognized in every single one of the countries of Eastern Europe and the FSU, most recently in Bulgaria (RFE/RL, 96-07-19), Armenia (RFE/RL, 96-06-20), Latvia (RFE/RL, 97-01-03), Hungary (RFE/RL, 96-07-19) and Turkmenistan (RFE/RL, 96-06-25). In Armenia, 540 officials from the Interior Ministry (which is in charge of law enforcement) were dismissed due to corruption charges in 1995. 107 of these were jailed due to evidence that they used force in order to solicit bribes. In Turkmenistan, President Niyazov accused prosecutors to be involved in the drug trade. In Bulgaria, President Zhelevi lamented that 'you cannot fight corruption when you yourself are corrupt or are in some way associated with it' (RFE/RL, 96-02-01). In the Russian Federation, the Deputy Head of the Interior Criminal Investigations Department as well as his son, a police academy cadet, were charged with corruption and possession of a large quantity of weapons in early 1994 (Erlanger, 1994). Nikolai Zlobin, a Russian professor of history and political science, has argued that the contemporary Russian political system is an instrument of the criminal elite, whereby 'even intelligence and law-enforcement

agencies find themselves dependent on the cooperation of the local Mafia-connected elite' (NYT, May 12, 1994).

Corruption and related crime is not, of course, limited to governmental institutions. Banks, for example, are also riddled with corrupt individuals and corrupt practices throughout Eastern Europe and the FSU. Thus, in Moldova 'ties between the underworld and state bodies are closest in the banking system and in the institutions in charge of privatizing agriculture and industry' (RFE/RL, 97-02-19). In Slovakia, a number of banks were recently discovered to have granted uncovered loans worth more than \$6.5 billion (RFE/RL, 97-10-07). Michael Gray suggests that 'more than 3,000 criminal groups [in Russia], using threats and blackmail, have established control over 40,000 businesses, including more than 400 banks, nearly 50 stock exchanges, and almost 1,500 enterprises in the government sector of the economy' (M.Gray, 1995, 7). The scale of crime and corruption in the financial sector has been steadily increasing, in Russia as elsewhere in Eastern Europe and the FSU:

In 1993, Russian law enforcement agencies reported 110,000 criminal offenses in the realm of finance. In 1994, this number grew to 183,000, and in 1995, to 300,000. The amount of money misappropriated from Russia could be as much as \$100 billion in the four year period from 1990 to 1994, according to specialists in this area. No less than 4 trillion rubles (several hundred million dollars) were misappropriated from Russian banks through faked payment documents and false guarantees from foreign banks during 1993-94 alone (Zhilin, 1995, 9).

Corrupt and criminal practices have also been uncovered in the energy sector in Azerbaijan (RFE/RL, 95-09-22), the mining sectors in Ukraine and Kazakstan, the media in the Czech Republic (Reed, 1995), the health sector in Russia (RFE/RL, 95-10-11), and the education sector in several East European countries (Tucker, 1995).

It is, to say the least, difficult for trust to evolve in the context of these levels of corruption. Throughout Eastern Europe and the FSU, there is no general belief in the competence, efficiency and proper management of institutions, much less their personnel. Similarly, and for largely the same reasons, there also is no belief in fairness, due process and meritocratic justice. It is quite apparent that the same rules do not apply to everyone equally, and moreover, that whatever rules there might be, are quite flexible in the face of hard, preferably American, cash.

What of the belief in reasonableness, rationality and reliability, which entails the assumption that others will obey the principles of logic and demonstrate a respect for the facts (Sztompka, 1995, 7). It should of course be understood that logic, reasonableness and rationality are cultural concepts. As a result, one might pose the question whether the imposition of explicitly Western economic and political systems onto the countries of Eastern Europe and the FSU is indeed 'reasonable' or even 'rational'. Such a question would be particularly relevant in the context of those countries undergoing transformation that have no historical experience with Western systems or institutions, such as, for example, the countries of Central Asia.

Beyond this more fundamental consideration, there is also a need to examine carefully the respect for facts that has emerged in Eastern Europe and the FSU. The evidence would suggest that there are some significant differences here across different countries. However, it is questionable whether the governments of any of the countries in transformation have demonstrated a particularly profound respect for facts. One indication that fact is indeed respected in a given country is the presence of a free media. For the most part, the countries undergoing transformation have fared well in this respect. In

most of Eastern Europe, the media is allowed to operate unobstructed by governmental censorship. This is true even in countries that have experienced considerable turmoil, and that have not on the whole done very well in the transformation process, such as, for example, Bulgaria (Krastev, 1997, 12). Nevertheless, in times of severe turmoil, at least the state-controlled media in Bulgaria has indeed experienced censorship, such as during the protests in early January 1997 in Sofia (Koinova, 1997, 14).

Media censorship has been a more significant factor in the transformations in the FSU, in particular throughout Central Asia and the Transcaucasian region. In Uzbekistan, for example, even foreign media organizations such as Radio Free Europe/Radio Liberte, the BBC, and Human Rights Watch/Helsinki had been prohibited from setting up offices in Tashkent. This changed only in 1997 with the introduction of new legislation pertaining to media and journalists (Kangas, 1997, 2). In Kyrgyzstan, President Akaev acted quickly to liberalize the media following the declaration of independence in December 1991 (Gharabaghi, 1994, 110). By 1994, however, the media was beginning to feel governmental pressure again, resulting in the closing of one opposition newspaper and the parliamentary newspaper (RFE/RL, 94-08-26). By early 1995, Akaev was calling for a general media self-censorship (OMRI, 95-01-17).

Perhaps more troublesome than media censorship per se are the range of issues that have not officially been recognized as constituting fact. In Lithuania, for example, the historical role of Lithuanians in the persecution of Jews in Vilnius in particular is well documented, but the government has steadfastly denied this sad historical legacy (interview with Ed Stoddard, Reuters correspondent, Vilnius, September 18, 1995). Similarly, the well documented abuse of Hungarian minorities in Rumania has never been

officially acknowledged. The treatment of Gypsies in the Czech Republic as well as in Hungary has been underplayed as well.

In general, while the new regimes in Eastern Europe and the FSU have been quick to document the historical legacies of their communist predecessors, especially when such legacies involved human rights violations, they have sought to avoid other 'facts' of history, in particular those that are more difficult to pin on the communists.

One other significant issue in the context of the belief in logic, reasonableness and rationality pertains to the status of ethnic minorities in Eastern Europe and the FSU. The coming of independence in Eastern Europe and the FSU gave rise to nationalism throughout the region. In some cases, nationalist sentiments were controlled, and did not fundamentally obstruct the peaceful transition to independence. In other cases, however, the situation was quite different, and the first to notice tended to be ethnic minorities. In the FSU, where Russian minorities were present everywhere, the historical antipathy to all things Russian was felt almost immediately, and continues to pose a major problem. This is particularly the case in the Baltic states, which prior to their incorporation into the Soviet Union had existed as independent states. Russian minorities in Latvia and Lithuania particularly were exposed to overt discrimination, both socially and legally (Lieven, 1993; Krickus, 1993; Muiznieks, 1993). Russians in Kazakstan and Kyrgyzstan, where they constitute by far the largest ethnic minority also had to contend with social pressures and governmental policy that was less than rational in the face of rampant nationalism (Olcott, 1993; Huskey, 1993). In Tajikistan, Russians encountered a blend of nationalism and religious fervour, which also generated social and political dynamics that

can hardly be characterized as rational, and that, in fact, have maintained Tajikistan in a state of civil war since its independence in 1991 (Atkin, 1993).

In Eastern Europe, the tragedy of Yugoslavia represents the ultimate indication that rationality and reasonableness cannot be taken for granted, especially when nationalist sentiments are strong. Albanians in Kosovo, often forgotten in the context of the Yugoslav disaster, can attest to this today. Hungarians in Rumania and Turks in Bulgaria are still faced with serious unreasonable actions against them, as are Gypsies in Hungary and the Czech Republic. Ethnic minorities have faced persecution and military assaults in the southern regions of both Georgia and Ukraine. Armenians in Azerbaijan have been subjected to a prolonged military campaign against them. In the end, it is of course in the Russian Federation where rationality often meets its nemesis, as the war in Chechnya aptly illustrates.

It is not entirely clear whether or not the state-society relationships in Eastern Europe and the FSU are governed by a belief in reasonableness, rationality and reliability. But it is probably fair to say that to the extent that such a belief might indeed characterize these state-society relationships, it is profoundly tested far too often.

Finally, there is the belief in integrity and good will, which entails the assumption that others will adopt pro-social, positive orientations, free from hostility, envy, and hatred (Sztompka, 1995, 7). This belief, to the extent that it might exist, is also being tested in the most extreme forms. Chiefly responsible for these tests is a social phenomenon that has become dramatically more prevalent in Eastern Europe and the FSU since the fall of communism. This is the phenomenon of crime.

Crime is nothing new in Eastern Europe and the FSU. What is new, however, is the degree to which it has impacted on social relations throughout the region. The Soviet government had always made a claim of moral authority in part on the basis that it had guarded the peoples of the Soviet Union from much of the decaying moral fiber of Western society. Drug abuse, petty crime, property crimes, street violence and other deviant behaviours said to be rampant in the United States in particular, were not a part of Soviet social relations. Moreover, actual statistics of crime in the Soviet Union were classified as state secrets, and therefore research in the area was limited (Conner, 1972).

Increasingly, documents are being released indicating that crime was indeed rampant in the Soviet Union as well. Nevertheless, it has been principally since the disintegration of the former Soviet Union that crime has become a popular topic in the mainstream media, both in the West and in the former Soviet Union. In the former, publications such as *Time*, *Newsweek*, *McLean's*, *The Economist* and the *Atlantic Monthly* all have run at least two cover stories on aspect of crime in the former Soviet Union from 1993 to 1994. In the latter, daily newspapers have been filled with reports on crime on a regular basis, and the Russian daily *Izvestia* ran a major five part series on crime in the Russian Federation in late November and early December 1994. A somewhat inaccurate perception of crime in the post-Soviet space has formed, which presents criminal activities in three stages: petty crimes in the pre-Soviet era, corruption in the Soviet era, and an exponential increase in both petty crime and organized crime in the post-Soviet era.

In fact, there may be far more continuity than previously assumed. As Handelman points out in the specific context of Russia:

Russia's criminal underworld has an impressive history. Societies of smugglers, thieves and highwaymen existed on the margins of national life for centuries. In the late tsarist era, outlaw bands were glamorous symbols of struggle against landowners and the oppressive state. The traditional gang structure, fortified by a code of honour and rituals that discouraged outsiders, became a model for the early Bolshevik clandestine organizations (Handelman, 1994, 85-86).

In 18th and 19th century Russia, peasants had a two-tiered conception of criminal activity, particularly theft. The moral character of theft depended on not only on what was stolen, but also who it was stolen from. Maximov wrote late in the 19th century about this conception:

Anything to which labour has not been applied and which is therefore not acquired capital can be stolen without sin. Landowners' property, ever since private estates were legally sanctioned, has constituted a strong temptation, like peas and turnips growing by the roadside... Anything that is the product of one's own labour, care or skill is protected, but anything belonging to priests or landlords is on the borderline, and beyond that the power to distinguish one's own property from other people's grows decidedly weaker (Maximov, cited in Chalidze, 1977, 6-7).

Throughout the 18th and 19th centuries, gangs of brigands were seen as heroes, and glorified even by the Soviet state in the twentieth century. The 18th century Cossack Emelyan Pugachev was characterized by Alexander Pushkin as generous, loyal, and giving. Indeed, the brigands were generally seen as Robin Hoods in as much as they stole from the rich and were supportive to the poor (Chalidze, 1977, 9-10).

For over a century now, the Russian underworld has been identified principally with the *Vorovskoi Mir*, translated as 'Thieves World'. This group, or social force, is a criminal society that operated for decades at a time out of the pre-Soviet and Soviet prison camps, and successfully manipulated economic activities across the country. The *Vorovskoi Mir* has acquired almost a cult status, in part because of its strict code of honour, which first and

foremost prescribes that all members shall abstain from activities in which the state may gain power over the member's life. Indeed, this social force is characterized by its adamant refusal to have any contact, no matter how superficial, with officialdom, including holding a job at a state-operated enterprise (Handelman, 1994a, 20-22).

The brigands of the 18th and 19th centuries and the *Vorovskoi Mir* of the 19th and 20th centuries are illustrative of the continuity of criminal activity in the post-Soviet space. In addition, the cult status of these social forces indicates that criminal activity is not automatically and totally rejected by civil society in the post-Soviet space. To the contrary, given the long and brutal history of severely authoritarian regimes in this area, anti-systemic crime is perceived with a sense of poetic justice by some elements of civil society, and a claim of ethical innocence by others, both within the ranks of civil society and the state structures.

In addition to criminal activities carried out by groups such as the *Vorovskoi Mir*, there has also been widespread informal activity carried out at all levels of society and even the state. In 1977, A. Katsenelinboigen developed a typology of markets in the Soviet Union, which varied from legal markets to semi-legal market to illegal markets. While the legal markets were indeed state controlled and shielded from capitalist essentials such as competition, free pricing, etc., the semi-legal and illegal markets operated no differently than market operate in the West. Moreover, although economic activities within these markets were in violation of state laws and regulations, state officials participated in them as well (Katsenelinboigen, 1977)!

Gregory Grossman, in an article dealing with the 'second economy' in the USSR, also published in 1977, suggested that "there is another, very significant side to Soviet economic reality, where production and exchange often take place for direct private gain and just as often

violate state law in some non-trivial respect. This is the so-called 'second economy'... Closely tied to it is widespread corruption of officialdom" (Grossman, 1977, 25). Grossman further argues that the 'second economy' is an accepted, normal manifestation of social and economic relations within the USSR:

Doubtless the most common economic crime in the USSR is stealing from the state, under which we subsume stealing from all official organizations, including collective farms. All sources agree that it is practiced by virtually everyone, takes all possible forms, and varies in scale from the trivial to the regal. All also agree that the public takes it for granted ("nobody can subsist on his wage or salary; everyone has to steal and moonlight in order to live" is the standard view), attaches almost no opprobrium to it-and, on the contrary, disapproves of those who do not engage in it... (Grossman, 1977, 29).

Crime has been increasing everywhere in Eastern Europe and the FSU, not only in the Russian Federation. Crime statistics coming out of the FSU and Eastern Europe are shocking, but they are not, by themselves, an indication of the 'coming anarchy' (Kaplan, 1994). In fact, the total number of crimes committed in, for example, the Russian Federation during 1992 is proportionally significantly lower than in most Western countries. In Russia, there were 1,856 crimes committed per 100,000 people, compared to 5,820 in the United States, 6,169 in France, 7,031 in Germany, and 7,956 in Britain. Indeed, Russian crime figures are most comparable to Japan, where there were 1,834 crimes committed per 100,000 people (CDPSP, XLVIII (4), 1994, 24). Russia's murder rate, however, is indeed high, even compared to Western countries; at 20 murders per 100,000 people in 1993, it was substantially higher than, for example, Canada's at 2.7 per 100,000 people, and not too much lower than New York City's at 27 per 100,000 people (Gray, 1994, 17). Since 1992, Russian crime has almost doubled, which does bring it more in line with Western countries.

The significance of crime cannot, however, be captured solely on the basis of absolute numbers. What really matters is the meaning and the consequences of crime within any given society:

Mafia godfathers exist in many countries, but mainly they control criminal businesses, drugs, gambling and gambling halls. In our country [Russia], they have total control over normal commerce... This means that the population is supporting two states with its money: the legitimate one and the criminal one, which exist in parallel (*Russian Politics and Law*, 1995, 39).

The rise of criminal activity, and in particular of organized criminal activity, represents, or at least is seen to represent, a threat to national security and regime legitimacy. In Tajikistan, President Rakhmonov recently declared publicly that 'rising crime is the most serious threat to the security and economic stability of the country' (RFE/RL, 97-06-11). This in a country that has been in a state of civil war for the past seven years! In Kazakstan, President Nazarbaev declared the fight against crime and corruption as the top priority for the country (RFE/RL, 95-09-26). In Romania, Interior Minister Doru Ioan Taracila suggested that crime 'poses a great threat to the country's moves toward democracy', and furthermore, that it must be 'stopped before it is too late' (RFE/RL, 94-11-11). Similarly, in Poland, the Internal Affairs Minister declared 'highway robbery, crime in Warsaw and crime in the Gdansk-Gdynia-Sopot tri-city area as his top three priorities' (RFE/RL, 94-08-12).

The impact of crime, and the discussion of crime in public forums, has been substantial. A public opinion poll in the Czech Republic in 1994, for example, showed that fully 98% of respondents thought that crime is the most pressing issue in the country (RFE/RL, 94-10-24). In Bulgaria, the government has responded to public fears about crime by legalizing the carrying of firearms. According to the Interior Minister, 'Bulgarians must be allowed to defend

themselves against criminals since the state is unable to do so', and moreover, he noted that he 'admired those who have formed citizen defense organizations, since the judicial system refuses to dispense justice' (RFE/RL, 94-09-26). More recently, Bulgarian Premier Ivan Kostov suggested that 'organized crime in Bulgaria is threatening to destroy the authority of the state and has already virtually replaced that authority in some regions' (RFE/RL, 97-07-09). A poll conducted in Crimea, an autonomous region within Ukraine, revealed that 58% of respondents believe that the 'mafia' is in charge of the region (RFE/RL, 95-01-17).

A particularly disturbing aspect of the rising crime in Eastern Europe and the FSU is the increasing participation of young people. Thus, in the Russian Federation, from 1989 to 1995 crimes committed by minors has risen by no less than 74% (RFE/RL, 95-03-17). In Moscow alone, teenagers committed 60 murders in 1994, compared with only three in 1991 (RFE/RL, 95-03-30). Similarly, in Estonia, rising crime is associated first and foremost with an increase in the participation of minors. By 1995, minors were responsible for fully 20% of all crimes committed in Estonia (RFE/RL, 95-11-22).

Two types of crimes that are particularly destructive in developing a belief in the integrity and good will of society are the narcotics-related crimes on the one hand, and economic crimes on the other hand. Narcotics-related crimes are destructive to the development of this belief because they promote self-destructive and fundamentally anti-social behaviours (and are often associated with violence), while economic crimes not only indicate the absence on integrity and good will, but also impact negatively on the belief in the efficiency, competence and proper management of institutions (especially financial institutions) discussed above. Yet it is precisely these two types of crime that have been at the forefront of the

criminalization of Eastern Europe and the FSU. It is thus worthwhile to examine closer the scope of each of these.

There is sufficient evidence to suggest that the narco-business has been one of the fastest growing sectors of the post-Soviet economies, and particularly so in Central Asia (Gharabaghi, 1994). It should be noted, here, that notwithstanding Soviet denials, drug abuse is nothing new in this area. Considering that the official line in Moscow prior to Gorbachev's accession to power was that drug abuse "is unheard of in the USSR", it is astonishing just how much attention the authorities paid to this unheard of problem: in 1966, the USSR Supreme Court and its Russian counterpart convened plenary sessions that examined, among other things, 'legal issues involved in the prosecution of individuals accused of manufacturing and distributing narcotics and other poisons'; in 1972, the Principles of Criminal Legislation of the USSR and the Union Republics were amended to add to the list of 'grave crimes' the 'theft, manufacture, acquisition, or possession of narcotics for the purpose of sale, and/or the sale of such substances'; in 1974, the USSR Supreme Soviet issued a decree 'On Intensifying the Struggle Against Drug Addiction'; and in 1975, the USSR Supreme Court again formally examined the issue of drug addiction (Kramer, 1988, 28).

There is no question, however, that the scale of the narco-business has increased exponentially since the disintegration of the Soviet Union, with respect to both exports and domestic consumption. One reason for this is that Soviet material resources are no longer available to curtail the production of narcotics in Central Asia. A second reason is that narcotics are easily obtainable and easily sold, yielding a high profit. Approximately 1 million hectares of wild marijuana is growing in the former Soviet space, in addition to 3000-5000 hectares of opium poppies in Central Asia alone (Lee & MacDonald, 1993, 95). Moreover,

there are 60,000 hectares of wild hemp growing in Kyrgyzstan, and an additional 120,000 hectares in neighbouring Kazakstan (*CDPSP*, XLVIII (3), 1994, 19). In its annual *International Narcotics Control Strategy Report*, the US State Department cited the new Central Asian states in addition to Afghanistan as the major areas of concern in the fight against the proliferation of narcotic substances. Specifically, the State Department expressed concern that "the economic chaos that has accompanied the break-up of the Soviet Union is leading to an increase in opium puppy production in Tajikistan and Uzbekistan and is providing fertile ground for drug-trafficking rings in Russia" (*NYT*, February 02, 1993). Similarly, according to the United Nations, the transformations in the Central Asian states are directly related to the increased trafficking of narcotics there:

Drug traffickers and criminal organizations have exploited the vulnerabilities of the countries of the Central Asian Republics caught in the process of democratic and economic reform. Their opportunistic and ruthless methods have left law enforcement agencies unequipped and ill-prepared to face the threat posed to national security. The opportunities provided by the privatization of the economy have been seized by criminal organizations to launder their illicit proceeds (United Nations, Press Release, May 1996, 1).

In Azerbaijan, authorities have reported that during 1993, no less than 1,755 criminal cases were filed connected to the narcotics business, of which at least 216 involved smuggling, transporting or marketing of drugs. Officials of the Division Against Drug Usage and Narcobusiness, which is attached to the Ministry of the Interior, explain that Azerbaijan serves as a collection centre for drugs in transit, given the country's positioning on the transportation routes from Afghanistan and Iran to Russia and other parts of Europe, as well as from Central Asia to Turkey and the Baltic (*Turan News Agency*, 1994).

Transporting narcotics out of Central Asia is not particularly difficult. Cheap opium from Afghanistan as well opium grown and produced in Kyrgyzstan is routed through Uzbekistan, Tajikistan and Kazakstan, with few obstacles along the way:

As the drug dealers themselves admit, getting across the turbulent Pyandzh River, which is guarded by Russian, Kyrgyz and Tajik border troops, does not present any difficulty for them. What's more, the cargo is frequently delivered in border-troop vehicles. According to military intelligence data, the commodity is also transported in Air Force planes and military helicopters. In certain places, military or police personnel provide protection for opium suppliers (*CDPSP*, XLVIII (3), 1994, 20).

For many individuals in the former Soviet space, involvement in the narco-business makes sound economic sense. As one narcotics control officer in Kyrgyzstan pointed out, "why grow grain or raise cattle by the sweat of your brow if the weed that grows in your backyard can fetch you flour, salt, things for your kid (cited in Turbiville, 1992, 55)?" In Uzbekistan, a hectare of opium poppies generates about twenty times more income than a hectare of cotton and 35 times as much as a hectare of vegetables (Lee & MacDonald, 1993, 96). Moreover, whereas agricultural inputs for mainstream activities are scarcely available, particularly in the removed mountainous areas of Tajikistan and Kyrgyzstan, as well as northern Afghanistan, inputs for narcotics growing are readily to be found.

Many peasants openly admit that poverty drove them to this kind of life-after all, the state is not able to provide them with normal pay or pensions, but there are plenty of customers for opium... According to statistics, more than half of the planters are pensioners, jobless, and young people-the most socially unprotected segments of society. Only 3% to 4% have had trouble with the law before. The rest either earn their living this way or, for a certain amount of compensation, tend someone else's crop and serve as a cover for real dealers in the drug business... (*CDPSP*, XLVIII (3), 1994, 19).

The dramatic increases in the production, consumption and trafficking of narcotics is not unique to the Central Asian countries, although due to favourable climatic conditions, the

production of opium and marijuana is particularly widespread there. Nevertheless, narcotics have become a major problem in Eastern Europe as well, and public discussions on this topic give the impression of a crisis condition pertaining to the spread of drug production and consumption. Consumption and trafficking have increased substantially in Rumania and Bulgaria in recent years. In Bulgaria, over a six months period in 1996, 112 firms were discovered to be covers of international drug traffickers, and no less than 1,600 Bulgarian citizens were charged with related offenses (RFE/RL, 97-10-29; 94-11-11). In Lithuania, drug-related crimes increased by 54% during the first four months of 1996 (RFE/RL, 96-05-28). In 1995, Croatian police confiscated 30 kilograms of refined heroin, the biggest drug bust ever in that country (RFE/RL, 95-02-14). Similarly, no less than 493 kilograms of refined heroin were seized in Hungary during the first 10 months of 1995, also a record for that country (RFE/RL, 95-11-03). In 1994, Slovakia and Slovenia signed an agreement of cooperation in the struggle against drug trafficking. Both countries have been adversely affected by the increased amount of drugs in circulation throughout Eastern Europe, as both lie on one of the major transit routes to Western Europe (REF/RL 94-09-15).

Poland is one of the major producers of amphetamines in Eastern Europe, and it supplies both its domestic market as well as international markets, notably in Western Europe. 'By 1991, 20% of the amphetamines captured in Western Europe were made in Poland, up from only 6% from 1985 to 1989'. Moreover, 'Polish amphetamines are currently the highest-quality drugs in Europe, with purity levels often ranging from 97% to 100%' (Lee and MacDonald, 1993, 95).

Quite aside from the lack of integrity and anti-social behaviours embedded within the narcotics industry, it also constitutes an industry of significant economic consequence. The

profits from this industry are, of course, illicit, and therefore can also be seen as 'hot money' (Naylor, 1994). Hot money gains in value when it is 'laundered' through the legal economy. As a result, the rampant economic crime in Eastern Europe is very much related to the narcotics industry. Together, they represent a criminal continuum that penetrates every aspect of state, society and economy.

The nature of economic crimes varies considerably. Depending on the definition, such crimes can include money laundering operations, counterfeiting, illegal lending and credit operations, tax evasion, racketeering and embezzlement, as well as outright theft of financial resources. Throughout Eastern Europe and the FSU, all these practices are widespread, resulting in an unofficial economy that in some cases is larger than the official economy (Table 5).

TABLE 5: Evolution of the Unofficial Economy in Selected Countries of Eastern Europe and the FSU, 1989-1994

	Change in Share (percentage)	Share of Total (percentage)
Georgia	52	64
Azerbaijan	46	58
Ukraine	34	46
Russia	28	40
Kazakstan	22	34
Latvia	22	34
Lithuania	17	29
Estonia	13	25
Czech Republic	12	18
Bulgaria	6	29
Hungary	1	29

Source: Daniel Kaufman, 'Desperately Seeking Economic Recovery', *Transition* (April 1997), 6.

As indicated in Table 5, in Georgia and Azerbaijan, the unofficial economy is indeed estimated to be larger than the official one. Since economic crimes have been increasing in

almost every country in Eastern Europe and the FSU, and moreover, since the official economies have been growing only slowly or not at all in many of the transforming countries, it is likely that in Ukraine, Russia, and Moldova, the unofficial economy also has, by now, overtaken the official one. In the Baltic states and some of the East European ones, the unofficial economy likely constitutes a greater share of the total economy today than it did in 1994.

The Russian Federation has been affected most adversely by the rise in economic crimes. Current estimates suggest that up to 50% of the Russian economy may be controlled by crime, and many billions of dollars are leaving the country illegally as a result (Macko, 1997, 1):

...\$150 billion ha[ve] been exported from Russia since 1991. This figure may be high, but conservative estimates are still more than \$50 billion. A minimum of 40% of the estimated \$2 billion in monthly capital flight is attributable to organized crime groups. The problem of capital flight dwarfs the lamented absence of foreign investment (a figure estimated at approximately \$6 billion since 1991) (Shelley, 1997, 7).

It is, of course, not possible to determine exactly the total value of economic crimes committed in a given country, or even the profits illicitly obtained through economic crimes. Nevertheless, estimates suggest that the figures are staggering:

Total revenue from economic crime in 1994 [in Russia] amounted to at least 38.4 trillion rubles (\$17.4 billion at the average annual dollar-ruble exchange rate), or 6.1% of GDP which is almost as much as the 6.3% share of agriculture in GDP and more than the value added tax collected by the federal budget (6% of GDP in 1994) (Kisunko, 1996, 13).

Similar trends are emerging in most of the countries in Eastern Europe and the FSU. In Bulgaria, financial crimes have been increasing at a steady rate. From 1994 to 1995, they increased at fully 20.6% from an already exceptionally high level in 1994. The total loss to the

country's economy is estimated at 12 billion leva (\$180 million). Money laundering, embezzlement and tax evasion are the principle causes (RFE/RL, 95-01-23). The number of economic crimes in Lithuania and Latvia increased by 8.1% and 18.7% respectively, not including economic crimes involving smuggling operations, which increased by 142.4% in Lithuania and by 120% in Latvia during the first eight months of 1995 (RFE/RL, 95-09-21). Similar conditions have been reported in Belarus, Moldova, and Romania (RFE/RL, 94-05-05, 96-03-29; 97-09-18).

In light of the developments in Eastern Europe and the FSU with respect to crime, as well as, of course, corruption, as elaborated above, it is rather unlikely that societies in these countries are characterized, or, more importantly, would characterize themselves, as holding a belief in integrity and good will as an integral part of social relations and social functioning. Indeed, although neither crime nor corruption are unique to Eastern Europe or the FSU, and although the levels of crime at least are not even extraordinary compared to Western countries (although the scope of crime and its impact on economies and social functioning is), crime and corruption are at the forefront of public discourse. Government officials, including those at the highest levels of government such as presidents and prime ministers, regularly pronounce the inherent dangers of crime and corruption. Societies are reminded by the very leaders who are entrusted with maintaining personal security and social order, that these are not in fact in place. The very foundation of the nation is called into question in such speeches and pronouncements. Domestically-based newspaper articles and reporters from the West consistently confirm these observations.

Moreover, to the extent that governments have made promises to fight against the criminals and corrupt officials, time and time again they have failed, either due to

incompetence, or because the police forces and interior ministries called upon in the battle against crime and corruption are themselves part of the problem, rather than the solution. In the end, not even the comfort of a stable military establishment is available, that could, in a worst case scenario, intervene in total anarchy and restore order. Across Eastern Europe and the FSU, and most of all in the Russian Federation, the military has proven itself to be incompetent, corrupt, and barely capable of maintaining order in its own ranks.

Nowhere has transformation led to an unequivocally better life. While there has been considerable success in the Czech Republic, Poland, and Estonia for example, there also are myriad problems in each of these countries. As a result, there is no proof that transformation can meet its own promises--the joining of the formerly exclusive club of rich nations, where everyone can obtain some objective benefit and emotional gratification by being part of a healthy state-society relationship. On the other hand, there are many examples where transformation seemingly has led to the opposite result (no causality implied here): Tajikistan, Yugoslavia, Armenia and Azerbaijan, and Chechnya are extreme examples. Albania, following the uncovering of the pyramid scam in late 1997 represents a not altogether unthinkable example of the potential pitfalls of transformation.

In light of this, what can we conclude about trust in the context of the state-society relationships in Eastern Europe and the FSU? Above, six distinct kinds (or social objects) of trust were identified: generalized trust, technological trust, commercial trust, institutional trust, positional trust, and personal trust. Each of these can now be evaluated in the context of the beliefs that comprise the concept of trust, as elaborated above.

Generalized trust pertains to the social order as a whole. It provides people with a sense of security, with the 'confidence in the continuity of their self-identity and the constancy

of surrounding social and material environments of action' (Giddens, 1992, quoted in Sztompka, 1995, 7). In the absence of the belief in the continuity of the past, the present and the future, and therefore the assumption of orderliness, and predictability of social trends, reforms and policies, generalized trust is unlikely to form in the transforming societies of Eastern Europe and the FSU. Indeed, the social orders characterizing these societies are themselves evolving only slowly. Present indications are that rather than there being a social order, there is more of a social 'disorder', characterized by sporadic violence, criminal interventions in the political economy at all levels, and a state that appears variably either incompetent or too corrupt to do anything about it.

The evidence suggests that there is minimal confidence in the constancy of the social and material environments of action in Eastern Europe and the FSU. The social environment of action can hardly be seen as constant given the often contradictory social manifestations of nationalism on the one hand, and globalism, which after all is an integral part of the move toward a market economy (in Eastern Europe even more so than in the FSU), on the other hand. Accentuating the inconsistencies of this social environment throughout Eastern Europe and the FSU is the largely unregulated, mostly criminal political economy of the unofficial economy.

Similarly, the material environments of action throughout Eastern Europe and the FSU have experienced a great deal of inconsistency. Initially, the material conditions within all the countries of the region decreased dramatically, as inefficient industries and enterprises fell by the wayside. In some cases, the deterioration has simply continued, as is the case in the Russian Federation, Ukraine, and most of the states in Central Asia and the Transcaucasus. In other cases, such as Poland, the Czech Republic and Estonia, material conditions did in fact

improve although, as of late, there has been a renewed downturn, especially in the Czech Republic. Moreover, although aggregate economic indicators may well suggest that there has been consistent improvement in the material environments of action in much of Eastern Europe, such indicators do not take account of income distribution, or more generally, just who is benefiting from the GDP growth so proudly proclaimed. Thus, the material conditions obtained in Prague, Budapest and Tallinn, for example, are hardly representative of their respective countries.

Technological trust refers to trust in 'abstract, technical systems, systems of technical accomplishment or professional expertise that organize large areas of the material and social environments in which we live today, such as transportation, telecommunications, financial markets, medical services, etc.' (Sztompka, 1995, 7). The level of technological trust likely varies considerably across Eastern Europe and the FSU. Thus, financial markets in the Czech Republic have, on the whole, functioned in at least a transparent way, without major incidents. In Albania, on the other hand, the crashing of the pyramid scams has taken much of the credibility of financial markets and institutions away. In Central Asia, communication takes place largely via cell phones, e-mail, and fax machines. Since most people do not have access to such equipment, communication for them means visiting their friends, and this technology does indeed work fine.

Many of the basic technological systems that serve to render a society functional and dynamic do exist in Eastern Europe and the FSU, however, they are almost all imported from the West and from East Asia. Technological trust is thus vested in foreign countries and companies, rather than one's own nation or domestic companies. Even in the context of

defense arrangements, there is little confidence in national defense forces, however, there is considerable trust in the utility of joining Western defense arrangements such as NATO

One very significant area in which technological trust is virtually non-existent is the energy sector. Since nuclear reactors form a significant component of the energy sector throughout Eastern Europe and the FSU, and since many of the reactors are of the same type (but older and less sophisticated versions) as the reactor at Chernobyl, the level of distrust toward this sector is extremely high. In fact, in many of the Eastern European countries, pressure to shut down such reactors is high, notwithstanding the difficulties this will inevitably pose in terms of energy shortages.

Like technological trust, *commercial trust* is principally vested in foreign goods and foreign companies. This is particularly the case in the context of high-tech goods such as computers, televisions, stereo equipment and cars. In fact, the distrust in the quality of car manufacturing throughout Eastern Europe and the FSU has contributed to making car theft in Western Europe (in order to supply the markets in Eastern Europe and the FSU) a major problem. The Czech Skoda company, for example, was one of the first take-over targets at the onset of the privatization program, and the German car-maker giant Volkswagen bought it, promising to continue to build the Skoda and to contribute to the strengthening of the domestic car industry in the Czech Republic. Instead, Volkswagen discontinued production of the Skoda almost immediately after finalizing the purchase of the company, and now dominates the Eastern European car market with its own models.

Institutional trust refers to trust vested in social institutions, their personnel and organizations, such as, for example, courts, banks, universities, hospitals, and the police (Sztompka, 1995, 8). Although clearly there are variations in terms of the trust accorded to

different types of institutions, because of the rampant corruption in many central institutions, notably banks and the police, social institutions more generally are greeted with considerable distrust. Since almost all social institutions are in some form connected to government, and since governments throughout Eastern Europe and the FSU are seen to entail a significant element of corruption and crime, institutional trust cannot be anything but minimal.

Positional trust, referring to trust invested in particular social roles, notably the more valued professions including doctors, judges, lawyers, and university professors, also encounters some major obstacles. First, unlike in most Western societies, these social roles are not rewarded with a corresponding material benefit. As a result, the prestige commonly associated with these roles is considerably less pronounced in Eastern Europe and the FSU. Second, these roles do generate access to the material wealth that is available but generally only via corruption or crime. Thus, any role associated with the legal system is naturally also associated with bribery and other wrongdoing. Doctors commonly charge 'service fees' which everyone knows go straight from the patient's pocket into that of the doctor. While some university professors might escape social distrust, others do what many professors in Western countries do: they consult to government or private enterprise. Unlike in the West, this implicates them in the corruption associated with government and private enterprise.

Perhaps the most important exception in this context are religious figures, such as priests or mullahs. At least in some countries in Eastern Europe and the FSU, religious institutions have made a comeback, and so have their 'personnel'. In part, this is due to the oppositional nature of these institutions' relationships with the state, not only during the transformation, but also, and perhaps more significantly, during the period of 'communist' oppression. It should be clear, however, that trust vested in religious institutions and personnel

does not constitute a reason for optimism in terms of the state-society relationships in Eastern Europe or the FSU. If anything, the church/mosque-society relationship stands in opposition, or at least as an alternative, to the state-society relationship

Finally, there is *personal trust*, which is vested in 'persons judged by their individual competence, wisdom, fairness, integrity...[such as] charismatic leaders, prophets, [and] heroes' (Sztompka, 1995, 8). In contemporary Eastern Europe and the FSU, such persons are exceedingly difficult to find. Amongst state leaders, the only one who may well fit the criteria of this type of trust is Vaclav Havel, President of the Czech Republic. Boris Yeltsin and Lech Walesa may also have at one point met the criteria, however, those days are long gone. As indicated earlier, 'when the expectations or demands are not met by the objects endowed with trust, distrust is born' (Sztompka, 1995, 8). President Niyazov of Turkmenistan may also qualify, however, since his regime is highly authoritarian in character, this is difficult to judge. Landsbergis in Lithuania clearly aspired to be endowed with this level of trust following Lithuanian independence, however, he never achieved this (Lieven, 1993).

Outside of this handful of contemporary leaders, no one else even comes close to being endowed with personal trust, at least no one from government circles. Beyond this, personal trust is vested in historical figures who have long since passed away, and in mythological figures, such as Ferdusi's great warrior Rostam in Tajikistan.

We can conclude at this stage, then, that trust, in all of its forms, is a scarce resource in Eastern Europe and the FSU. While there are variations in degree, state-society relations in this region are evolving without an essential ingredient. They are, therefore, not very healthy relationships that are unstable and highly susceptible to conflict. This, then, brings us back to the third hour of transformation—the hour of the citizen. What are the likely scenarios for a

citizen who, faced with a transformation s/he does not trust, with agents of that transformation s/he does not trust, and with outcomes of that transformation s/he does not trust, must nevertheless continue with life, both as an individual and in a social context?

Substituting for Trust

Sztompka argues that in the absence of trust, social life will produce functional substitutes for trust. Specifically, he presents five possible scenarios that could potentially co-exist, but that can also exist autonomously. They are: providentialism, corruption, excessive vigilance, authoritarianism, and externalization (Sztompka, 1995, 11-12).

Each of these scenarios is easily recognizable in the historical experiences of post-communist societies. *Providentialism*, or the withdrawal from public life, coupled with a belief that one has no control over future events, characterized civil society in much of the Soviet Union and Eastern Europe. Civil society did come to life during the period of Glasnost and Perestroika in the Soviet Union, as evidenced by the social movements of the late 1980s in, for example, Lithuania. By 1989, when the Communist Party monopoly was crumbling throughout Eastern Europe, these societies did indeed present as dynamic and politically active. Similarly, the disintegration of the Soviet Union was accompanied by strong movements within civil society in the western republics, although perhaps less so in Central Asia.

After only a few years, however, there are indications that civil society is again retreating from the public sphere. In some of the countries undergoing transformation, this manifests itself in very low election turn outs. In Poland, for example, over 50% of the electorate chose to abstain from voting in the very first democratic elections (Sztompka, 1995, 15). In other countries, polls show that most people do not believe there is any use in voting.

In Hungary, over 75% of respondents felt their vote is irrelevant (Nelson, 1995, 13). The transformations in Eastern Europe and the FSU have generated significant insecurity amongst people, and 'this undercuts their commitment to change and their patients with transition processes. The insecure recoil from dangers and, in an effort to protect themselves and their families, withdraw from public life' (Nelson, 1995, 14).

Far more pronounced than providentialism is, of course, the scenario of *corruption*. As elaborated above, corruption has been a central feature of the transformations in Eastern Europe and the FSU. Corruption is not new to these societies. Indeed, it was an unofficially accepted form of conduct under communism, which at least allowed for some predictability in social interactions. Thus, bribes would speed up service, at the garage, the doctor's office, or in government agencies. In the context of transformation, however, corruption has taken on a much more sinister character. Unspoken rules about limits and informal standards for the abuse of power have disappeared, and in their place, a seemingly insane drive to maximize profits by whatever means has emerged. Perversely, corruption too can operate according to market principles.

Excessive vigilance, the third scenario, refers to 'direct supervision and control of others, whose competence or integrity is put into doubt' (Sztompka, 1995, 11). At the level of daily social functioning, this can manifest itself in many different ways, such as carefully counting the change at a cash register in the store, or holding on to one's wallet when passing through a crowd. At the level of public politics, however, excessive vigilance manifests itself in the instability of support for incumbent governments, and the radical shift from one ideology to another. Thus, in Bulgaria, Hungary, Lithuania, and Slovakia, for example, former communists were returned to power after the first 'transformation governments' did not deliver on their

promises (Nelson, 1995). This indicates just how narrow the room for maneuver is for many incumbent governments in Eastern Europe and the FSU.

The fourth scenario is the tendency toward *authoritarianism*. Communism clearly performed very poorly in many respects, however, it did succeed in maintaining order. To the extent that this order was threatened, such as in Hungary in 1956 or in Czechoslovakia in 1968, the communist authorities were quite efficient and certainly effective in protecting it.

The tendency toward authoritarianism is a two-way street. On the one hand, in the face of disorder, rampant corruption, and general chaos, society may yawn for a strong leader, who can quickly restore order and predictability by purging institutions and organizational structures, including the government, of those who stand in the way of order. The means used to accomplish this become secondary to the outcome. On the other hand, the state too may become frustrated with constant protest, anti-government mobilization, and civil disobedience. In the face of rampant criminal activity and corruption in the private sphere, the state may abandon democratic aspirations and impose order through authoritarian measures.

This has been the experience in much of Central Asia. In Turkmenistan and Uzbekistan, the need for order was prioritized over any democratic aspirations from the start. President Niyazov of Turkmenistan has publicly invoked the image of chaos and disorder to justify his authoritarian ways (CDPSP XLIV, 1992, 4-5). Moreover, he swiftly rejected any notion of imposed transformation, including any moves toward democratization:

No one knows our problems better than we do; consequently, we should determine the rhythm and pace of our reforms ourselves on the basis of local conditions, and not according to the demands of some sort of classic, democratic formulas or prescriptions worked out in some prosperous Western country (CDPSP XLIV, 1992, 4).

In Kazakhstan and Kyrgyzstan, Presidents Nazarbaev and Akaev initially did promote democratization, however, as disorder became apparent, both abandoned, or at least significantly revised, the concept, and held rather suspicious referenda in which their respective terms in office was extended until the next millennium (CDPSP, Vol. XLVII (18), 1995, 19).

So far, at least, authoritarian forms of government have not been overtly restored in any of the countries of Eastern Europe of the FSU, except, of course, for those in Central Asia. As election outcomes in some East European countries and in many of the countries of the FSU indicate, however, there is indeed a yawning for stronger, more radical and perhaps less democratic, government. The rise of Zhirinovskiy in the Russian Federation illustrates this point well. Perhaps one reason why authoritarian governments have not emerged in greater numbers, is that such governments often rely on cooperation and support from the military establishment, which then can form the power base of the authoritarian regime. In much of Eastern Europe and the FSU, the military establishments lack the organizational strength, and perhaps the political will, to participate.

Finally, a fifth scenario may involve a process of *externalization*. 'In the conditions of widespread distrust in local leaders, institutions, products, etc., people turn to foreign societies and put their trust in their leaders, institutions and products, often, by contrast idealizing them, which is even easier because of the distance and lack of direct evidence. Thus external trust makes up for internal distrust' (Sztompka, 1995, 12).

There is little doubt that externalization does, in fact, take place in Eastern Europe and the FSU. Thus, foreign goods, and particularly Western European, American and Japanese goods, are always in great demand. Moreover, the imagery of wealth is closely associated with the West, and as such, promotes the idealization of life in the West. This does not, however,

mean that all Western institutions are idealized. Some, like for example the IMF and the World Bank, are so closely associated with incumbent governments and their transformation strategies, that they too are implicated in the general climate of distrust.

Migration data from East to West indicates that there continues to be considerable hope for a better life in West. As more and more migrants begin to channel information about life in the West back to the East, this may impact on the idealization of the West. After all, such migrants are rarely welcomed with open arms in their new homes. Perhaps the most telling illustration of the disillusion of East Europeans and migrants from the FSU is a joke that was quite popular in Germany, both amongst East Germans and amongst their Western counterparts: 'What would you think if the Wall were to be rebuilt?' -- 'I would support it, as long as the new Wall is much higher!'

As indicated above, there is indeed evidence that functional substitutes for trust are evolving throughout Eastern Europe and the FSU. While different scenarios are unfolding in different countries, emphasizing aspects of some or all of the scenarios elaborated above, there is little doubt that the inadequacy of the state-society relationships in Eastern Europe and the FSU are giving rise to alternative relationships governed by alternative forms of social relations.

Conclusion

In the Introduction, I elaborated Dahrendorf's notion of the 'three hours of transformation' -- the hour of the lawyer, the hour of the politician, and the hour of the citizen. While the first two hours of transformation pose few challenges, it is in their relationship to the third hour of transformation that the full complexity of this undertaking becomes apparent. Where the objective of transformation is to transform central command economies into market

economies, and centralized, authoritarian political systems and institutions into systems and institutions that are governed by the principles of liberal democracy, a state-society relationship based on mutual trust is essential. Without it, the transformation can never be completed, because the newly created political and economic systems and their institutions require the full participation of the citizen, who, under conditions of distrust, is unlikely to participate. Free markets and liberal democratic institutions have rules. If these rules are followed, liberal democracy will reproduce itself indefinitely; if they are not followed, it will either collapse all together, or it will reproduce only incompletely, with elements of other, more malignant political forms.

The transformation process is itself a major contributor to the formation and entrenchment of distrust within state-society relations. As a result, the trend toward the evolution of functional substitutes for trust is strongest during the process of transformation. This, then, generates a theoretical contradiction, or a paradox: transformation is a self-perpetuating process. The longer it is on-going, the further away it moves from completion. For all intents and purposes, such a process is synonymous to a condition.

Where, then, does this leave the countries of Eastern Europe and the FSU? For better or for worse, they have all embarked on the process of transformation, each in its own way, but each influenced strongly by pressures from international institutions (such as the IMF, the World Bank, the WTO), transnational forces (such as the transnational managerial class exemplified by the many consultants [Sachs, Aslund, etc.]; also diasporas, such as the Ukrainian communities in North America, the Chicago-based Lithuanians), and other states (such as the Scandinavian states in relation to Lithuania, Latvia and Estonia, Germany in

relation to much of Eastern Europe, the United States as the ultimate champion of neo-liberal transformation strategy).

A return to communism as it existed prior to 1989 is out of the question. Yet it is now becoming clear even to the most enthusiastic supporters of rapid transformation that none of the countries of Eastern Europe or the FSU will come to resemble the countries of the 'First World' anytime soon. So far, all countries undergoing transformation have come to the same conclusion: keep trying. In some, there is some cause for optimism; in others, despair has already set in.

In the next two chapters, I will examine in greater detail the status of trust in Lithuania. These chapters serve as an illustrative case study. As such, they will demonstrate how one can apply the trust-matrix developed in the present chapter to a specific country/case. I have chosen Lithuania as the case study because it represents a country that has performed moderately well economically (in comparison to other Eastern European countries and the FSU). Moreover, Lithuania, along with Estonia and Latvia, are most representative of both Eastern Europe and the FSU. This is to say unlike the other 12 formerly Soviet republics, these three did not remain within the Russian-dominated Commonwealth of Independent States (CIS). In fact, the three Baltic states' separation from their Soviet past was more far-reaching than that of any of the other former republics. All three consider their communist past to reflect a period of occupation, and all three have similar pre-communist (inter-war) political and economic histories. Accordingly, all three adopted a Western European orientation immediately following independence, much like many of their Eastern European neighbours. They all applied for admission to the European Union as well as to NATO. And they were

perceived by the West much like the Visegrad countries of Eastern Europe, and very much unlike the European formerly Soviet republics (Belarus, Moldova, Ukraine and Russia itself)

I will engage in both quantitative and qualitative analyses of trust and trustworthiness in the Lithuanian context. In order to provide a framework for this analysis, I will first consider Lithuania in historical perspective, specifically to determine how the country's past might have influenced the development of political culture. This, as argued in the previous chapters, impacts on the nature of democratization. I will also examine the transformation dynamics in Lithuania generally, in order to provide an overview of the political and economic context in which state-society relations are developing.

Then, in chapter 6, I will examine each of the beliefs constituting trust, and the social objects to which trust is applied, in the empirical context of Lithuania since 1991. Moreover, I will also consider the extent to which the functional substitutes for trust within the state-society relationship have emerged.

Based on this analysis, I conclude that trust does indeed constitute a major concern in the Lithuanian transformation. Although the political economy of transformation in Lithuania is not characterized by pervasive distrust, there also is no indication that the state-society relationship is increasingly stabilizing through the development of trust.

Chapter 5: The Political Economy of Transformation in Lithuania

Lithuania was the first republic of the Soviet Union to declare its independence, the first to embark on an ambitious transformation process, and the only one to experience bloody military resistance to separation on the part of Moscow. It was also the first country of the FSU to re-elect the former Communist Party.

The election of the former Communist Party (now re-named the Lithuanian Democratic Labour Party) in 1992 came as a shock not only to the other political parties in Lithuania, but to much of the global community. How could a society that had endured so much hardship over a period of fifty years as a result of 'communist occupation' grant the right to govern to its former oppressors? In fact, however, a lot had happened in those first two years of transformation, and not much of it was particularly pleasant.

Lithuania took the first steps toward a transformation from a centrally planned economy to one governed by market principles, and from a single party political system to one governed by liberal democratic institutions as early as 1990, just over one year prior to official independence. In the first 18 months of transformation, Lithuania underwent shock therapy, much like Poland and the Czech Republic had in Eastern Europe. The results included some success in the macro-economic context, and considerable progress in the micro-economic context. Privatization had proceeded rapidly, and institutional reform had given rise to a totally new financial sector, banking sector, and labour market. Moreover, the basic institutions of liberal democracy, notably political parties and a parliament, were in place and operational within a few months.

The laws of the country, and its economic structure and system were changing much faster than anyone could possibly keep up with. Notwithstanding the aforementioned accomplishments, the transformation also generated socio-economic dynamics that were hardly positive. Unemployment, poverty, a faltering social security system, a health care system in crisis, a break down of the education system, an energy system of highly suspect quality, the breakdown of communication and transportation throughout the country, and a disastrous reform of the agricultural sector accompanied by a massive decline in agricultural production were just some of the more visible features of the transformation in its early stages.

Lithuanians were well-prepared for hardship. No one expected an immediate transformation from an economic system in decline to a first-class economy comparable to those of Western Europe. On the other hand, few Lithuanians expected to be so thoroughly confused by the developments in their own country. Few expected the level of chaos and disorder that emerged following the breakdown of the communist state. Most importantly, few expected their new state, which after all had emerged from within the social movement that fought for independence, to forget about its roots so quickly. The transformation initiated by the post-independence state in Lithuania was anything but transparent. Decision-making took place at the elite level, and in conjunction with a largely anonymous international force--the International Monetary Fund.

This decision-making took place in the context of a state-society relationship that had formed only a few short months ago. This was not an established relationship in which trust could be taken for granted. Instead, state-society relations, while undoubtedly governed by euphoria, also featured vulnerability and fragility. It did not take very much

to transform this vulnerability and fragility into a profound sense of distrust, if not betrayal. In September of 1992, Lithuanians thus did the unthinkable--they elected the former Communist Party.

In this chapter, I will examine the transformation process and its historical context in Lithuania. I will focus in particular on the content of the first 'two hours' of transformation (see the Introduction). Within these, there has been success and failure, potential success and looming catastrophe. The aim of the chapter is to provide a survey of issues, policies, approaches and debates that have evolved over the first five years of transformation experience in Lithuania.

In the first part of the chapter, I present the geographic and historical context of the Lithuanian transformation. I emphasize especially Lithuania's experience during 'Soviet occupation'. Following this, I examine the process of marketization, and provide some analysis of a number of processes and sectors, including macro-economic reforms, finance, trade, privatization, social security, the labour market, gender and the environment. I then examine the process of democratization in Lithuania, with emphasis on the building of liberal democratic institutions, including the party system and the electoral process. I also examine the role of civil society in the process of democratization, although I argue that this role has been minimal.

The purpose of this chapter is to provide the necessary context for an in-depth analysis of state-society relations during the transformation in Lithuania, which I will do in the following chapter. To begin with, it is necessary to place the transformation in Lithuania in the context of the political geography and the history of the country and its people.

Contemporary Political Geography of Lithuania

Lithuania is the largest of the three Baltic countries with an area of approximately 65,000 square kilometers (the size of Ireland) and a population of just over three and a half million people. Lithuania's neighbours are Latvia to the north, Belarus to the east, and Poland and the Kaliningrad region of Russia to the south. Much of Lithuania's west borders the Baltic Sea. The topography of Lithuania is flat for the most part, and much of the country is covered in forest. There is a complex river system which reaches in to all corners of the country.

Lithuania does not have very many natural resources. There are only insignificant oil and gas deposits, and no coal deposits at all, resulting in considerable dependency on other countries for basic industrial inputs. There are, however, some mineral deposits, notably quartz sand, limestone and clay, which are used in the construction industry (Van Arkadie & Karlsson, 1992, 43-44).

Lithuania's three most important cities are Vilnius, Kaunas and Klaipeda. Vilnius (population 600,000) is the capital city of Lithuania, and it has been at the centre of political and military disputes with Poland. Much of the Polish minority in Lithuania lives in the Vilnius region, giving Poland a special interest in the city throughout the century (Senn, 1966). Kaunas (population 440,000) served as the provisional capital of Lithuania in the period of independence (1920-1940), because Vilnius was occupied by Poland (Lieven 1993, 60). Klaipeda (population 200,000) holds considerable economic importance as the only major port in Lithuania. The government has plans to expand the port substantially and thereby to create competition for the port in Riga (Latvia), which presently serves all three Baltic states.

Unlike many of the other states of the FSU, and notably unlike its Baltic neighbours, Lithuania is ethnically quite homogeneous. 80% of the population is Lithuanian and, of the remaining 20%, almost half are Russian while the other half are Poles. There are very small minorities of German, Ukrainian and Jewish origin as well (Krickus, 1993). Politically, the most significant minority are the Poles, because unlike the Russians who are dispersed throughout the country, the Poles are concentrated in the Vilnius region. Their significance became apparent during the first parliamentary elections, when the Union of Poles managed to exceed the two percent threshold established for ethnic minority parties and gain several seats in the Seimas. None of the political parties representing principally the interests of the Russian minority managed to gain any seats in that election.

Lithuania's society has been predominantly Christian since the 14th century, mostly catholic. The Soviets were far less concerned with pacifying religious affiliations in Lithuania than they were in many other republics. As a result, Lithuania's religious traditions, and the impact of religion on cultural development, remained strong, even during the Soviet 'occupation' (Paukstelis, 1960; Cantons, 1972). Religion continues to be an important element of the political scene. The leadership of Sajudis, the national liberation movement in Lithuania, frequently uses religious discourse in political speeches and ideological rhetoric. It is also quite apparent, however, that the younger generation of Lithuanians has less interest in religious practice and customs than does the older generation (Gibson, 1996, 29).

Until quite recently, Lithuania was a predominantly agrarian society. Agricultural production constituted by far the largest sector of the economy, and even during the

economic upswing of the 1930s, experienced by all three Baltic states, the performing sector was agriculture. Lithuania was a major exporter of agricultural products, notably to Western Europe. Over the past fifty years, the Soviets attempted to industrialize the country, introducing both heavy and light industries. To some extent, the Soviet efforts were successful, and by the mid-1960s, the industrial sector in Lithuania had grown to be larger than the agricultural sector (Maciuika, 1961; Zunde, 1963a; Zunde, 1963b). Thus, by comparison with other republics, including Latvia and Estonia, the agricultural sector in Lithuania lost some of its historic significance (Table 6).

TABLE 6: Share of Agriculture in Composition of National Income, 1989

	Lithuania	Latvia	Estonia
% of national income	22.9	25.0	25.1

Source: Data taken from Brian Van Arkadie & Mats Karlsson, *Economic Survey of the Baltic States*. New York: New York UP, 1992, 47, 70, 98.

Since independence in 1991, reform of the agricultural sector has not been very successful. The privatization of agricultural land, which includes a process of restitution for lands confiscated or collectivized by the Soviets, resulted in poor efficiency and to some extent even chaos within this sector and, as a result, agricultural production has decreased substantially in Lithuania (indeed, it has already been overtaken by the brand new service sector) (Grennes, 1994, 25-28). This has had a major political impact as well, in as much as the nationalist right has lost the traditional support it enjoyed from the farming community, which now supports the former communists. Thus, there has been a major realignment of political affiliation in Lithuania since 1991 (Van Arkadie & Karlsson, 1992, 280-83).

A Brief Survey of Lithuanian History Until World War I

The first few centuries of Lithuanian history, starting with the establishment of the first Lithuanian state in the 13th century, are marked by many military campaigns, an on-again, off-again alliance with Poland, several occupations by different powers, and, in mid-millennium, by a brief interlude as one of the most powerful empires in Eurasia. Many elements of this history constitute major aspects of the Lithuanian identity today. The regional context of contemporary Lithuania, for example, is very much shaped by the alliances and occupations of the past. Thus, Lithuanian relations with Poland today take place in the context of a complex history of cooperation and deception (Snyder, 1995)

During the 17th and 18th centuries, the Polish-Lithuanian kingdom waged a series of unsuccessful military campaigns against Sweden, Russia and the Ukrainian Cossacks, and this weakened the state both militarily and politically. In 1795, the Polish-Lithuanian state was partitioned between Russia, Prussia and Austria through the establishment of the Tripartite Alliance. Lithuania was absorbed by Russia, which immediately proceeded to enact far-reaching 'russification' measures. Russia held on to its Lithuanian province until World War I, when it was occupied by Germany. As the War came to an end, and German defeat appeared certain, the German authorities supported Lithuania in its declaration of independence in 1918. Independence was not to come easy, however, as the Bolsheviks sought to reclaim Lithuania through military means. Poland too was involved in this war, and, while the Lithuanians were fighting principally against the Bolsheviks, Poland succeeded in annexing the Vilnius region (principally inhabited by Poles at the time). Lithuania defeated the Bolshevik armies in 1920, and thus was born

the independent Republic of Lithuania, with Kaunas as its capital (Misiunas & Taugepara, 1993)

There is no question that the twenty years of independence earlier this century had a great impact on the nationalist liberation movements of contemporary Lithuania. Much of the political discourse today, and even more so in the late 1980s and early 1990s, is replete with references to the independence during the inter-War years. The present constitution of Lithuania is based on the constitution of 1922, and even the parliamentary system chosen for contemporary Lithuania mirrors the one of the earlier independence phase, and this in spite of the fact that that system proved to be highly ineffective. Perhaps even more profoundly, however, the earlier period of independence was characterized by political chaos at times, but also by a sustained period of economic prosperity and stability. As a result, the leadership of Lithuania during the inter-War period is glorified by the national liberation movement in Lithuania today. Yet, Lithuania was hardly a democratic country for most of the inter-War years. At best, one may refer to the Smetona period (1926-1939) as a form of benign authoritarianism, although it did, on occasion, also involve a mean streak. But it certainly was a period of great patriotism, and most likely this is where the romanticism of the rightist nationalist movement of today comes from (Venclova, 1995; Misiunas & Taugepara, 1993; Hope, 1994).

In August 1939, unbeknownst to the Baltic leaders, the Germans and the Soviets signed the Molotov-Ribbentrop pact, which contained the now infamous secret protocol on the designation of Lithuania and Poland as spheres of influence for the Soviets and Germans respectively. Under this pact, therefore, the Soviets started applying pressure (and threats) to the Baltic states to seek annexation by the Soviet Union. The first step

was to install governments friendly to the Soviets. These were hand-picked by the Soviet authorities, and the elections that followed were clearly elections in name only. In the case of Lithuania, the Soviets offered to return the Vilnius region to the Soviet republic of Lithuania. Thus, in 1940, Lithuania, under the leadership of a Soviet-installed government, 'voluntarily' became a republic of the Soviet Union (and Vilnius once again became the capital of Lithuania) (Kirby, 1994).

The Soviets immediately proceeded with the de-marketization of the Lithuanian economy through the nationalization of all industries and banks, and the collectivization of agricultural lands. The economic results were disastrous, and poverty soon spread throughout the republic. Moreover, the Soviets also proceeded swiftly against nationalist forces in Lithuania, killing and exiling thousands of individuals (Shtromas, 1994; Hiden & Salmon, 1994, esp. 107-144).

Following a brief period of German occupation during World War II, the Stalinist Soviet Union began the Sovietization of Lithuania in earnest. Most significantly, an estimated 250,000 Lithuanians were deported to the gulag, many more were killed, and much of the Lithuanian Polish population was returned to Poland. In short, after World War II, Stalin spared no efforts to ensure that Lithuania was firmly under Soviet control (Clemens, 1991, 53-57).

The Soviet Socialist Republic of Lithuania, 1944 to 1990

Lithuanians have few positive comments to make about the nearly fifty years they refer to as the period of Soviet occupation. Initially, this period was characterized by the brutal repression of all nationalist forces, defined loosely by the Soviets as anyone with

bourgeois-nationalist affiliations. During this time, a Lithuanian guerrilla movement, commonly known as the 'Forest Brothers', was waging a low-intensity war against the Soviets. This movement experienced considerable symbolic success, in as much as their presence provided the Soviet authorities with constant difficulties. Moreover, their activities also gave Lithuania a reputation as a dangerous place to live, especially for Russians, and this had a significant impact on the extent of Russian immigration to Lithuania, which was much less than that to Latvia or Estonia (Lieven, 1993, 87-92; Zymantos, 1956).

The guerrilla movement had ended its activities for the most part by the mid-1950s. In 1953 Stalin died, and the harshest aspects of Soviet repression came to an end. Politically, Soviet authorities continued to censor Lithuanian cultural and intellectual activities, however, there was now some autonomous or semi-autonomous space for intellectuals to hold debates and reinvigorate some of the Lithuanian culture. Moreover, under the Krushchev regime, the Soviet authorities were more lenient with respect to language issues, so that Lithuanian once again became the dominant language in the republic (Puzinas, 1973; Remaikis, 1960).

After the Soviet invasion of Czechoslovakia in 1968, conditions in the Baltic states once again took a turn for the worse. The Soviet authorities tightened up considerably their control over political and cultural issues in the republics, and nationalist 'movements' (these were somewhat limited and not very active to begin with) experienced greater interference from the central government in Moscow. On the whole, there was little activity within civil society during the Brezhnev era, except for the occasional public dissension carried out by individuals (one particularly famous incident involved a student

immolating himself in a public garden in Kaunas in 1972 as a protest against the Soviet system) (Clemens, 1991, 61-73).

The 1970s were a decade of stagnation not only in Lithuania, but indeed, throughout much of the Soviet Union. Moreover, the stagnation was apparent not only in economic matters, but also culturally and socially. The real opening for change did not come until Mikhail Gorbachov became the first secretary of the Soviet Communist Party in 1985. With his 'glasnost' and 'perestroika' initiatives, a real opening developed for movements of civil society to take advantage of. This is precisely what they did, and thus began the national liberation struggle in Lithuania (as elsewhere in the Soviet Union and in Eastern Europe) in earnest (Clemens, 1991, 74-97; Mandel, 1989; Bialer, 1989).

Although the fifty years of Soviet 'occupation' in Lithuania are generally seen in very critical terms, not only by Lithuanians who live there, but also (and perhaps even more so) by the Lithuanian diaspora based first and foremost in Chicago, one should keep in mind that Lithuania fared significantly better economically under the Soviets than most of the other republics. Unlike all of the Central Asian republics and some of the other European republics, Lithuania was not simply robbed of its natural resources. Given its comparatively skilled work force and developed physical infrastructure, the Soviets invested a great deal in Lithuanian industrial development. Moreover, unlike, for example, the transcaucasian republics, Lithuania did not only receive heavy industries, but also some of the more advanced lighter industries which the Soviets developed. Among these were numerous electronic industrial enterprises as well as machine building enterprises. These sectors were not entirely inefficient, and their output constituted a significant part of Lithuanian exports, albeit principally to Eastern Europe.

TABLE 7: Social Indicators, Lithuania versus USSR Average, 1989

	Crude Birth Rate /1000	Crude Death Rate /1000	Infant Mortality Rate /1000	Life Expectancy at Birth (Years)	Doctors /1000	Hospital Beds /1000
USSR	22.1	8.8	24.0	70.0	42.2	122
Lithuania	15.1	10.3	10.7	71.8	45.7	126

Source: Data taken from IMF, World Bank, OECD & EBRD, *A Study of the Soviet Economy, Volume 1*. Paris: OECD Publishing House, 1991, 232.

TABLE 8: Income per Capita, USSR versus Lithuania, 1975-88 (USSR = 100)

	1975	1980	1985	1988
USSR	100	100	100	100
Lithuania	114	110	108	114

Source: IMF, World Bank, OECD & EBRD, *A Study of the Soviet Economy, Volume 1*. Paris: OECD Publishing House, 1991, 231.

TABLE 9: Average Monthly Salaries, USSR versus Lithuania, 1989 (USSR = 100)

	Workers and Employees	Growth Rate 1981-1989	Collective Farmers	Growth Rate 1981-1989
USSR	100	4.2	100	6.2
Lithuania	102	4.6	128	7.7

Source: IMF, World Bank, OECD & EBRD, *A Study of the Soviet Economy, Volume 1*. Paris: OECD Publishing House, 1991, 230.

Overall, Lithuania enjoyed a higher standard of living than most of the other republics, and this is reflected in the level of physical infrastructure and social indicators (Tables 7, 8, and 9). Nevertheless, by the mid-1970s, as the Soviet economy was experiencing great difficulties, Lithuania too was facing declining economic activity and a falling standard of living. This, in addition to the political changes initiated by Moscow under the leadership of Gorbachov, contributed to the emergence of open protests to the Soviet system, and eventually, the establishment of a coordinated national liberation

movement. Thus, in June of 1988, the Sajudis movement for the national liberation of Lithuania was born.

Lithuania's National Liberation Movements and the Drive to Independence

Lithuania's national liberation movement did not exactly come from nowhere, but it would be an exaggeration to claim that it had always existed and just came to the fore when the opportunity presented itself. There were indeed various movements within civil society that had actively been involved in undermining Soviet legitimacy in Lithuania. Thus, a mainly catholic group that had published the *Chronicle of the Catholic Church in Lithuania* for many years (a publication dealing with human rights violations of the Soviet regime in Lithuania) was chiefly responsible for organizing some of the initial meetings that eventually gave rise to *Sajudis*. The impetus for collective action within civil society came not at all from any national liberation discourse, but rather from ecological protest. In 1988, the Soviet central planners in Moscow announced plans to expand the chemical industry in Lithuania, which already constituted one of the chief polluters in the country. Perhaps even more significantly, Moscow also announced plans to add a fourth reactor to the nuclear facility at Ignalina. Lithuanians were strongly opposed to this plan, as the Ignalina nuclear plant is of the same type as the one in Chernobyl, and concerns over safety exist in abundance and are very justified (Vardys, 1991).

While the original meetings held within the complex of the Lithuanian Academy of Sciences had considerable political content, and hence would probably not have been possible without the prior introduction of *glasnost* and *perestroika*, explicit calls for national autonomy were not immediately on the agenda. This changed after discussions

were held regarding the Molotov-Ribbentrop pact. These discussions were well publicized, and resulted in a considerable response on the part of the Lithuanian population. In conjunction with social forces in Latvia and Estonia, demands were made to publish the text of the secret protocol signed in 1939. Mass demonstrations were held in all three Baltic republics on a scale never before seen or even imagined (Lieven, 1993, 219-229).

The Molotov-Ribbentrop pact debates ultimately gave rise to an explicit discourse on national autonomy and an independent Lithuanian state within the organized popular movements and within civil society more generally. In the process, *Sajudis* emerged as the leading movement for the national liberation of Lithuania. In 1990, *Sajudis* won the elections to the Supreme Council of Lithuania, easily defeating the Lithuanian Communist Party. *Sajudis* elected 99 deputies, compared to merely 32 for the communists. In March of 1990, Lithuania declared its independence from the Soviet Union (Lieven, 1993, 230-243; Vardys, 1991).

The declaration of independence did not result in immediate international recognition. The leadership of *Sajudis* had expected in particular to receive instant recognition from the United States, in part because the Lithuanian émigré community of Chicago had suggested that this would indeed be the case. Given that no such recognition was forthcoming, the Soviet Union was able to deal with the issue as a domestic affair, unobstructed by international intervention. Moscow immediately imposed economic sanctions on Lithuania, and these sanctions threatened to destroy the Lithuanian economy beyond repair. The government therefore imposed a moratorium on the declaration of independence, and attempted to pursue negotiations with Moscow. These never took

place in any formal sense, in part, because there was considerable fragmentation within the Lithuanian government, and *Sajudis* was unable to even agree on a negotiation team

In January 1991, Moscow sought to resolve the situation once and for all by military means, and Soviet paratroopers were sent to Vilnius to restore the Soviet *nomenklature*. The aim was to eliminate the national liberation movement altogether, and to govern the country centrally from Moscow. The military intervention failed, largely because the Lithuanian people blocked the troops' access to the government buildings. After a bloody night, in which Soviet troops killed fourteen Lithuanian civilians, the military intervention ended. Following the Moscow coup of 1991, the road was clear for Lithuania once again to officially declare its independence. Thus, in September 1991, the independent Republic of Lithuania was born (Lieven, 1993, 244-254).

The Historical Context of the Lithuanian Transformation in Perspective

Lithuania's historical legacy involves both, periods of extreme power and international prestige, and periods of total domination and international non-recognition. As a result, there are elements of pride and fear within the contemporary Lithuanian national psyche. Unlike many of the former Soviet republics, Lithuania has experienced independent statehood in this century. The images of the period of independence are frequently invoked today, however, they are also generally distorted. Thus, Lithuania really has no experience with democracy, for example. Moreover, because of the isolation of the Soviet economic system from global forces, Lithuania also has only a very limited experience with global economic forces, including globalization, multinational corporations, international institutions, and international regimes.

For most of the fifty years of Soviet 'occupation', there was little movement within Lithuanian civil society. Although Lithuanian civil society was far less 'sovietized' than many others within the Soviet Union, including Latvian and Estonian civil societies, it nevertheless remained isolated from global change. Thus, the issues that civil societies in other parts of the world have been addressing for several decades, and in relation to which transnational civil societies exist, are almost entirely new to Lithuania's civil society. Issues such as gender and the environment, for example, have not been examined at all. The concept of democratization is perceived in a very institutional context, and economic development is largely disconnected from political economy (see chapter 1).

Finally, the historical legacy of Lithuania's regional and international involvement has been problematic. Relations with its immediate neighbours are tenuous. Belarus is identified with the political process in the Russian Federation, and relations with it are accordingly cool. The Lithuanian-Polish relationship continues to be plagued by the memories of the Vilnius question as well as by historical complexities of the on-again, off-again Polish-Lithuanian alliance. The regional politics of the Baltic states are generally friendly, but also not without problems. The three Baltic states failed to develop coordinated policies at virtually all the crucial moments in their histories. They did not establish a common front in 1939, when all three were threatened by the political and strategic considerations within the German-Russian relationship. They again failed to coordinate their policies in their respective drives for independence in the late 1980s and early 1990s, notwithstanding a number of meetings and joint declarations on the part of the popular movements of all three states (CDPSP, XLVII (11), 1995, 24; CDPSP, XLVII (12), 1995, 22).

It is already apparent that the transformation process itself will not feature a 'Baltic solution' either. Indeed, the economies of three states are for the most part in competition, and so far, at least, there have not been any formal attempts at an institutional form of regionalism. The free trade agreement signed between the three countries was originally seen as a sign of more intense regional cooperation to come. As it turned out, however, the three Baltic states do not trade much with each other anyway, and the agreement is therefore not particularly significant. Even on a technical level, this agreement is hardly far-reaching, and even hints at the level of protectionism the three states will apply against one another.

In the larger regional context, Lithuania has few historical connections to draw on. As a result, Europe does not accord Lithuania any priority status, notwithstanding preliminary agreements between the European Union and Lithuania. For the most part, Lithuania is of strategic interest to Europe (and the United States), but even this has not led to anything more than the inclusion of Lithuania in the NATO expansion plans, and even those have moved forward at a sluggish rate at best.

Globally, Lithuania will have to come to terms with only a marginal status. With its very small market, minor strategic significance, and still somewhat isolated civil society, Lithuania simply does not figure very prominently in the global political economy. Perhaps the only important global connection the country has is its diaspora in the United States. Economically, this community at least creates contacts for Lithuania to attract foreign investment from American firms. Politically, however, this community is not nearly as significant as it itself thought it was. The United States, notwithstanding pressure on the part of the Chicago-Lithuanians, was not exactly racing to grant Lithuania

international recognition. Recognition from Iceland, for example, preceded American recognition by no less than seven months!

The Transformation Process in Lithuania Since 1990

Since gaining its independence in 1991, the Republic of Lithuania has undergone dramatic and fundamental changes in its political, economic and social structures. Indeed, unlike many of the other formerly Soviet republics, Lithuania began its transformation even before it formally gained independence. The nature of Lithuania's transformation process is much closer to that of the Eastern European countries than that of the formerly Soviet republics. Much like, for example, the Czech Republic and Poland, the Lithuanian state approached the transformation with great enthusiasm, and undertook rapid and far-reaching reforms early into the process. At least at the elite level, there was never any question that 'transformation' meant the dismantling of the socialist state apparatus and the centrally planned economy, and creating in its place a (liberal) democratic system of governance and a market economy. While the economic transformation has, to a great degree, been based on the incorporation and adaptation of contemporary Western economic theories, principles and strategies (neo-liberalism), the political transformation is based, to a substantial degree, on the historical legacies of Lithuania, notably the most recent period during which the republic was independent, 1920-1944 (Venclova, 1995). However, to the extent that economics has been prioritized within the political economy of transformation in Lithuania, there is indeed considerable scope to speak of a '(re)-Westernization' of the Lithuanian political economy.

Beyond the general, ideological commitment to market-oriented reforms, the Lithuanian state has undertaken significant and far-reaching macro-economic, systemic and micro-economic reforms. Macro-economic reforms have been spearheaded by a policy of stabilization (which has reduced inflation from monthly triple digits to annual double digits) as well as by extensive price liberalizations. Systemic reforms have featured a dramatic restructuring of sectoral portfolios and the relationships between these, a complete overhaul of the banking system including the establishment of a central bank (the Bank of Lithuania), and a series of market-oriented reforms of economic management. Micro-economic reforms have featured, above all, extensive privatization in almost all sectors, the establishment of new legal frameworks for the agricultural, industrial and service sectors (especially in the context of property rights) and, quite significantly, dramatic changes in the country's social, education, culture and health care policies (World Bank, 1993; IMF, 1993; Economist Intelligence Unit [EIU], 1992-1996).

i. Macro-Economic Reforms and Social Security

At the macro-economic level, the Lithuanian transformation strategy emphasizes stabilization through sound fiscal policy and the elimination of deficit spending on the one hand, and price liberalizations on the other hand. The Lithuanian government enacted a rapid but staged liberalization of prices (Table 10) (EIU, 1992/93, 39; Shen, 1994, 69-74). Because Lithuania liberalized prices well in advance of its major trading partners, in particular Russia and Ukraine, the country initially experienced a dramatic improvement in its terms of trade.

Not long after the Lithuanian price liberalizations, prices in both Russia and Ukraine (as well as in Belarus) started soaring even faster than in Lithuania, thus largely negating and in many cases even reversing the earlier improvement in the terms of trade. Although the Lithuanian price liberalizations were far-reaching, there were some very significant exceptions. The government continued price controls on the procurement prices of agricultural goods, some consumer food stuffs, energy (especially oil, gas and electricity), municipal and infrastructural services, and goods for which price controls could be justified on monopolistic conditions or on social grounds (Lainela & Sutela, 1994, 115-116). Moreover, the Lithuanian government also imposed indirect price controls through controls on profit margins in some sectors. Although the government had originally planned not to exempt the energy sector from price liberalization, these plans met considerable public protests, and thus price liberalizations in that sector were postponed indefinitely, notwithstanding pressure by the IMF and the World Bank to proceed rapidly (World Bank, 1993; IMF, 1993).

TABLE 10: Quarter Annual Wages and Price Indexes for Lithuania, 1991-1992

	Wages	CPI
	1990 Fourth Quarter =100	1990 Fourth Quarter =100
Jan. 1991	95.8	107.0
March	95.8	135.8
June	176.1	201.7
Sept.	220.9	229.5
Dec.	646.3	475.8
March 1992	967.1	1397.6
June	1721.7	1943.0
Aug.	1975.8	NA

Source: Data taken from Raphael Shen, *Restructuring the Baltic Economies*. Westport, Connecticut: Praeger, 1994, 78.

Given the immediate social impact of price liberalizations, the Lithuanian government initially pursued a very aggressive wage policy, quite contrary to the standard neo-liberal transformation strategies practiced in much of Eastern Europe and many of the formerly Soviet republics. In fact, real wages in Lithuania actually increased through 1991, and lagged behind inflation only slightly for most of that year. The Lithuanian government then established a new Incomes Policy in September 1992, in accordance with IMF and World Bank agreements. The aim was to have wages fall between 30 and 35%. In fact, wages fell between 50 and 60%, and thus exacerbated considerably the social impacts of price liberalizations enacted earlier (Table 11). Moreover, the structure of earnings did not reflect levels of education. Where education was most concentrated, wages were generally the lowest (health and education sectors), and where education was least concentrated, wages were the highest (construction, transport and industry sectors) (World Bank, 1993; Shen, 1994, 76-85).

TABLE 11: Wages in Lithuania, 1992

	Average Wages Index	Average Wages Percent Change	Real Wages Index
January	710	5.3	104
February	872	22.8	90
March	1010	15.8	88
April	1284	27.1	101
May	1552	20.9	114
June	1799	15.9	118
July	1927	7.1	99
August	2065	7.2	93
September	2456	18.9	86
October	2566	4.5	75
November	2587	0.8	59
December	2716	3.7	48

Source: Data taken from IMF, *Economic Reviews--Lithuania*. Washington, DC: IMF, 1993, 58.

In addition to price liberalizations, macro-economic stabilization in Lithuania also included a significant focus on fiscal policy, as it did in most other transforming countries. Unlike in most former Soviet republics and even most of the Eastern European countries, however, Lithuania actually experienced a budgetary surplus immediately after gaining independence, due in part to the elimination of net transfers to the all-Union budget, and also due to the sharply improved terms of trade resulting from the early price liberalizations. It became clear very quickly, however, that the budgetary surplus was not sustainable in the medium term, in particular as terms of trade deteriorated rapidly (Lainela & Sutela, 1994, 73-76).

In response to budgetary pressures, the Lithuanian government moved quickly to enact major tax reforms, which featured first and foremost significant increases in personal income taxes, as well as decreases in enterprise taxes, designed to stimulate investment. The government also introduced a Value Added Tax (VAT), initially at a very high 25%, but eventually this was lowered to 18%, which is comparable to the OECD average of 17%. Taxation initiatives designed to alleviate pressure on the budget were rendered somewhat less effective by the government's limited tax collection capacity, which continues to present major problems in the transformation process (World Bank, 1993, 35-44).

On the expenditure side, the rapid decline in GDP, and related increases in unemployment and welfare needs, have resulted in a dramatic increase in social security costs. Moreover, the Lithuanian government has had to deal with a set of 'new' administrative costs, such as expanded police forces, defense, and the establishment of

foreign embassies world wide. On the other hand, there have been significant declines in the cost of subsidies and a steep decline in public sector wages which have helped to prevent a major fiscal catastrophe. Over the first three years of the transformation, the Lithuanian government has thus managed to maintain a budget surplus in the first year (1991), a balanced budget in the second year, and only a slight budget deficit in the third year (World Bank, 1993, 46-47). The relative success of the Lithuanian government's fiscal stabilization program is based, to a considerable extent, on a restructuring and re-conceptualization of social security needs, which has negatively affected a significant portion of the Lithuanian population.

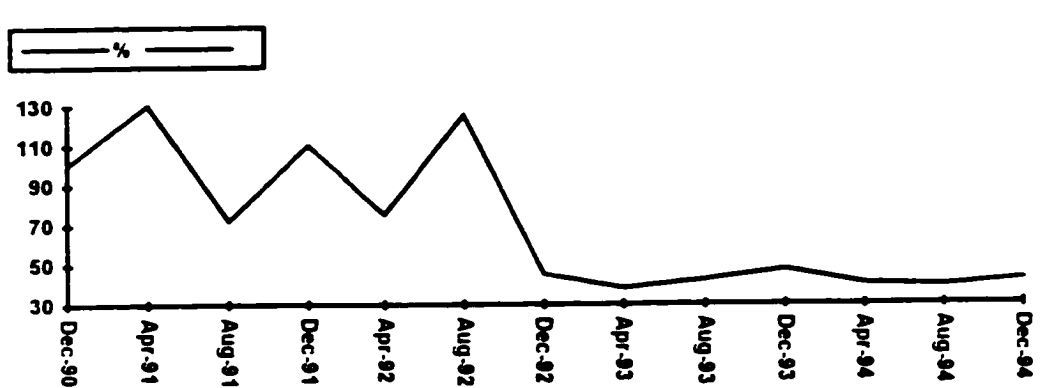
Under the Soviet system, social expenditures of most types were centrally controlled and financed through the state budget. Moreover, such expenditures were regulated to a large degree by the Trade Union Centre in Moscow. Upon gaining its independence, Lithuania sought to redesign the social expenditure system according to national preferences and with a new sense of efficiency in mind. A first and profound step was to separate the fiscal operations of social services from the state budget, and to create the extra-budgetary Social Insurance Fund. This fund is financed principally by the employers, who contribute 30% of the wage bill, while employees contribute merely 1% of their wages. Special provisions exist for self-employed individuals, including farmers. The Social Insurance Fund finances most importantly almost all pensions, and significant transfers to the Employment Fund, but it also finances sick leaves, maternal benefits and some health expenditures. In the initial stages of the transformation in Lithuania, the Social Insurance Fund accounted for 10.4% of GDP, which is quite high even for OECD

standards, and extremely high if one factors in GDP per Capita figures (which, of course, are significantly lower than the OECD average) (World Bank, 1993, 129-142).

No less than two thirds of the expenditures of the Social Insurance Fund go to pensions. An astonishing 25% of the population of Lithuania collects pensions. The retirement age was initially set at 55 for women and 60 for men, which is low compared to the OECD norm of approximately 62 for women and 64 for men. Given the high percentage of pensioners in Lithuania, maintaining these retirement ages, as well as the level of payment in relation to lifetime earnings (and contributions) was deemed unsustainable in the long term. The government thus debated raising the retirement ages for both men and women, and international advisors, most notably the World Bank, were pushing for this to happen. In particular, the World Bank was concerned about the significant differentiation between the retirement ages for men and women, and suggested that this differential be narrowed considerably (World Bank, 1993, 139).

Without question, the most significant crisis within the social security system pertains to pensions. Pensions account for nearly three quarters of spending out of the State Social Insurance Fund. 20% of the Lithuanian population is older than the retirement age. A large component of this figure is female, largely because women can retire five years earlier than men. Given the huge number of pensions paid out by the fund, the value of the pensions is extremely low. Since the beginning of the transformation process, the purchasing power of pensions has declined sharply, notwithstanding efforts on the part of the government to index pensions to prices (Figure 3). By December 1994, the purchasing power of pensions had declined to 40% of their December 1990 level.

Figure 3: Decrease in Purchasing Power of Average Pension



Source: UNDP, *United Nations Development Report--Lithuania*. Vilnius: UNDP, 1995, 50

The costs of price liberalizations on the elderly and disabled people are clearly very high, dealing a crushing emotional blow. The every day problems are not the only result of the price jumps. By increasing the cost of commodities and services, they also threaten social relations, enforcing the social isolation of the elderly, who are already partly isolated by their withdrawal from the labour market (UNDP, 1995, 51).

The incredibly low value of pensions has indeed made it very difficult for many elderly to meet basic needs. "Compared to pension purchasing power, transport and electricity costs have increased approximately four-fold, and newspaper prices 10 to 20 times" (UNDP, 1995, 51).

In January 1995, the Lithuanian government started implementing significant pension reforms. The motivation was not so much to alleviate the suffering of the elderly, but rather to render the pension system less costly, as it was clear that even with the meager benefits, the plan was not sustainable. The reforms yielded a two tier pension scheme. Pensioners will now receive a basic pension that is equal for everyone, and a supplementary pension that is indexed according to past income. In effect, this implies

that if real wages rise in the future, there will be greater differentiation in pension benefits, as the supplementary part of the pension will dominate.

In addition, the government is now slowly beginning to raise the retirement age, a move that the World Bank had long pushed for. Nevertheless, the process will be slow, so that by the year 2009, the retirement age for women will be 60 and for men 62.5.

For those individuals who do not qualify for the state pension because for reasons beyond their control they were not able to contribute sufficiently to the pension fund, a 'social pension' will be available, however, this pension will be means tested rather than automatic.

The second largest expenditure of the Social Insurance Fund is the transfer to the Employment Fund, which provides for unemployment benefits to three main groups: laid-off workers, school leavers, and women returning to the labour force after taking time off to care for children. The criteria for unemployment benefit eligibility are rather complex and, according to many orthodox observers, most notably again the World Bank, extremely inefficient. The World Bank, which has been very involved in the development of the social safety net in Lithuania (albeit principally in an advisory capacity), has advised the Lithuanian government that unemployment benefits should be reserved for laid-off workers only, and that the amount of the benefits should be minimal so as to provide a maximum incentive for the unemployed to re-enter the work force. On the other hand, the World Bank has also advised the government to increase its administrative expenditures for the provision of unemployment benefits, as the existing institutional framework for the provision and management of unemployment benefits is insufficient, under-resourced and under-staffed (World Bank, 1993, 141-142).

Unemployment benefits are quite sparse and make it difficult for the unemployed to meet basic needs. Benefits are paid out at 70% of the most recent wage for two months, then at 60% for the next two months, and at 50% for a final two months. It is not possible to collect unemployment benefits for more than six months in any given 12 months period. Although in principle unemployment benefits are indexed to past wages, there is a ceiling equivalent of double the minimum standard of living (MSL) level (which is determined by the government). Since the MSL is set at only 55lt (approximately US \$11), in practice, such benefits are not really connected to wages.

What is still missing almost entirely from Lithuania's social security system is a general system of basic assistance for the very poor. The debate presently revolves around how to establish a minimum poverty line, and how to maintain and / or adjust such a poverty line in light of high inflation and the rising cost of living. The dominant proposal involves determining the cost of a special basket of basic necessities and adjusting basic social assistance as the cost of such a basket increases.

Since the latest reforms in 1995, the state has in effect absolved itself of the responsibility to provide social care, such as home care for the elderly or the disabled. Instead, NGOs have taken over this dimension of the social security system, albeit entirely on a voluntary basis with not monetary support from the state.

The status of the social security system in any country is a good indicator of the degree to which state and society remain meaningfully connected. Clearly, there are some very serious problems with the Lithuanian social security system. Moreover, given that 20% of the country's population draws on that system for pensions alone, a substantial segment of civil society is virtually automatically alienated from not only the state as an

institution, but also the transformation process generally and thereby the newly emerging forms of social organization. This contributes nothing to consolidating a truly democratic political economy in Lithuania.

ii. Financial Sector Reform in Lithuania

All aspects of private sector development, including foreign investment, are to a considerable extent dependent on the financial sector. Under the Soviet system, the constituent republics did not have any independent banking structures. An essential step early into the transformation, not only in Lithuania but also in all the other republics of the FSU, was therefore to establish a banking structure spearheaded by a central bank. The Central Bank of Lithuania was created in 1992 from the ashes of the former Bank of Lithuania, which had combined central banking and commercial state banking activities. In addition to the new Central Bank, Lithuania now has three state banks: the State Commercial Bank, the Savings Bank, and the Agricultural Bank. In addition, there were, as of 1992, 20 non-state commercial banks. These commercial banks are dominated by two banks that control over 70% of all assets (IMF, 1993, 19-23).

Notwithstanding the government's initiatives in reforming the financial sector, serious problems persist. First and foremost, the separation of central and commercial banking activities is not complete. Secondly, the state-owned banks, most notably the State Commercial Bank, are in dire need of restructuring. In fact, the World Bank has recommended to the government that the three state-owned banks be privatized. Moreover, the World Bank has also expressed considerable concern over the ownership

structure of the commercial banks, as these at times feature excessive influence on the part of state-owned enterprises with respect to lending decisions (World Bank, 1993).

The financial sector in Lithuania continues to be weak and vulnerable to shock if not collapse, which does not instill much confidence for the purposes of private sector development initiatives. At the institutional level, the World Bank as well as the IMF are concerned about the lack of domestic expertise in the area of financial sector management. Thus, both institutions are strongly recommending to the government of Lithuania that it establish a school of banking for long term growth in the domestic competency area, and also to take advantage of foreign consulting firms that have already gained considerable experience with the restructuring of financial sectors in other transforming countries throughout the FSU and Eastern Europe (World Bank, 1993; IMF, 1993).

iii. Trade Policy, Privatization, and Foreign Investment in Lithuania

Another central component of the Lithuanian transformation strategy pertains to the management of international trade. Given its status as a small economy, Lithuania has always been dependent on trade. While still integrated with the Soviet economy, its trade was predominantly oriented toward the republics of the FSU, most notably of course Russia itself (Table 12). As a result, the Lithuanian government sought to maintain functional trading relationships with those republics; however, this became increasingly difficult as virtually the entire former Soviet trading system fell apart. Originally, Lithuania benefited greatly from the slow adjustment of prices in Russia and other republics of the FSU, as the price of Lithuanian exports increased dramatically while the

cost of imports remained relatively stable, resulting in a significant trade surplus for Lithuania worth almost 10% of GDP (World Bank, 1993, 55-70).

TABLE 12: Geographic Distribution of Trade with FSU in 1991

	Percent of Trade with FSU		Percent of Total Trade	
	Exports	Imports	Exports	Imports
Russia	42.2	70.1	32.9	60.6
Ukraine	19.7	10.8	15.4	9.3
Belarus	17.8	6.7	13.9	5.8
Uzbekistan	2.5	4.2	1.9	3.6
Kazakhstan	2.2	0.7	1.8	0.6
Georgia	0.4	0.2	0.3	0.3
Azerbaijan	1.3	0.2	1.1	0.2
Moldavia	1.3	0.5	1.1	0.4
Latvia	7.8	3.5	6.1	3.0
Kirghyzstan	0.4	0.9	0.3	0.8
Tajikistan	0.3	0.1	0.2	0.1
Armenia	0.8	0.3	0.6	0.3
Turkmenistan	0.6	1.0	0.5	0.9
Estonia	2.7	0.8	2.1	0.7
Total FSU	100.0	100.0	78.2	86.6
Total Foreign Trade	---	---	21.8	13.4

Source: IMF, *Economic Reviews--Lithuania*. Washington, DC: IMF, 1993, p. 81.

By 1992, however, the trading relationships throughout the FSU were encountering obstacles, including general shortages and inconsistencies in deliveries. Total trade between Lithuania and the FSU declined substantially, and it was not possible to make up the shortfall through trade outside of the FSU (Table 13). In part, this was due to the relatively low quality of most Lithuanian industrial products by international standards, but it was also made exceedingly difficult in light of the almost complete absence of a supporting policy or institutional framework and the technical know-how of conducting trade at world market prices and with convertible currency (World Bank, 1993, 55-70; Shen, 1994, 170-183).

TABLE 13: Import-Export Origins and Destinations for Lithuania, 1994

Main Destinations of Exports	% of Total	Main Origins of Imports	% of Total
Russia	28.2	Russia	39.3
Germany	11.5	Germany	13.8
Latvia	8.1	Ukraine	5.3
Belarus	6.6	Poland	4.2
Ukraine	6.1	Belarus	3.5
Netherlands	5.2	Netherlands	2.8
Poland	5.0	Italy	2.7

Source: EIU, *Country Report--Baltic States: Estonia, Latvia, Lithuania, 3rd Quarter, 1996*. London: EIU Limited, 1996, p. 34.

Since 1994, there has been considerable change with respect to Lithuania's trading partners (Table 14). In particular, Russia's role has diminished considerably, and that of Germany has increased substantially. 33.7% of exports are now destined for EU countries, and no less than 46.7% of imports originate from the EU.

TABLE 14: Lithuania's Trading Partners, 1998

	Exports (%)	Imports (%)
Russia	21.4	21.6
Germany	11.9	18.1
Belarus	9.1	1.8
Ukraine	10.4	1.9
Latvia	9.4	1.8
Denmark	3.4	3.9
UK	3.4	3.6
Italy	3.4	4.0
Holland	2.2	2.3
Estonia	2.5	1.4
Poland	2.4	6.1
Others	20.5	33.3

Source: Government of Lithuania, Department of Statistics. Vilnius, 1999

Following independence, the Lithuanian trading regime was characterized first and foremost by the initial absence of substantial trade barriers, notably tariffs. Since then, the

government has established tariffs on most goods, ranging from 5% to 15% (Lainela & Sutela, 1994, 116-120). The government continues to impose export taxes and export licenses, but the range of goods to which these apply are gradually being reduced. The government moreover has sought to establish bilateral trade agreements with many of the republics of the FSU as well as almost all the CMEA and many Western European countries. There have also been a number of regional initiatives, including a free trade agreement negotiated between the three Baltic states and a trade agreement with the European Community (CDPSP, XLVIII (18), 1995, 15).

The Lithuanian government is clearly aware of the importance of international trade to the future of the national economy in general, and the transformation process in particular. Trade has a very significant impact on many of the other aspect of the macro-economic transformation, notably fiscal policy, the balance of payments and external financing. In the short term, however, Lithuania can expect to face difficult times in its trade efforts, in particular as the majority of its trade will have to be conducted at world market prices. The World Bank has estimated that this will result in a deterioration of terms of trade of nearly 50% (World Bank, 1993, 59).

The ability to conduct trade at world market prices depends in significant measure on the health of the enterprise sector or, more specifically, on the ability of enterprises to be competitive both qualitatively and quantitatively. Lithuania, ahead of all other FSU republics and most other Eastern European countries, initiated its privatization program in 1990. It was both innovative and far-reaching (Lieberman et al., 1995, 17-21). The government issued vouchers as well as a cash allowance to all Lithuanian citizens, which could be used to purchase housing or parts of public enterprises. The smaller public

enterprises were sold principally through auctions. The privatization program was initially highly effective, and resulted in the sale of over 75% of public housing within one year. The privatization of public land was somewhat more complicated and less effective, in part because severe restrictions were placed on the resale of privatized land, and also because the land privatization program was hampered by a concurrent restitution program. The privatization of agricultural land is managed through a separate restitution program (World Bank, 1993, 175-192).

The privatization of smaller enterprises also proceeded quite rapidly, and the auctions set up for this purpose demonstrated their effectiveness. The government accomplished mixed results with the privatization of larger enterprises. It became clear early into the process that it would not be exceedingly difficult to sell off those larger enterprises that were already profitable or at least held considerable potential. Other, less profitable large enterprises were difficult to sell, and may remain state-owned liabilities. Nevertheless, the privatization program on the whole was a success, at least as far as the transfer of public properties is concerned (Table 15).

Private sector development has been considerably more difficult for a number of reasons. At the most fundamental level, there is limited physical infrastructure for new entrepreneurs to take advantage of. Even office space or commercial space is difficult to come by and, when found, often requires enormous rent payments. Secondly, and perhaps most significantly, the financial system remains weak and is unable to support private sector development in any large measure. Entrepreneurs are consistently complaining that it is exceedingly difficult to acquire financing for business initiatives. Third, the legal framework for the private sector continues to be weak and incomplete, resulting in many

complaints of unfair legal structures and inequitable applications of law. Finally, few entrepreneurs in Lithuania have much experience with private business, and this hampers their ability to cope with a somewhat tumultuous business environment.

TABLE 15: Privatization of Enterprises in Lithuania, 1991-1996

	1991	1992	1993	1994	1995	Total Privatized	Still to be Privatized
Industry	54	258	220	154	113	799	902
Transport	5	59	52	28	17	161	187
Construction	51	261	164	78	45	599	656
Trade	226	927	301	184	103	1,741	2,120
Public Utilities	23	59	92	108	77	359	465
Services	444	348	121	52	28	993	1,051
Other	43	312	307	217	175	1,054	1,263
Total	846	2,224	1,257	821	558	5,706	6,644

Source: EIU, *Country Report--Baltic States: Estonia, Latvia, Lithuania, 1st Quarter, 1996*. London: EIU Limited, 1996, 40.

A further weak point of the Lithuanian private sector development program has been the relative disinterest of foreign investors. There is no question that foreign investment will be required if Lithuania is to fully integrate into the global economy. Aside from new capital, foreign investment is seen as the principal vehicle for the introduction of new technologies and for the establishment of at least a limited research and development sector. Foreign investment has, however, been rather limited during the first five years of the transformation process (Table 16) (EIU, 1995a, 40). A major obstacle had been a government law prohibiting foreigners to own land, thus limiting foreign investors to long term leases. Given that both Latvia and Estonia do allow foreign ownership of land, this law put Lithuania in an uncompetitive position in the quest to attract foreign investment (EIU, 1995b, 36). With only a few exceptions, therefore, most

foreign investment in Lithuania came in the form of partnerships, in particular in the retail sector (interview with Notchas, Program Coordinator, World Bank Project Office, Vilnius, September 22, 1995).

TABLE 16: Foreign Investment in the Baltic States, 1993

	US \$ (millions)	Main Origin of Investors
Estonia	160	Finland / Sweden
Latvia	80	Russia / Germany
Lithuania	100	Russia / Germany

Source: Data taken from Seija Lainela & Pekka Sutela, *The Baltic Economies in Transition*. Helsinki: Bank of Finland, 1994, 129-130.

The quest to attract foreign investment usually is associated with considerable incentives. Indeed, the Lithuanian government does offer significant tax incentives to foreign investors, including a 70% profit tax relief for the first five years and a further 50% over the next three years (the profit tax relief for enterprises founded after 1993 is slightly reduced but nevertheless substantial). In 1993, the government of Lithuania commissioned a study from the World Bank Group's Foreign Investment Advisory Services (FIAS), which strongly recommended that Lithuania allow the foreign ownership of land. After considerable debate in parliament, the government caved in, and a new law on the foreign ownership of land was passed in late 1996. The expectation was that such a new law would render Lithuania considerably more attractive to potential foreign investors (World Bank, 1993). Indeed, foreign investment has increased dramatically in recent years. By January 1997, total stock of foreign investments stood at more than \$572 million, with a substantial share coming from the United States (Table 17).

TABLE 17: Origin of Foreign Investment in Lithuania, 1997

Origin	% of Total
United States	28.9
Germany	13.1
Sweden	12.0
United Kingdom	7.8
European Union	~60

Source: Lithuanian Investment Agency, *Investment Guide*. Vilnius, 1998.

The bulk of foreign investment continues to be constituted through joint ventures (5,295 as of January 1997). Nevertheless, a number of major multinational corporations have now invested substantially in the country, including Philip Morris, Motorola, Kraft Jacobs Suchards, Shell, IBM, Siemens and Caterpillar (*Investment Guide*, 1998). The government of Lithuania is thus optimistic that there will be continued growth in foreign investment.

iv. Labour Market Dynamics in Lithuania During the Transformation

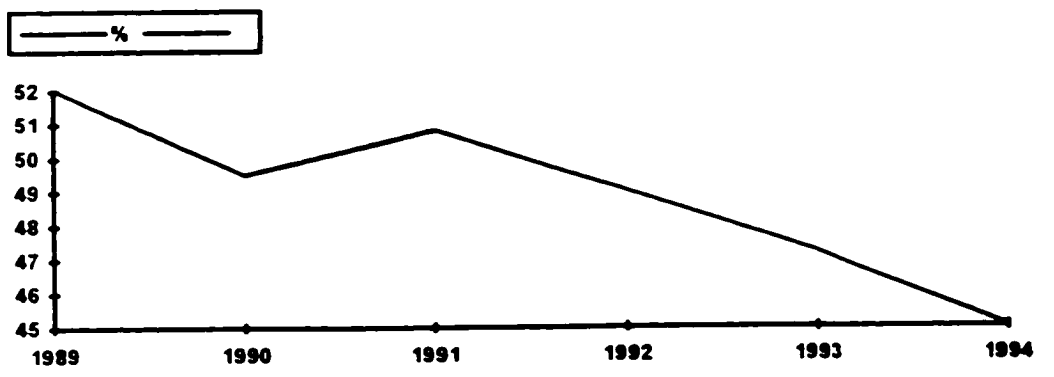
It has become clear, by now, that the Soviet claim of full employment was somewhat problematic to say the least. Many workers were employed in factories with nothing to do. Others were kept on the payrolls but stayed at home. In effect, the state provided an income for everyone, but did not necessarily provide a meaningful workplace for everyone. Nevertheless, the breakdown of the Soviet system resulted in the appearance of official unemployment for the first time in well over forty years in Lithuania.

The macro- and the micro-economic components of the transformation process in Lithuania have had a tremendous impact on employment and the labour market. Unemployment in Lithuania has increased steadily since the beginning of the transformation process, although as of 1995, it was officially still quite low. In the very

early stages of the transformation, unemployment actually decreased, which is generally attributed to the improved terms of trade for Lithuania referred to earlier. Since then, the general decrease in output has resulted in slow growth of unemployment.

Five years into the transformation, some official numbers suggested that unemployment was still as low as just over 5% (Lithuanian Labour Exchange, 1995, 5). A household survey conducted in mid-1995, in contrast, suggested that the unemployment rate had climbed to 11.6%, although this figure does not include part-time workers and forced leaves. Officials from the PHARE program have estimated that the real unemployment rate may be as high as 20% (Interview with Albrechtsen, Policy Division, Labour Market Reform Project, PHARE Program, Vilnius, September 14, 1995). It has become exceedingly difficult to measure unemployment, because many private sector enterprises do not register their employees, and many of the unemployed do not register with any of the government agencies, preferring instead to work in the informal economy. There is clear evidence, however, that the number of employed persons as a percentage of the total population in Lithuania has been falling. By mid-1994, there were 8.9% fewer workers than in 1989 (Figure 4) (UNDP, 1995, 14).

Figure 4: Employed as a Percentage of Total Population



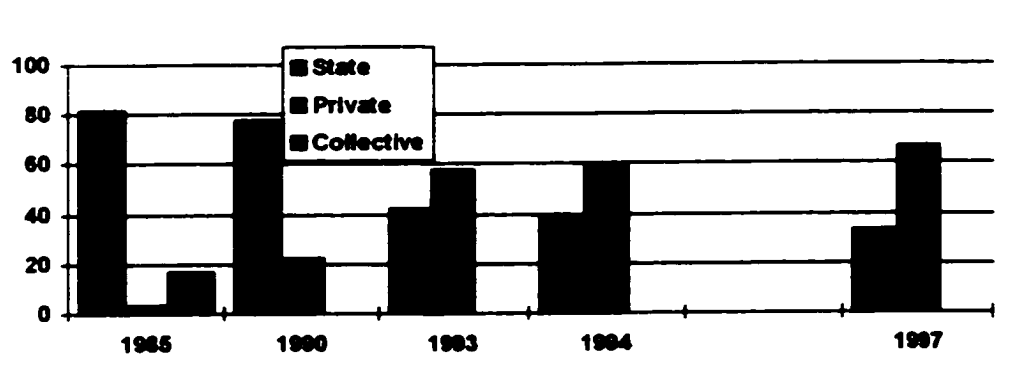
Source: UNDP, *United Nations Development Report--Lithuania*. Vilnius, UNDP, 1995, p. 14

Over the past five years, the labour market has shifted away from the state and toward the private sector (Figure 5). Whereas in 1989, the private sector was employing 10% of all workers, by 1994, it was employing 64%, and by 1997, 67%¹ (UNDP, 1995, 14; UNDP, 1997, 2). This is not, of course, due to the emergence of new private initiatives, but rather a result of the privatization programs initiated by the state. This shift has had a significant impact on particular groups of workers, most notably women. Whereas the state sector was not, on the whole, discriminating with respect to gender, the private sector is. As many work places are being lost in the rapidly declining industrial sector, women are usually the first to be laid off. Entry into the private sector has proven significantly more difficult for women than for men. Notwithstanding legislation to the contrary, private sector employers have avoided hiring in particular younger women who have not yet had children, as well as older women who are commonly seen as less

¹ While the private sector has indeed absorbed a greater share of the employment in recent years, it should be noted that only 41% of this employment is on a full-time basis, unlike in the public sector, where more than 85% of employment is full-time (UNDP, 1997, chapter 4.1).

productive workers. To the extent that women have been able to maintain their employment, they tend to be concentrated in the lower-paying sectors, such as health care, education, social security and hotel and restaurants as well as retail (interview with Steponkute, President, Lithuanian Women's Society, Vilnius, September 16, 1995).

Figure 5: Employment in State, Private and Collective Sectors



Sources: UNDP, *United Nations Development Report—Lithuania*. Vilnius: UNDP, 1995, 15; UNDP, *United Nations Development Report—Lithuania, 1997*. Vilnius, 1997.

Also strongly disadvantaged by the reform have been disabled people. In 1990, 25% of disabled people were employed whereas, by 1994, only 15% were able to find work. Again, the government has passed legislation prohibiting discrimination against disabled people, however, the private sector has largely ignored this. "All these measures have so far appeared to be insufficient, since there was no increase in the economic incentives [to hire disabled people] while commands have ceased to be automatically obeyed" (UNDP, 1995, 15).

In response to rising unemployment and increasing disorganization within the labour market, the government passed the Law on Employment in 1990. This law resulted in the establishment of labour exchanges, through which unemployed individuals

can collect benefits. For the government, labour exchanges also serve the important purpose of statistics collection. By 1994, well over 70,000 people were registered with the labour exchanges. Yet, most employees who are dismissed by their employers do not register.

There are three principal reasons for these: first, only a small fraction of vacancies are advertised at the labour exchanges, in spite of the fact that this is mandatory. Most employers prefer to hire privately, rather than through referrals from these government agencies. A number of employers, including foreign investors, suggested in interviews that hiring through the labour exchanges allows the government to keep track of tax and social security obligations for the employer. Therefore, it is far more desirable to hire privately and unofficially. According to government estimates, only 15-20% of employers inform the labour exchanges of vacancies (UNDP, 1995, 17). Secondly, the labour exchanges are ill-informed about the demands of the labour market, in part, because there is very little communication between employers and the labour exchanges. Third, and perhaps most importantly, the benefits paid out to those employment seekers who did not get laid off by their employers are extremely unattractive. The average benefit paid out in 1994 was \$12.25 a month, while the average wage was \$90 (UNDP, 1995, 18).

The rapid emergence of a private sector has caused a number of other difficulties within the labour market. Labour law, for example, while becoming increasingly sophisticated, is generally ignored altogether. Thus, safety regulations are commonly ignored, and this has led to a steep increase in work-related accidents and injuries. Likewise, employment contracts frequently violate even the most basic components of labour law in Lithuania. A severely under-funded and under-staffed State Labour

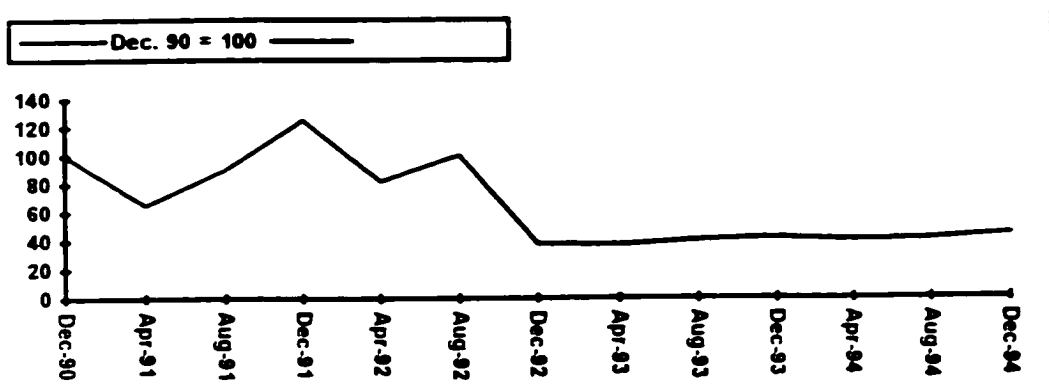
Inspectorate was established in 1993, however, this has not been very effective. In part, this is the case as it only has 133 employees, who are to inspect 110,000 enterprises and organizations. Nevertheless, this inspectorate has created a list of the most common violations of labour law:

1. The failure to draw up legal labour contracts with employees;
2. The omission of vital elements of the contract, such as employees' terms of reference, description of working conditions or wage terms;
3. Clauses in the contract that are against the law, or that restrict the workers' labour, social or other rights. This would include, for example, a stipulation that, in case of pregnancy, the contract will be terminated without prior notice;
4. Ignoring of labour safety requirements or an unsatisfactory response to the remarks and demands of State Labour Inspection officials (UNDP, 1995, 19).

What becomes abundantly clear from the above is that the marketization of the Lithuanian economy has had its pitfalls. Most significantly, institutional protective measures designed to lessen the impact of market mechanisms on individuals are failing. The newly emerging private sector in Lithuania is private indeed; so private, it seeks complete disassociation from the state and its institutions. The transformation process in Lithuania has been introduced to an economic culture that was passive for well over 40 years. Now, concepts such as competition and profits have gained a dominant status within the economic culture, and they by far out-rank concepts such as labour rights or social justice. Even blatant discrimination, which was prohibited (and that prohibition was often coercively enforced) under the Soviet system, has now become a common sight. Moreover, more than half the labour force at the beginning of the transformation was female. Now women are being subjected to a newly (re-)emerging chauvinism that bears a striking resemblance to the aggressive nature of market economies. The manner in which labour is sold, traded, or extracted constitutes the very heart of any form of social

organization. The indications from Lithuania are, therefore, that the transformation has indeed had an impact on the form of social organization--hardly, however, a desirable impact, at least given the present dynamics of the labour market, as outlined above.

One final element of labour market dynamics that deserves some mention in this context is wages (Figure 6). Unsurprisingly, wages have fallen dramatically in Lithuania since the transformation process began in 1990. As indicated earlier, the government initially sought to prevent too drastic a fall in wages through an aggressive wage policy that was harshly criticized by the IFIs involved in Lithuania. In the end, the wage policy was not financially sustainable and had to be abandoned. As a result, by December 1994, the real wage was only 40-45% of its December 1990 level (UNDP, 1995, 19). The drop in real wages caught no one off guard. Given the rapid liberalization of prices at the onset of the transformation process, it was clear that wages could not possibly maintain the pace, in particular because the privatization program lagged significantly behind the price liberalizations, and therefore, wage increases affected the government budget directly. Clearly, the level of real wages is largely a function of macro-economic policy, in particular pricing and stabilization policies. Nevertheless, it is important to recognize that the decline in real wages has seriously affected the purchasing power of many Lithuanians. In conversation with Lithuanians (as well as Russians in Russia and Ukrainians in Ukraine, Estonians in Estonia and Latvians in Latvia), a commonly cited complaint is this: 'whereas in the past, we had money but nothing to buy, we now have many things to buy but no money'!

Figure 6: Dynamics of Real Wages

Source: UNDP, *United Nations Development Report--Lithuania*. Vilnius: UNDP, 1995, 20.

In summary, then, labour market dynamics in Lithuania during the transformation have been, to say the least, somewhat disorganized. Just how important some of the difficulties within this sector will be in the long term remains to be seen.

Social Sector Reform in Lithuania

The transformation process in Lithuania has resulted in a considerable degree of macro-economic stabilization. At the macro-economic level, reform policies have successfully re-oriented the economy from one that relies on central command structures to one in which decision-making authority largely is located within the private sector. Nevertheless, there are sectors which continue to be managed by public decision-making, and for which the government must bear responsibility. In Lithuania, the government has enacted rapid and far-reaching reforms in all the social sectors, however, not always to positive effect. Below, I will summarize the major developments in the health care and education sectors, as well as in environmental and gender-related policy.

i. The Health Care System in Lithuania

When an entire society suffers from poor health, there is usually something wrong with the way in which that society is organized. Health care, clearly, is one of the most basic services a state can provide. To be sure, health care is also one of the most expensive services in most states, and it is no surprise therefore that even the health care systems in advanced Western countries are presently being subjected to serious reforms, because most of the systems are facing economic crises. In the Soviet Union, health care was traditionally seen as a social priority, and overall, the infrastructure for a far-reaching health care system was put into place throughout much of the Union. The Baltic republics, including Lithuania, had benefited significantly from this system, and at the time of independence, there was indeed a substantial physical infrastructure in place, as well as sufficient doctors, nurses and other medical personnel. There were also, however, many problems with the actual functioning of that system, not the least of which was corruption (Okas, 1995; UNDP, 1995, 25-31).

Nevertheless, the Lithuanian population was generally quite healthy, as indicated by the high life expectancy rates for the country as a whole. Other basic health indicators were also quite positive, and certainly comparable to Western Europe, including the occurrence of preventable diseases. Since the beginning of the transformation, there has been a considerable deterioration in the standard of health in Lithuania, although it is still much higher than, for example, in the Central Asian republics of the FSU. The life expectancy rate has decreased noticeably, as it has throughout much of the FSU. Likewise, the morbidity rate has increased substantially, especially in children up to the age of 14 (Figure 7).

In part, this deterioration in the standard of health can be attributed to the sharp fall in the standard of living given the significant drop in productive economic activity since independence. In addition, dietary and nutritional needs are becoming increasingly difficult to meet for many individuals in Lithuania, notwithstanding the general availability of nutritional food stuff. There has also been a huge increase in the consumption of alcohol following the demonopolization of the state alcohol monopoly. Treatment for drug addiction other than alcoholism has doubled since 1990 (UNDP, 1997, chpt. 5)

Figure 7: Mortality due to Non-Medical Causes (N), Circulatory Diseases (D) and Cancer (C)
(by sex per 100,00)



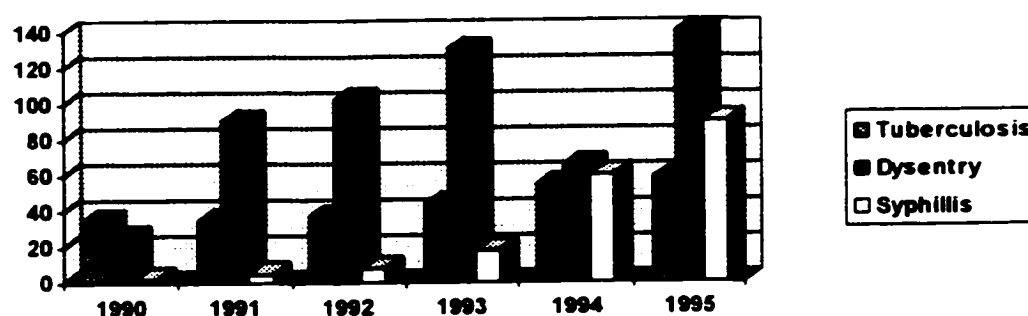
Source: UNDP, *United Nations Development Report--Lithuania*. Vilnius, UNDP, 1995, 25.

Perhaps even more disturbing is the sharp increase in preventable diseases, notably tuberculosis, syphilis, and bacterial dysentery (Figure 8). This is due to poor hygiene standards, which, in turn, are the result of poor bathing infrastructure in homes as well as insufficient water purification practices.

According to the United Nations Development Program for Lithuania (UNDP), the health care system in Lithuania suffers from an underdeveloped monitoring system of public health, a deterioration in the diagnostic and treatment facilities, and a lack of

funding (UNDP, 1995, 25). Health care provision in Lithuania is differentiated based on location. Smaller communities are served by 'group practice clinics', which provide basic services. Smaller communities that do not have such group practice clinics are served by para-medical centres, which are staffed by nurses and other medical personnel, but not generally by doctors. Cities have general hospitals, where most medical emergencies can be treated and other medical services are available. Only the major centres, such as Vilnius and Kaunas, have specialized hospitals as well as research-oriented university hospitals.

Figure 8: Tuberculosis, Dysentery, and Syphilis in Lithuania, 1990-1995



Source: UNDP, *United Nations Human Development Report--Lithuania, 1997*. UNDP: Vilnius, 1997, chapter 5.

Under the Soviet administration, the resources available to these medical institutions had been increasing throughout the 1950s and 1960s, until this increase leveled off in the mid-1970s. Since 1985, resources have been declining, and medical institutions have had to do more with less. Nevertheless, health care has always been available to Lithuanians at no cost, and this continues to be the case, at least officially. Medication generally does have to be paid for, although there are some exceptions, such as very young children and the elderly, whose medication is not free but subsidized.

Since independence, spending on health care has increased as a percentage of GDP, but, given the decline in GDP, it has actually fallen by as much as 40% on a per capita basis. By 1994, health institutions owed their suppliers as much as the equivalent of 20% of the normal health budget. In the past two years, financial pressures have forced medical institutions to compromise patient care. Vital medication is often not prescribed even when urgently needed. Worn out equipment continues to be used regularly to detrimental effect. Perhaps at a more sinister level, there has been little attempt on the part of the government to intervene in the common but entirely illegal practice of medical personnel, in particular doctors, to engage in extra billing (in cash) of patients.

Medication and equipment present major problems. Medicine was very cheap under the Soviet system, but it was not of very high quality, and there frequently were shortages. Now, there are plenty of high quality medicines, but these are extremely expensive, as Western pharmaceutical companies have entered the Lithuanian market specializing in the very profitable high end drugs. The problem with medical equipment is much the same. "Although medical institutions have only about 60% of the equipment they need, demand fell between 1992 and 1994" (UNDP, 1995, 30).

The health care system in Lithuania is indeed in crisis, and this at a time when the needs of the population are greatest. Yet, as even a high-ranking official in the Ministry of Health concedes, "[the] biggest problem is that the state has not declared health to be a priority in the country's policies..." (Okas, 1995, 19). To some extent, the government of Lithuania has in fact declared the health care system a priority, but then simply has not been able to meet its own commitments: "a law passed in 1995 determined that no less than 5% of gross domestic product must be allocated annually toward financing the health

care system. But in reality, less is designated: in 1993, state expenditure on health care accounted for 3.8% of GDP, and 4.4% in 1994 and in 1995" (UNDP, 1996, 8)

ii. *The Education System in Lithuania*

It would appear that much like the health care system, the education system in Lithuania has failed to make it on the priority list of the government. The UNDP report concludes the following from its study of the education system:

In just a few years, Lithuania could lose what it has taken decades to achieve. The most worrying issues are the increase in the number of children who do not attend school, the disillusionment of the lowly-paid teaching profession, and the deterioration of university education (UNDP, 1995, 41).

Virtually every major development report in recent years has concluded that education is one of the most fundamental aspects of building a productive society. Moreover, initiatives to improve education, notably public education, are not limited to developing countries. Even in the United States, electoral platforms for presidential elections commonly include significant commitments to the improvement of the education system and to increasing educational standards. The complexities of economic dynamics in the 1990s, given the entrenchment of global economic forces, cannot possibly be managed by a poorly educated society. As societies strive for greater democracy, the value of a well rounded education increases even more. Building the appropriate political institutions and systems, and strengthening social forces at all levels of society, is no easy task, and will require considerable knowledge and critical understanding of history, social relations and political processes.

The central planners in the Soviet Union were well aware of the need for high standards in education. As a result, considerable resources were made available to provide mandatory education for all citizens. Nevertheless, the political priorities of the Soviet Union made it difficult to gain access to foreign publications, and hence, notwithstanding a well-funded education system, the quality of education was often low, and equipment was outdated or simply not competitive with equipment used in Western educational institutions. Moreover, teaching salaries were low, thereby stemming the motivation and enthusiasm of teachers at all levels of the system. Perhaps most significantly, however, there was an explicitly political agenda within the education system, starting as early as kindergarten. Liberal arts subjects were censored, and designed principally to praise the existing social system and political order. Critical thought was discouraged, debate minimized, and radical ideas were frowned upon. As a result of 'perestroika' and 'glasnost' in the mid-1980s, republican-level officials throughout the FSU were for the first time able to examine their respective educational systems in some detail. As early as 1988, the Lithuanian Ministry of Education set a series of goals for reform, which included seven components (Stromberg, 1994, 72):

1. Creation of a new national curriculum;
2. Revision of Lithuanian textbooks;
3. Improvement of teaching quality;
4. Improvement of teacher-student relationships;
5. Development of critical skills;
6. Involvement of parents in the educational process; and
7. Reform of the special education system in Lithuania

Given the dramatic political changes that occurred shortly after this ministerial initiative, these goals were never systematically pursued, although the need to pursue them still remains. Indeed, since the beginning of the transformation process, Lithuania has

suffered considerable set-backs in its education system. Enrollment has steadily decreased in Lithuanian schools. This is particularly noticeable in the pre-school age group, although enrollment has also decreased in a number of secondary-type institutions. The Law on Education specifies that schooling is mandatory until the age of 16. Available data on enrollment would suggest that this law has not been effectively enforced, or alternatively, that there are hidden obstacles for young people to attend schools, such as transportation costs or the inability of parents to afford clothes for their children to go to school in.

Lithuania has a rather complex education system comprised of many different types of schools. All children have to attend basic schools, from where they can eventually advance to secondary schools or directly to either specialized secondary schools or vocational schools. For those who pursue further education, there are also higher schools, which are predominantly accessed through graduation from secondary schools, but can also be accessed under special circumstances from either the specialized secondary schools or the vocational schools. Academic programs at universities are organized in standard fashion, in as much as students can obtain Bachelor, Master's or Doctoral degrees.

At the present time, there are a number of pressing problems within the education system. At the most basic level, the physical infrastructure is insufficient. In particular in urban areas, there is a need for more school buildings. It is estimated that Vilnius alone requires over 30 more buildings to accommodate present demand. Similarly, there is an urgent need for new school materials, including such basic items as pens and paper, but also more expensive equipment such as computers and photocopy machines. At this time, there are no prospects for funds to acquire such materials.

A rapidly increasing phenomenon in the Lithuanian education system is brain drain. Teachers are paid very poorly, and young teachers in particular prefer to work in the private sector, where there is a great demand for their skills and where wages are substantially higher (Table 18). In particular foreign language teachers are departing the public education system in large numbers, however, the phenomenon extends to almost all subject areas. Researchers are also demonstrating a preference for the private sector, as universities generally lack funds and equipment for them to carry out their research activities. Moreover, Lithuanian academic researchers remain largely isolated from the international academic community, mostly due to a lack of travel funds. This also encourages high caliber human resources to shift from the public education system to the private sector or to leave the country altogether.

TABLE 18: Average Public Sector Salary Compared to Average Education Sector Salary, 1997

	Total	Men	Women
Total (LTL)			
1995 July	578	757	513
1996 April	726	924	638
Education (LTL)			
1995 July	459	561	432
1996 April	602	720	572
% compared to average in public sector			
1995 July	78	74	84
1996 April	83	78	90

Source: UNDP, United Nations Human Development Report--Lithuania, 1997. UNDP: Vilnius, 1997, chapter 4.3/2.

A third problem, closely related to the one elaborated above, is the content of teaching, in particular at universities, but also in the higher levels of the school systems. While many of the younger educators are leaving the field or at least public institutions,

the older generation of educators has fewer opportunities in and less access to the private sector, and therefore stays on. These educators have taught under the Soviet system, in many cases for decades, and have great difficulties to adjust to new ways of teaching and to new subjects or subject matter. An official with the United Nations Development Program in Lithuania went as far in an interview as suggesting that universities ought to find a way to 'pay only good people who can teach modern things. Many professors still teach Soviet-style' (interview with Medaiskis, Program Administrator, UNDP, Vilnius, September 10, 1995)!

The contents of what is being taught at all levels in the Lithuanian education system is also being affected by the scarce availability of textbooks. Most textbooks used in the Soviet era are out of date or politically biased to the degree that their contents are simply no longer relevant or useful. In the meantime, Lithuanians are trying to write their own textbooks, however, this is a slow process. Similarly, some textbooks have been translated from other languages, but there is a concern that these may not reflect Lithuanian culture and values.

Finally, because enrollment in universities is costly, higher education is becoming increasingly class-based. Since there are no student loan programs in Lithuania, students must attend university relying on whatever savings they have accumulated, or alternatively, they must find work, which can be quite difficult. To the extent that there are textbooks available, these too are costly. Ultimately, there are a number of small private institutions, where equipment and resources are substantially better. These, however, are completely out of reach for the vast majority of Lithuanians, and tend to provide advantages only for the very rich.

Even in Western countries, education constitutes one of the most expensive components of social expenditures, in spite of the fact that at least at the level of colleges and universities, students contribute substantially to cover the cost of their education. In 1993, the Lithuanian government earmarked 20% of its national budget for education. This, however, was barely enough to cover wages. Present indications are, sadly, that funding for education will decrease in the future:

The difficult financial situation of many schools is aggravated by the delays and partial fulfillment of government obligations along with an increase in the price of goods and services. During the past three years, higher education institutions received 5% less budgetary funds than was initially allotted while vocational, specialized secondary and other institutions received 8% less. At the beginning of the year higher education institutions owed almost 4 million LTL for heating, 1.7 million for electricity and 5 million for tax deductions... (UNDP, 1997, chapter 4.3/2).

In the long term, this will certainly not contribute to Lithuania's position within the global economy, nor will it strengthen civil society's ability to contribute actively and meaningfully to the democratization of the country and of society.

iii. The Environment in Lithuania

Environmental problems are not nearly as pronounced in Lithuania as in other regions of the FSU or Eastern Europe. In part, this is due to the fact that there never was very much heavy industry in Lithuania, nor were there any of the environmentally most destructive industries, such as the oil industry. Indeed, the transformation helped to improve environmental conditions in the country, in particular with respect to air quality. This is largely the result of the sharp decline in industrial production and the closure of many factories that were inefficient and used outdated equipment. Moreover, road traffic

decreased sharply in the early stages of the transformation, as people were unable to obtain fuel, either because none was available, or because it was simply too expensive (interview with Medaiskis, Vilnius, 1995).

The Lithuanian government has taken environmental protection quite seriously. It established a Department for Environmental Protection, which engages in monitoring activities and ensures that environmental laws are complied with. Moreover, the government has signed most of the major international environmental legislation, including the 1979 Geneva Convention, the 1985 Vienna Convention and the subsequent 1987 Montreal Protocol.

The most significant environmental concern in Lithuania pertains to water pollution (Table 19):

Only 25% of sewerage is purified by water treatment plants to accepted standards and nearly half the polluted water is allowed to enter surface water reservoirs without being sufficiently treated (after only mechanical treatment or treatment by insufficiently effective biological purification plants). Approximately one fifth of all sewerage, of which 90% is Kaunas waste water, is allowed to escape totally untreated, and the condition of many rivers and of the Kursiu Lagoon is critical (UNDP, 1995, 32).

TABLE 19: Discharge of Sewage from Major Lithuanian Towns

	Total Discharge of Sewage	Routinely Treated	Untreated or Insufficiently Treated	% of Total
Lithuania	450	114	336	100
Kaunas	89	0	89	26.5
Vilnius	88	0	88	26.2
Klaipeda	46	---	46	13.7
Siauliai	21	11	10	3.0
Panevesys	22	13	9	2.7

Source: Brian Van Arkadie & Mats Karlsson, *Economic Survey of the Baltic States*. New York: New York UP, 1992, 241.

The government has yet to develop a strategy to deal with this problem. The main obstacle is cost, as any solution will inevitably be highly capital intensive.

While the environmental dimension of the transformation process is not presently in critical condition, it is clear that this may at any time change. If the government has its wish, and industrial production increases again, then the Department for Environmental Protection will have to prove its worth. In the meantime, the government will do well to remember that some of the worst environmental offenders in other parts of the world have been foreign investors, who invest specifically because enforcement of environmental laws is not as stringent as in their home base. One can only hope that as Lithuania becomes increasingly desperate for foreign investment, the environment will not be compromised.

iv. The Gender Dimension of Transformation

In the context of the transformations throughout the FSU and Eastern Europe, gender issues are particularly interesting, because this is an area in which the Soviets claimed to be well ahead of the West. It is true, of course, that women enjoyed certain advantages under the Soviet system. Access to the labour market was easily available to women, and wage differentiation was significantly lower than it is in Western countries (Weiner, 1998; Newell and Reilly, 1995; Marnie and Motivans, 1995). On the other hand, it has become clear by now, that the Soviet claim of having solved the gender problem was greatly exaggerated. Indeed, although far more women were part of the labour force in the Soviet Union than in even the most progressive of Western countries, not unlike in the latter, Soviet women came home to work yet another shift. The patriarchal structures in the Soviet Union were no less pronounced than they are in the West, and certainly in some

cases and in some areas, they were even more pronounced than in the West (Molyneux, 1994; Weiner, 1998; Drakulic, 1990).

Nevertheless, independence has had a very significant impact on Lithuanian women and, for the most part, this has not been a positive impact. The disappearance of Soviet-style social relations has meant a return to the traditional and patriarchal social relations of the Lithuania prior to becoming integrated into the Soviet Union. Lithuania's cultural roots are strongly influenced by Catholicism, and this becomes quickly apparent in social attitudes toward women. A 1994 survey of Lithuanian men and women, sponsored by the UNDP, showed clearly that both genders believe that a woman's place is principally in the home. Both men and women agreed that men should be given priority over women in job hiring, and they also agreed that men tend to perform better at work. The vast majority of respondents stated that they had never experienced sexual harassment, and moreover, that they had never been discriminated against on the basis of gender. If indeed that were the case, Lithuania would have to be described as the most progressive country on Earth, at least in the context of gender issues. That, however, is quite unlikely. It would appear that social attitudes are such that discrimination and harassment are simply viewed as normal (UNDP, 1995, 58-61).

When industrial production declined sharply after independence, women were the first to lose their jobs. In spite of the fact that they tend to have higher educational qualifications than men, women were either not being offered new jobs, or they were offered unskilled jobs that have no relation to their education. The impact of job loss was particularly severe in rural areas, where no replacement work is available. The privatization of farms contributed to an openly discriminatory treatment of women, where many were

fired not because a job was being eliminated, but because the farmer wanted to replace them with men (interview with Steponkuti, Vilnius, 1995)

In addition to being disadvantaged in the labour market, women have been subjected more intensely to other problems as well. As more and more women stay at home, families are operating on a single income, and women are responsible for managing the household with less resources. Given the general increase in stress among the working population of Lithuania (due to less job security and less material reward), and the concomitant decrease in the quality of household management (due to fewer resources), incidents of violence against women have increased sharply. This is, of course, illegal, however the legal system, including police officers, are rarely prepared to enforce the laws. Moreover, given the traditionalism prevalent throughout Lithuania, reporting family violence is generally considered shameful. To the extent that women do want to flee violence, they are faced with the complete absence of women shelters. As of fall 1995, not one such shelter existed in the entire country.

The government of Lithuania has not made gender issues a priority. In fact, no elected member in the Seimas holds a portfolio that is in any way concerned about women's issues. According to one activist, government officials have literally laughed at the idea of establishing a department responsible for women's affairs (interview with Steponkuti, Vilnius, 1995).

Although there are NGOs in Lithuania that deal with gender issues, most have found that they encounter strong resistance both from the government and within society generally. Thus, the government refused to provide any funds for representatives of such

organizations to attend the Beijing Summit on Gender (although at least one NGO, the Lithuanian Women's Society, went anyway)

It is clear that the transformation in Lithuania is not the cause of the negative situation for women in the country. Nevertheless, it is also quite evident, that this transformation makes no allowances for any special needs, including the special needs of more than half the population. Moreover, specific policies created to support the general economic adjustments do in fact disadvantage women directly. Such policies include the abandonment of free kindergartens, which has forced women to stay at home with their children. Moreover, while the government is making huge efforts to improve tax collections, trade regulations, the banking system and so on, it is doing nothing at all about improving the enforcement of laws that could protect women from violence and abuse, thereby clearly indicating where the priorities of transformation lie.

Transformation and the Political System in Lithuania

At the time of the Lithuanian declaration of independence in September 1991, many of the entrenched structures of the communist political system had already broken down. Most notably, the Communist Party of Lithuania had already broken ranks with the Communist Party of the Soviet Union (CPSU), and the February 1990 elections to the Supreme Council, which were generally recognized to be free and fair with universal suffrage, resulted in the installment of the *Sajudis* popular movement. Although the *Sajudis* was at this point not officially a political party, its rise to power indicated the end of one-party-rule in Lithuania. By the time the latter declared its independence (successfully; the *Sajudis* movement had declared the restoration of Lithuanian

independence in March 1990, however, due to intense economic and political pressure from Moscow, suspended this declaration in June of the same year). many of the most basic elements of liberal democracy had already been in place, albeit, not necessarily consolidated. These included freedom of the press, the right to assemble and the right to express anti-government and even anti-systemic political views, and, within the economic sphere, some limited property and entitlement rights (Grennes, 1994; Samonis, 1994).

Since independence, Lithuania has held two parliamentary elections (September 1992 and October 1996) and two presidential elections (January 1993 and January 1998). Both parliamentary elections were peaceful, free and fair, in spite of the fact that the first parliamentary elections resulted in a transfer of power from *Sajudis* to the Lithuanian Democratic Labour Party (LDLP), and the second parliamentary election resulted in a transfer of power from the LDLP to a coalition of the Homeland Union (TSLK) and the Christian Democratic Party (KDP) (RFE/RL, 96-10-22). The presidential elections in 1993 were the first of its kind, and hence, did not involve a transfer of power *per se*. The presidential elections in 1998 did result in a new president, but the incumbent did not stand for re-election.

The governmental structure of Lithuania is the result of a political compromise arrived at by the various factions in parliament prior to the first parliamentary elections. It was agreed upon and constitutionally enshrined that Lithuania will have a parliament (Seimas), which will be responsible for governing the domestic affairs of the country, and a presidency, which will be concerned primarily with foreign affairs. The electoral system pertinent to parliamentary elections consists of a mixture of single seat constituencies and a proportional system, whereby the latter calls for a four percent threshold.

The first parliamentary elections in independent Lithuania were contested by 17 political parties (some of which were not officially political parties at that point), and five of these gained seats through the proportional system, while an additional five gained seats through the single seat constituencies. One independent candidate also won a seat in a single seat constituency (Table 20).

No party seriously contested the freeness and fairness of the elections themselves, although there were numerous complaints about the negative content of the election campaigns. Ironically, the target of most such complaints was the *Sajudis* movement, which had fought most prominently to bring about independence. Within the orthodox imagery, these elections were very much a sign that democracy was being consolidated in Lithuania, although there was initially a fear that the winner of the elections, the Lithuanian Democratic Labour Party, may reverse some of the democratic gains. This fear, mostly promoted by *Sajudis*, was based on the fact that the LDLP is the successor to the Communist Party of Lithuania, and is headed by Algirdas Brazauskas, who was the first secretary of that party. Those fears were, however, rather unfounded, as there was never any indication of any kind that the LDLP was planning on changing the basic direction of transformation (East European Reporter, 1992, 77-80).

The second parliamentary elections in 1996 also were peaceful, and again, were generally seen as free and fair. 17 parties won seats in the Seimas (13 parties and four independents). Only five of these won seats of the party lists; all others won single member seats only (Table 21). Unlike in 1992, no party won an absolute majority, although the Homeland Union--Lithuanian Conservatives won a plurality only three seats short of a majority (resulting in the formation of a coalition with the Christian Democratic

Party--15 seats). Although the fact that these elections resulted in a peaceful transfer of power, and even procedurally corresponded to liberal democratic standards is clearly positive and a sign of liberal democratic consolidation, the fragmentation of the party scene is problematic, and perhaps indicative of some hidden problems.

TABLE 20: Results of the Lithuanian Parliamentary Elections, 1992

	National List (proportional, 70 of 141)		Single-seat (71 of 141)	Total
	per cent	seats		
Lithuanian Democratic Labour Party	42.61	36	37	73
Sajudis Coalition	20.52	17	13	30
Lithuanian Christian Democratic Party Coalition	12.22	10	8	18
Lithuanian Social Democratic Party	5.86	5	3	8
Union of Poles	2.07	2	2	2
National Union of Lithuania	1.92	0	4	4
Centre Movement			2	2
Coalition for a United Lithuania	3.44	0	1	1
Independent Candidate			1	1

Source: Ole Norgaard et al., "The Baltic Republics Estonia, Latvia and Lithuania: the Development of Multi-Party Systems", 1994, 60.

There is no question that Lithuania has turned its back on 47 years of Soviet-style communism. At the present time, at least, there are no significant political forces in the country working on re-introducing the communist political system. Both at the elite level and at the popular level the need for change has been accepted. It is also clear that the steps taken up to this point are far-reaching and profound. Lithuania is well on its way toward establishing and entrenching basic democratic principles, albeit principles that most closely resemble the liberal variant of democracy. Much of the political transformation has

been initiated and carried out at the elite level, and specifically the elite directly involved in the governance of the country. This does, of course, pose numerous important questions about the democratic content of the political transformation. In particular, there is considerable room for a critical intervention focusing on the differentiation between democratization and political liberalization.

Nevertheless, it is clear that the fundamental components of the orthodox imagery of democracy generally, and of the orthodox imagery of democratization in the specific context of the FSU and Eastern Europe in particular, are in fact in place. It is also quite impressive to note that the parliamentary elections as well as the presidential elections one and a half years later, were carried out with no violence and with few complaints about unfairness. The same, sadly, cannot be said of many of the republics of the FSU or the newly liberated states in Eastern Europe.

TABLE 21: Results of the Parliamentary Elections in Lithuania, October 1996²

Party/Political Organization	Members
Homeland Union--Lithuanian Conservatives	70
Lithuanian Centre Union	13
Lithuanian Christian Democratic Party	16
Lithuanian Christian Democratic Union	1
Lithuanian Democratic Labour Party	12
Lithuanian Democratic Party	2
Lithuanian Farmer's Party	1
Lithuanian Nationalist Party	1
Lithuanian Nationalist Union	3
Lithuanian Poles Electoral Action	1
Lithuanian Social Democratic Party	12
Lithuanian Women's Party	1

² Other parties and organizations that contested seats in this elections but failed to secure any include: National Minorities Union (concerned principally with minority issues), Russian Union (Russian minority interests), Economy Party (right wing libertarian party promoting unfettered capitalism), and the Liberty Union (right wing party promoting individual liberty).

Union of Lithuanian Prisoners and Deportees	1
Independent	11
Total	139 (four empty seats)

Source: Rose, Munro and Mackie (1998). *Elections in Central and Eastern Europe Since 1990*. Glasgow: University of Strathclyde Studies in Public Policy No. 300.

An assessment of the democratization process in any country clearly must involve an evaluation of its institutional and procedural structures. But this is not enough. As Kaldor and Vejvoda (1997, 60) point out, “in the search for democratic institutions, rules and procedures the main internal obstacle remains the absence of a democratic political culture...”. In other words, democratization requires a significant role for civil society, in the context of which a democratic political culture is to emerge. But civil society in Lithuania as in the other Baltic states has not assumed this central position: “disillusion with ‘democracy’ as it is perceived, exhaustion after the frenetic activity of the years 1989-1991, a tradition of apathy and the sheer struggle for survival in the new competitive market era are among the explanations for the decline of civil society” (Kaldor and Vejvoda, 1997, 76).

Democratization in Lithuania is thus marked by both hopeful and disconcerting tendencies. Kaldor and Vejvoda (1997, 79) have summarized the status of this process in Lithuania as represented in Table 22. What is clear from the table is that there is an unfilled space (or a distance) between the ‘hardware’ of democracy, and its ‘software’.

Lithuania is, of course, quite fortunate not to have to deal with one of the most difficult issues that has brought to an end the democratic experiments of a number of countries in the FSU and Eastern Europe--the issue of ethnic minority groups. To be sure, the position of the Russians and the Poles in Lithuania does remain somewhat uncertain,

although there have not been any violent incidents. Unlike many of the other countries in transition, however, Lithuania does have a population that is 80% of Lithuanian heritage. Both Estonia and Latvia, for example, have much larger minority groups, and this has caused many difficulties in those countries already.

TABLE 22: Summary of Democratization in Lithuania

Criteria	Lithuania
Constitutional issues and legality	Negative image of parliament; weak judiciary
Human rights and minority rights	Citizenship law is liberal ³
Political parties	Former communists continue to have strong presence; polarization of political life; confrontational politics
Media	Independent media strong but much partiality and prejudice in editorial reporting
Administration	Professionalization of civil servants hindered by clientelism, but improving
Local government	Regional governor appointed by prime minister; little devolution of power to municipalities
Civil society	Rare civic initiatives (lack of tradition and pervasive apathy)

Source: Mary Kaldor and Ivan Vejvoda (1997), 'Democratization in Central and East European Countries', *International Affairs*, 73 (1), 79.

Even within the rather simplistic orthodox imagery of political transformation in Lithuania, however, one very serious question remains. As in many of the other countries in transition, by far the most significant political issue in the early stages following independence was the consolidation of national liberation. To some extent, at least, this simplified politics considerably, as there was never any question that the vast majority of Lithuanians were in favour of independence. Now this issue has been resolved for the

³ With respect to human rights, it should be noted that the vast majority of Lithuanians are highly dissatisfied with the country's human rights regime (and lack of enforcement) (see chapter 6).

most part, and other issues will come to the forefront. It remains to be seen whether all the major political forces in the country can make the transition to the 'period of normal politics', as Balcerowitz terms it, without resorting to extremist positions. Moreover, much of the hardship stemming from structural adjustments in the economic sphere is yet to come. Unemployment is rising, and many social benefits are no longer available

Democratization and marketization, first and foremost, impact on the nature of the state-society relationship. In Lithuania, the transformation has featured some success in specific areas, such as macro-economic stabilization. On the other hand, this has been achieved at a significant price. Many social sectors are functioning inadequately if at all, and a substantial part of the population has been exposed to considerable hardship. Moreover, reform policies have not been entirely transparent. They have been designed and implemented by governments, in conjunction with foreign institutional and individual advisors. Yet it is doubtful that the state-society relationship in Lithuania is governed by sufficient trust for this to be a sustainable process.

In the following chapter, I will examine in some detail the status of trust in the context of the transformation in Lithuania. Specifically, I will examine the 'trustworthiness' of the conditions for trust outlined by Sztompka (see chapter 4). In the first part of chapter 6, I will use qualitative indicators of the trustworthiness of these conditions. In the second part, I will emphasize quantitative indicators instead. I will use data from opinion surveys carried out over a number of years to demonstrate that trustworthiness is indeed a problem in Lithuania and, moreover, that trust itself is limited within the state-society relationship. As this chapter will demonstrate, the qualitative

analysis of trustworthiness based on the trust-matrix (see chapter 4) substantially coincides with the quantitative analysis with respect to the conclusions either analysis yields

Chapter 6: Trust and the Lithuanian State-Society Relationship

In this chapter, I will examine the status of trust within the state-society relationship in Lithuania. In the first part of the chapter, I will focus on the trustworthiness of the conditions of trust as outlined in the trust-matrix developed by Sztompka (see chapter 4). I will examine qualitative indicators for each of the conditions for trust outlined in the trust-matrix. In the second part of the chapter, I will again examine the status of trust within the state-society relationship in Lithuania, but here I will use quantitative indicators of trust. Principally, I will utilize data obtained from various opinion surveys. I will also examine related dynamics, such as the rate of political participation and people's view of the transformation and its processes: marketization and democratization.

In this chapter, I argue that the conclusions offered by both these approaches to examining the status of trust within the state-society relationship largely coincide. It becomes clear from both approaches that trust is at best contested in the Lithuanian transformation. Therefore, in Lithuania as elsewhere (see chapter 4), the 'third hour' of transformation highlighted by Dahrendorf is far from complete.

In the following section, I will qualitatively examine each of the components of the trust-matrix developed in chapter 4 in relation to the transformation in Lithuania, given the transformation dynamics described in chapter 5.

Qualitative Indicators of Trust and Distrust in Lithuania

The transformation in Lithuania has generated economic, political and social dynamics that are entirely new to Lithuanians. For most citizens, the period of

independence from 1920 to 1940, when Lithuanians were exposed to a market-based economy and a pseudo-democratic political system, exists only in imagination; it is a part of Lithuanian history. For those who actually lived during this period, the Lithuania of today looks particularly appalling. These are the pensioners, who have been most adversely affected by the socio-economic impact of transformation policy. Yet they were the ones who gave rise to economic prosperity in independent Lithuania in the first half of this century.

The impact of transformation policy has been varied. As demonstrated in chapter 5, the Lithuanian transformation strategy, informed first and foremost by neo-liberal ideas, has experienced some success in specific areas. At the most basic level, this strategy has successfully eliminated most traces of the centralized command economy created by the Soviets. Macro-economic stabilization also was successful, at least in the sense that inflation is reasonably controlled, albeit still high by OECD standards. At the micro-economic level, privatization has been far-reaching and rapid, mass-unemployment has been avoided (notwithstanding a considerable discrepancy in the official and unofficial figures), and many of the economic sectors are, although not strong, at least stable.

On the other hand, transformation policy has also had many adverse effects, including in the areas of social security, labour market dynamics, the health care system, education, and gender. In what way have developments during the Lithuanian transformation impacted on state-society relations? More specifically, what has been the impact on the different types of trust?

1. Generalized Trust

This type of trust refers to confidence in the social and material environments of society. More broadly, it refers to confidence in the social order. Lithuanians can certainly feel confident that they have left their communist past behind. Their two elected governments since independence, although of opposing ideological persuasion (at least in rhetoric), have steadfastly maintained a course toward the marketization and the democratization of Lithuania. Differences in the approach to transformation have been principally technical in nature.

On the other hand, the social environment of Lithuanians, or more generally, the social order in Lithuania, is not entirely stable. In fact, like many other countries in the FSU and in Eastern Europe, Lithuania has witnessed a dramatic increase in crime.

The Baltic states, no differently than any of the other formerly Soviet republics, experienced a sharp increase in criminal activity following their independence (Tables 23 and 24). Thus, "a flood of illegal migrants resulted as border controls loosened; Mafias emerged in the new economic climate; smuggling arms and narcotics increased; and crime rates rose dramatically as the economic situation in the countries deteriorated" (Markus et al., 1996, 1).

There are a number of particular problem areas within the Baltic region. First, given its physical location as the gate way to Western Europe (via Scandinavia or via Poland to Germany), the Baltic region has become a major transit route for everything from narcotic substances to major commodities such as oil and metals, to human beings searching for a better life in the West. Second, throughout the Baltic region, very significant informal economic sectors have developed, which include everything from large

scale tax evasion efforts to subsistence economic activities. And third, there is rampant corruption within the governments of the three Baltic states, and this is often connected to organized crime and the informal economy.

TABLE 23: Crimes Recorded in the Baltic States, 1990-1995

	1990	1991	1992	1993	1994	1995
Estonia	23,807	31,748	42,254	37,163	35,739	39,570
Latvia	34,686	41,929	61,871	52,835	40,983	39,141
Lithuania	37,056	44,964	56,615	60,378	58,634	60,819

Source: Ustina Markus et al., "In the Baltics and Western CIS, Soaring Crime Challenges Revamped Security Forces", *Transition*, February 1996, 4.

TABLE 24: Recorded Baltic State Crimes Considered Solved, 1990-1995 (in percentages)

	1990	1991	1992	1993	1994	1995
Estonia	27	18	18	25	27	28.5
Latvia	46	31	26	28	31	35.3
Lithuania	29	37	35	37	41	40.8

Source: Ustina Markus et al., "In the Baltics and Western CIS, Soaring Crime Challenges Revamped Security Forces", *Transition*, February 1996, 4.

The volume of illicit materials making its way through the Baltic region en route to Western Europe is comparable to that in Central Asia. Unlike the latter region, however, here the range of material is far more diverse. In addition to drugs and arms, which form the bulk of smuggled material in Central Asia, items such as cars, finished metals, raw materials such as oil, counterfeited money and refugees are also channeled through the Baltic region. Indeed, "since the collapse of communism and the emergence ...of three independent countries, the Baltics have come to resemble a kind of post-Soviet Casablanca, where the once impregnable borders are now as porous as sieves and anything seems possible, for a price" (Schmidt, 1992, 40). While Latvia and Estonia provide

possibilities for transport to Scandinavia by boat. Lithuania has a convenient port (Klaipeda) for this purpose, but also provides a much used land route via Poland.

Of major significance in this context has been the trafficking of narcotic substances. As Hans-Ludwig Zachert, President of the German Federal Criminal Police, has pointed out, "as a result of the war in the former Yugoslavia, there has been a shift of the classical Balkan transport routes for heroin imports in the Middle East to Central Europe. The transport routes are largely going through the Ukraine and Poland, and, in addition, the Baltic republics are gaining increasing importance in connection with smuggling drugs to Western Europe" (US SPS, 1994, 21).

In addition, the Baltic region has served as the first stop for Latin American cocaine en route from Latin America to Western Europe (US SPS, 1994, 21). The situation in Lithuania in particular has become so significant that the United Nations International Drug Control Program (UNDCP) established a special project there to assist in the battle against the drug trade. According to officials from this project, "the drug control situation in the Baltics has deteriorated over the last three years. Existing structures do not yet provide for comprehensive monitoring and reporting on trafficking and analysis of related national and regional reports. Of the three Baltic states, Lithuania and Latvia are most affected by a rapid growth of cases related to international drug trafficking, transit, internal distribution and local consumption (UNDCP, 1994, 2).

The drug problematic in Lithuania includes three major components: production, transit, and local consumption. Lithuania is the main producer of opium poppy in the region, in part because this drug has traditional culinary uses. Nevertheless, it is produced illegally, and there has been considerable (illegal) trade in opium straw with Western

European countries. Cannabis is also produced in large quantities in Lithuania, and there have been reports of "contacts between drug trafficking groups and farmers to organize large scale production for export" (UNDCP, 1994, 3). In addition to the more traditional narcotic substances such as opium and cannabis, Lithuania is a major producer of chemical drugs and prescription medications, in particular psychotropic drugs.

As already indicated above, the Baltic region and notably Lithuania are on the transit routes of narcotic smugglers from other parts of the FSU to Western Europe. The major drug involved is heroin, but cocaine, opium and cannabis are also being smuggled through the region. Lithuania is particularly attractive to smugglers because it "has a relatively developed infrastructure, and steadily improving air connections..." (UNDCP, 1994, 3).

Drug consumption has, over the past few years, become a major problem in Lithuania. "The Lithuanian authorities estimate that the number of drug addicts is 10,000, with the majority (71%) consuming opium poppy extract intravenously. Ephedrine is also a popular drug administered intravenously by the addicts. The number of registered drug addicts went up from 629 in 1993 to 748 in 1994" (UNDCP, 1994, 3).

Aside from the dramatic increase in criminal activities throughout the Baltic region and in Lithuania in particular, the latter has also witnessed the emergence of a substantial informal economy in recent years. This includes a wide range of activities, most commonly designed to augment income or to substitute for any formal income. Often, however, informal economic activity is closely connected to the criminal activities of organized crime groups.

Not unlike in many developing countries, the informal sector in Lithuania serves as a way to generate income for those who are not able to find any employment within the formal economy. Since unemployment in the formal economy has been steadily increasing since the beginning of the transformation, it is not surprising to find increasingly greater participation in the informal labour market. Moreover, official unemployment figures do not take into account underemployment, which is quite high in Lithuania given the low level of real wages (interview with Albrechtson, Vilnius, 1995).

The Lithuanian Department of Statistics estimated in 1996 that 18% of the workforce was unofficially employed. It also determined that 50% of households utilized services delivered by the informal economy, and that 39% of agriculture work, 21% of construction work, and 19% of auto sales and repair work is informal: "Unofficial work is common among the unemployed, pensioners and employed persons who are trying to supplement their income. The public often prefer the services offered as they are cheaper and they are also free to choose from a variety of services based on their own financial situation" (UNDP, 1997, chapter 4.1, 5).

Crime, informal activity and anti-regulatory activities render the social order in Lithuania unstable, particularly as the drive toward marketization continues. While the private sector expands, and thus the economy of Lithuania comes to increasingly rely on its performance and contributions to the national well-being, the rules governing this sector become more and more blurred. Notwithstanding an extensive array of laws and government regulations, it is quite clear that these have not translated into functional mechanisms for the protection of social order. Moreover, the state's inability to intervene

in these anti-systemic activities, furthers the development of distrust in state-society relations.

In addition to confidence in the social environment, generalized trust also refers to confidence in the material environment. In aggregate terms, the Lithuanian transformation has resulted in massive economic contraction during the first three years, and then moderate growth over the next three years. As of 1996, Lithuania's real GDP was only 42% of real GDP in 1989 (EBRD, 1997, 7). Continued moderate growth is forecasted for the remainder of this decade. This does not, however, translate into confidence at the level of the general population. A survey in 1994 indicated that only 22% of (non-elite) Lithuanians were satisfied with their standard of living. Only 17% thought that their standard of living had improved from 1993 to 1994, and a mere 29% were hopeful about 1995 (MOR Surveys, 1994). In addition, while only 19% of Lithuanians felt that their country was going in the right direction, no less than 72% expressed dissatisfaction with the direction of economic reform (Transition, 1995, p. 29).

In addition to opinion surveys, the economic trends speak for themselves (see chapter 5): real wages have dropped significantly and are not improving; unemployment is steadily increasing while unemployment benefits are becoming increasingly difficult to obtain; the social security system provides only very sparse benefits to those who qualify, while the cost of living continues to increase. Although the value of macro-economic stabilization is not to be underestimated, these developments hardly serve to encourage a generalized trust within Lithuanian society.

ii. Technological Trust

This type of trust refers to confidence in the systems of technical accomplishment and professional expertise that organize large areas of the material and social environments in which we live (Sztompka, 1995, 7). In Lithuania, technological trust is tested in a number of areas. First and foremost, there is a very justified lack of confidence in the energy sector of the country. Specifically, Lithuania is 'the world's most nuclear dependent country', according to the International Atomic Energy Agency (IAEA). More than 83% of Lithuania's energy supply in 1996 was generated by the Ignalina nuclear power plant (RFE/RL, 97-04-25). As elaborated in chapter 5, this power plant is of the same type as the Chernobyl reactor in Ukraine. Over the past five years, it has been shut down three times due to malfunctioning. Moreover, safety concerns about this reactor exist in abundance, yet the state has reneged on its promise to shut it down permanently several times, in large part due to the lack of alternative power supplies (at present, shut down is planned for the year 2010). Attempts at increasing imports of power and power sources (such as oil and gas) have had to be abandoned due to the cost. Most recently, the plant reduced its daily output by 35% due to a shortage of fuel, which is imported from Russia. Lithuania presently owes Russia over \$36 million for gas already delivered (RFE/RL, 96-03-08).

Other sectors relevant to technological trust also invoke little confidence. As elaborated in the previous chapter, the health care sector in Lithuania is in a major crisis. In 1996, the government announced that notwithstanding that crisis, it would reduce funding for this sector even further. Thus, user fees were introduced, and several types of

surgery (such as heart transplants) can no longer be performed in Lithuania (RFE/RL. 96-03-22)

Environmental problems also continue to plague the country. Most notably, the lack of waste water treatment facilities in Lithuania has posed significant problems. Other problems include high toxicity levels in basic food products (Table 25).

TABLE 25: Nitrate Concentration of Produce in Lithuania

	# of Samples Tested	% more than 100% exceeding limits
Potatoes	2,124	57.9
Cabbage	449	38.7
Onions	143	27
Green Onions	116	18.6
Beets	391	12.8
Cucumbers	52	11.5

Source: D.J. Peterson, *Troubled Lands: The Legacy of Soviet Environmental Destruction*. Boulder: Westview Press, 1997, 106.

In the context of technological trust, then, we can conclude that many of the most essential sectors in terms of the technical organization of the social and material environments are either dysfunctional or in crisis. Moreover, it is very difficult to even imagine a solution to these problems, given that Lithuania has at best a minimal capacity to contribute to any interventions, and neither foreign assistance nor foreign investment have paid any attention to these issues.

iii. Commercial Trust

As is the case almost everywhere in Eastern Europe and the FSU, domestically produced goods and services are less desirable than foreign goods and services, in spite of the significant price difference generally characterizing the latter type of goods and

services. Commercial trust is thus limited in Lithuania Philip Morris cigarettes (which include the popular Marlboro brand), for example, outsell all domestic brands in Lithuania by a margin of two to one (Woodward, 1996). Perhaps most significantly, in spite of the relative stability of the Lithuanian currency, the litas, the American Dollar and the German Mark continue to enjoy considerable popularity for savings.

iv. Institutional Trust

Institutional Trust refers to confidence in the social institutions of the country, including government, banks and police forces. A poll conducted in Lithuania in 1995 shows that fully 74% of Lithuanians believe that the country's institutions have no or little respect for social and economic rights. Moreover, 62% of respondents expressed dissatisfaction with the democratic development of Lithuania (RFE/RL, 95-03-09).

The banking system in Lithuania, as elaborated above, hardly invokes trust either. In fact, even the Central Bank of Lithuania has struggled to remain a viable institution (RFE/RL, 96-01-05). In 1995, the largest commercial bank in Lithuania had to halt its operations because it ran out of money (RFE/RL, 95-12-21). By mid-1996, two other major commercial banks were struggling to stay alive (Litimpeks and the Joint-Stock Innovative). Both were reeling under the weight of bad debts (RFE/RL, 96-01-10). In July of 1995, a public protest was held in Vilnius attended by more than 1,000 people, who demanded the resignation of the prime minister and the president for 'their failure to act to stem the banking crisis' (EIU, 1995, 33).

Other social institutions are also less than solid. As already indicated above, hospitals, schools, the military, courts and police forces have all been subject to severe

criticism. None have been able to meet the expectations of Lithuanians. Hospitals have reduced service and the quality of such service has decreased; schools have trouble accommodating the education needs of students. Post-secondary education has struggled to teach subjects relevant to the new political and economic reality of Lithuania. Only 29% of respondents expressed confidence in the courts and their personnel in a 1996 survey (Gibson, 1996, 29). Police forces have not succeeded in stemming the rise in crime. Even the military establishment has struggled to maintain unity and organizational coherence (RFE/RL, 93-10-22). In a survey held in 1996, only 38% of Lithuanians expressed confidence in the military establishment (Gibson, 1996, 29).

v. Positional Trust

In the at times chaotic context of transformation, Positional Trust has had little opportunity to develop in Lithuania. Many of the social roles that are accorded a high degree of status and prestige in Western countries have yet to prove their worth in Lithuania. Certainly, politicians can be immediately excluded from those roles. Lawyers capable of dealing with the rapidly changing legal environment in Lithuania are few and far between. Doctors, much like in most others countries in Eastern Europe and the FSU are hardly seen as virtuous, given their propensity to 'extra-bill', without, of course, declaring this additional income officially. Even the presidency invokes little confidence in Lithuanians. A mere 34% of respondents expressed confidence in this position in a 1996 survey (Gibson, 1996, 29).

As is the case throughout the FSU and Eastern Europe, the only exception to the general lack of confidence in the social institutions of the country is the church. Fully 80%

of respondents expressed some or great confidence in this institution in a survey conducted in 1996 (Gibson, 1996, 29). Confidence in the church, perhaps the only institution that is not inherently connected to the state, is certainly not a vote of confidence in the state. Quite to the contrary, it is likely an indication that society is searching for alternative institutions upon which to bestow their confidence and trust.

vi. Personal Trust

In the context of Personal Trust, Lithuania is remarkable for the complete absence of generally recognized heroic figures. Historically, Grand Duke Vytautas, also known as 'Vytautas the Great', who ruled the Polish-Lithuanian kingdom in the early 15th century, is perhaps the most significant hero in Lithuanian mythology. Since then, however, the country has not produced any heroes. Smetona, who was President of Lithuania for much of the period of independence between the Wars, is hardly seen as a hero, given his anti-democratic style of ruling and at times violent form of justice. The Forest Brothers, who waged low-intensity warfare against the Soviets until the early 1950s are sometimes seen as heroic figures, however, they were anonymous individuals. Landsbergis, who was instrumental in the organization of the pro-independence social movements very much aspired to be seen as heroic figure, however, his failure to be elected as President in 1993 indicates that his often overly academic rhetoric has little resonance with Lithuanians. The former president, Algirdas Brazauskas, while not entirely unpopular, certainly does not qualify as heroic either. In the end, Lithuanians are left with no one to admire, or for whom they could develop a sense of personal trust.

None of the basic conditions for trust to develop within the state-society relationship exist strongly in Lithuania, and some do not exist at all. The on-going transformation in Lithuania has weakened trust in the major social institutions, and it has shaken the social order in Lithuania to its foundation, thus threatening even a more generalized trust from evolving.

Emerging Distrust in Lithuania

It is argued in this thesis that in the absence of trust within the state-society relationship, a number of dynamics can potentially emerge: providentialism, corruption, vigilance, authoritarianism, and externalization. Below, I will examine the degree to which these have emerged in Lithuania.

Providentialism, although not an overt characteristic of Lithuanian society, nevertheless appears on the rise in Lithuania. Political participation has decreased dramatically since the massive protests and social mobilization that led to independence. But this is not an indication of providentialism, or the belief in fate, destiny and the predetermination of events. Participation rates in Lithuanian elections appear to be decreasing, however, with only a few such elections to draw on, there is not enough evidence to reach any firm conclusions.

On the surface, associational life appears alive and well in Lithuania. As of 1995, there were over 1,000 registered non-governmental organizations in the country. These NGOs have a diversity of interests and mandates, including gender issues and the status of women, the environment, labour, poverty and justice. It should be noted that of the over 1,000 registered NGOs, many are in fact inactive, and exist in name only. Some have very

narrow concerns, such as the Temperance Society of Lithuania. Most NGOs in Lithuania report that they have encountered considerable obstacles in implementing their mandates. Thus, labour groups have been consistently denied any voice in economic policy design and implementation. Moreover, regulation to ensure labour participation in decision-making, including unionized labour involvement, is either very weak, or simply ignored with no consequences. Women's groups have also encountered a great deal of resistance on the part of the government to have their concerns heard.

Unlike providentialism, *corruption* has indeed become a major feature of Lithuanian social relations. Corruption has infiltrated both the state and society more generally. In Lithuania, government corruption manifests itself in different ways. Most commonly, elected government officials engage in activities that are in violation of conflict of interest laws, which are already considerably less stringent than in most Western countries. The level of corruption in government has become such that a corruption commission was established specifically to investigate all the accusations made by MPs against other MPs (Baltic News Service [BNS], Sept. 26, 1995). In some instances, government corruption has been so blatant, that it is indicative of a minimal understanding of government ethics amongst elected officials. Thus, in December 1995, then-Prime Minister Adolfas Slezevicius withdrew his entire savings from the LAIB bank, after having received inside information that the Bank of Lithuania was to suspend the activities of this bank two days later. A subsequent investigation showed that the Prime Minister not only withdrew his money in a rather selfish (and based on illegal information) fashion, but had also received nearly twice the amount of interest than any other customer of the bank while his money was still on deposit. "The revelation that the prime minister had used

insider information to protect his investment and that he benefited from preferential treatment, which many considered a form of bribery, evoked widespread outrage, and not only from opposition deputies" (Girnius, 1996, 40)

Much of the corruption problem in Lithuania, as elsewhere, is not so much related to the activities of elected deputies, but rather to elements within the civil service. Here, connections between corruption and criminal activities become apparent. According to officials from the Lithuanian National Security Department, "when large-scale tobacco and alcohol smuggling attempts are disclosed and the organizers are arrested, a number of intercessors, sometimes even quite high-ranking, try to stop the investigation or at least to hamper it" (BNS, Aug. 07, 1995).

A yet more severe condemnation of corruption and its connection to criminal activities comes from the Lithuanian Procurator General, Arturas Paulauskas, who in 1992 "warned the new government that sophisticated criminal groups had been created in Lithuania, with increasing connections in the West". Moreover,

[the criminal groups] had backed several deputies in the recent elections, and penetrated most government institutions, and ... the 'godfathers' of these groups do not even trouble to conceal their influence on important government decisions. In an implicit attack on the Defense Ministry, Paulauskas said that its Black Market deals for arms had given the 'Mafia' a handle on the state. He said in particular that organized crime within Russia, including the Chechen groups, were establishing joint ventures in Lithuania to launder money, and, possibly, to smuggle drugs (Lieven, 1993, 346).

The perception of rampant organized crime in Lithuania has had a significant impact on foreign investment as well. A number of high profile companies have pulled out of the country or decided not to invest there in the first place due to the apparent inability of the government and of police forces to deal with the problem.

The Finnish oil firm Neste, which operates 12 filling stations in the country, has halted all future investments. The decision followed an attack last October [1994] on its local representative in Klaipeda, which the company claims was never satisfactorily investigated by the local police. Organized crime has flourished throughout the entire former Soviet Union since its breakup, but in the Baltic region Lithuania reportedly has the worst problem and a poor record of successful police investigations (EIU, 1995, 38).

According to a World Bank report published in 1995, just over 90% of foreign business ventures have to pay officials some form of inducement (EIU, 1995, 33).

Corruption is not limited to the public sector. Private business ventures also have demonstrated their propensity to engage in corrupt, or at least illegal and informal, activities. Tax evasion is the most common form of informal activity in Lithuania, and the perpetrators are both Lithuanians and foreigners. As one foreign investor in Lithuania pointed out, "we can attract higher-skilled people by offering better wages at a lower cost to us, because we do not pay the 30% tax on wages" (interview with an American businessman, Vilnius, September 11, 1995). Employees who work informally for otherwise legitimate businesses thus can earn higher wages, without having to pay either the 1% social tax on wages they are responsible for, nor any income tax. The price of this arrangement for the employee, of course, is that s/he will not qualify for the state-operated social insurance, including health insurance, scheme. Nevertheless, according to a representative of the PHARE program in Lithuania, black market pay rolls are abundant throughout the business community, and many job seekers are not interested in working for registered wages (interview with Lars Albrechtsen, Vilnius, 1995).

Even the World Bank has pointed to serious difficulties in the tax administration program of the Lithuanian government, and has recommended that the government take

immediate steps to strengthen its tax collection capacity (World Bank, 1993, 51). An official with the World Bank in Lithuania suggested that the policy framework for tax collection is in fact quite sophisticated, however, the administration of that policy framework is insufficient. Among the many problems is a lack of tax inspectors. Moreover, while changes in the tax collection system adopted by the government upon the recommendation of the World Bank have somewhat improved tax collection from large enterprises, there continues to be a significant degree of small scale production within the informal sector that remains entirely untaxed (interview with Mantas Notches, Vilnius, 1995).

Unofficial or informal employment has had a significant impact on labour market dynamics and on the analysis of such dynamics. This, of course, calls into question the accuracy of the orthodox studies of labour market dynamics in Lithuania, because such studies rarely take into account informal dynamics. Indeed, such studies often do not even acknowledge the existence of informal economic sectors. Nevertheless, a report published by the United Nations Development Program points to the extent of unofficial employment in Lithuania:

From 1991 onwards, unofficial employment rose steadily, although there is currently no accurate way of estimating how many people are engaged in some form of unofficial employment--working without a legal contract, for example, and without paying the appropriate taxes. Estimates of the unofficial labour market vary between 150,000 and 650,000. About a quarter of these do not register at all [with the labour exchanges], while others declare only part of their wages and pay minimal taxes. Since 1991, the number of people paying the state social insurance required from all employees has dropped by over 400,000, indirectly suggesting the extent of unofficial employment (UNDP, 1995, 18).

The impact of the informal economy is thus manifested by a loss of revenue for the national and local budgets, a loss of contributions to the already struggling Social Security

Fund, and, very importantly, the statistical absence of the informally employed from labour market statistics, and of the informal economy more generally from basic economic data. This even extends to data pertaining to foreign trade, as Lithuanian informal traders travel regularly to countries such as Turkey to do business (interview with Teodoras Medaiskis [UNDP], Vilnius, 1995). Indeed, Lithuanians have become very significant suppliers to the informal economy in Turkey, particularly in the clothing and small electronic goods sectors (interviews with Turkish shopkeepers at the Grand Bazaar, Istanbul, 1994 & 1995).

Without question, the scale of informal economic activity in Lithuania is of great relevance to the economic transformation as a whole. The loss of revenue due to tax evasion has impacted negatively on the national budget and thereby on fiscal policy more generally.

The problematic income situation in all three Baltic countries is continued cause for the steadily increasing number of persons seeking income in the shadow economy. Particularly significant are the incomes generated within the agricultural 'self-reliance economy'. Of increasing fiscal and political relevance are the tax evasions and criminal activities such as smuggling and profits from economic swindling [translated from German] (HWWA-Institute Hamburg, 1995, 113).

On the positive side, however, incomes generated within the informal sectors have alleviated many of the social costs of structural adjustment. In particular in the agricultural sector, which has suffered enormously under the transformation, informal economic activities have proven themselves as at least sustainable. In this way, informal economic activities have contributed to maintaining the quality of life for many Lithuanians above the level made possible by the formal economy (HWWA-Institute Hamburg, 1995, 115).

It is clear from the above that corruption does indeed constitute a significant feature of social relations in Lithuania. Although informal economic activity is not synonymous to corruption, it is anti-systemic and anti-regulatory in much the same way as corruption.

The third dynamic that can potentially emerge in the absence of trust within the state-society relationship is *excessive vigilance*. This denotes a tendency within society to express radical shifts in its embrace or rejection of particular representatives of the state, such as, for example, the incumbent government. The evidence does indeed point to little tolerance for governmental non-performance in Lithuania. Since 1991, Lithuania has already had eight governments representing two radically different political parties. In the pre-independence parliamentary elections of 1990, Lithuanians elected *Sajudis* as the governing 'party' (at this time, *Sajudis* was not officially a political party). In the first elections of independent Lithuania in 1992, the Lithuanian Democratic Labour Party (LDLP) was elected to form the government. Two factors stand out here: first, the LDLP is little more than a re-named version of the Lithuanian Communist Party, and second, the LDLP was elected by a very wide margin over the *Sajudis* Coalition (73 seats to 30 seats) (which at this point had become an official party) (Norgaard et al., 1994).

In the next parliamentary elections in 1996, Lithuanians elected the Homeland Union (constituted for the most part by the members of what was *Sajudis*) to form the government by a three to one margin over the LDLP (RFE/RL, 96-10-22).

Operationally, there has been little difference between these two parties in their respective approaches to the transformation. At the level of rhetoric, on the other hand, these two parties are ideologically quite distinctive. The Homeland Union is a deeply

conservative party with significant nationalist elements. Amongst other issues, the party promised to re-appraise Lithuanian relations with Russia, in light of the 'grave threat Russia presents to Lithuania'. The LDLP, on the other hand, is a more leftist party (in rhetoric only), and far more internationalist than the conservatives.

These rapid and radical shifts in allegiance on the part of the Lithuanian electorate indicate that there is very little room for governments to maneuver. So far, at least, Lithuanians have not indicated that they are prepared to give second chances. This is of course indicative of a lack of trust within the state-society relationship.

The fourth dynamic that can potentially emerge as a result of lack of trust within the state-society relationship is a *tendency toward authoritarianism*. There is little indication in Lithuania that such a tendency is emerging. Although fully 62% of Lithuanians have expressed dissatisfaction with the development of democracy in the country, and only 22% believe that Lithuania is heading in the right direction (RFE/RL, 95-03-09), this is not necessarily an indication of a tendency toward authoritarianism. Nevertheless, there is a strong desire for law and order, and a strong leader who can restore some consistency and predictability in the social order. At this time, however, there is no political force of consequence advocating for the abolition of elections, the free press, or the right of expression and assembly.

As the economic situation in Lithuania continues to be difficult for a substantial part of the population, and as unemployment continues to grow, the danger of a revived nationalism is, of course, real. In particular the conservatives in Lithuania have already made references to the Russian and Polish minorities that have been less than comforting. On the other hand, Lithuania's treatment of minorities is closely watched by the European

Union, which is unlikely to offer anything to Lithuania under conditions of blatant ethnic discrimination.

Finally, there is the potential of *externalization* to emerge as an alternative to developing trust within the state-society relationship. Under conditions of distrust in local or domestic leaders and institutions, some societies may direct their trust in foreign leaders, societies or even institutions. Without a doubt, this is a widespread phenomenon throughout Eastern Europe and the FSU. It manifests itself in different ways, including, for example, accumulating savings in a foreign currency.

More importantly, however, externalization can also result in the idealization of another society or of a foreign set of institutions. Consequently, the performance of domestic leaders and institutions are compared to that of foreign ones. The initial enthusiasm for the establishment of markets and liberal democratic institutions in Lithuania, like in most other countries of Eastern Europe and the FSU, can be attributed to a perception on the part of Lithuanians of life in the West, where markets and liberal democratic institutions have existed for many decades.

Of these five social dynamics that can potentially emerge under conditions of distrust within the state-society relationship, at least two clearly have emerged in Lithuania: corruption and vigilance. While there are also traces of providentialism, a tendency toward authoritarianism and externalization, these have not been dominant features of Lithuanian society.

Above, I have examined in some detail the 'trustworthiness' of the social order, institutions, and processes in the Lithuanian transformation. This analysis leads to the conclusion that trust does indeed constitute a scarce resource in the state-society

relationship in Lithuania. Nevertheless, it is necessary at this point to examine this question further by means of quantitative indicators. As mentioned in the Introduction, trust is usually measured through opinion surveys, where respondents are asked explicitly whether or not they trust particular institutions or processes. Below, I will examine the outcomes of such opinion surveys. In addition, I will also examine some quantitative indicators regarding public perceptions of the trustworthiness of particular institutions and processes. As this empirical evidence will demonstrate, there is indeed considerable overlap between the impressionistic qualitative analysis carried out above, and the quantitative indicators presented below.

Quantitative Indicators of Trust and Distrust in Lithuania

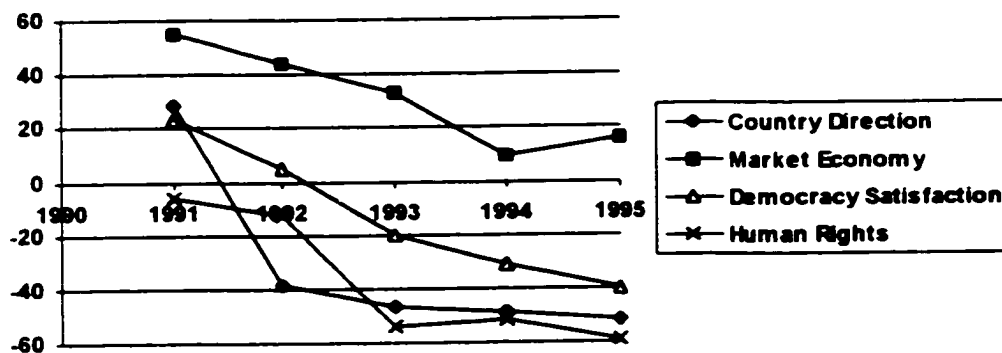
In the previous section, I provided a qualitative analysis of the 'trustworthiness' of the social order, technological organization, institutions, commercial sphere, social roles and particular personalities. As this analysis demonstrates, there is indeed considerable cause for concern in Lithuania. In every respect, the transformation has given rise to dynamics that are hardly conducive to the formation of state-society relations based on trust. Nevertheless, such a qualitative analysis does have shortcomings. Specifically, the objective conditions in each of the areas discussed may not in fact correspond to the evaluations of Lithuanians. Particularly during transformation, when expectations are shaped in the course of still evolving social, political and economic structures, it is necessary to determine the status of societal evaluations based on input from society.

In this section, I will do just that. Using a variety of data sets, including public opinion surveys as well as quantitative participation indicators, I will analyze the status of

societal perception of transformation in Lithuania. To begin with, I will examine such perception at the most general level possible, and then increasingly move to consider data indicative of more specific societal views.

The first question to be considered is how Lithuanians feel about the transformation generally. As indicated, transformation is constituted through two simultaneous processes: marketization and democratization. The *Central and Eastern Eurobarometer* series has been measuring societal evaluations of each of these processes since 1991. Specifically, *Eurobarometer* has been carrying out surveys asking people to state their satisfaction (satisfied/not satisfied) with the 'country direction', the 'market economy', 'democracy', and 'human rights' (Figure 9).

Figure 9: Net replies: % positive minus % negative responses



Source: *Central and Eastern Eurobarometer*, 1996, 15.

As Figure 9 clearly indicates, there has been a sharp decrease in positive evaluations of the two processes that constitute the transformation in Lithuania. While a greater percentage of Lithuanians support the idea of a market economy than reject it, the gap has narrowed substantially from 1991 to 1995, and the trend is negative. In all three

other categories, the number of Lithuanians who disagree with the direction the country has taken, are dissatisfied with democracy (as it has evolved in Lithuania), and are concerned about human rights has exceeded the number of Lithuanians who think otherwise consistently since 1992. Indeed, more than three quarters of Lithuanians in 1995 did not agree with the direction their country had taken in its transformation.

In contrast to the *Eurobarometer* series, the *New Democracies Barometer* has conducted three major surveys in Lithuania in 1993, 1994, and 1996, in which people were asked to comparatively evaluate the present economic system and the pre-independence economic system. The results indicate very little change over this period of time. Thus, in 1993, 75% of Lithuanians evaluated the pre-independence economic system positively, compared to 16% who evaluated that system negatively. The post-independence economic system was evaluated negatively by 66%, compared to 22% who evaluated it positively. In 1994, the corresponding figures were 80% positive and 13% negative for the pre-independence system, and 73% negative and 17% positive for the post-independence system. In 1996, the figures were 76% positive and 17% negative for the pre-independence system, and 64% negative and 25% positive for the post-independence system (Centre for the Study of Public Policy [CSPP], 1994;1995;1997). In 1994, 67% of Lithuanians were nostalgic for the old system, compared to only 4% who were pro-market. This changed a little in 1996, where 59% were nostalgic for the old system compared to 7% who were pro-market.

These broad views on the part of Lithuanians are consistent with their views on more specific measures pertaining to marketization. Asked about the likely consequences of privatization, 84% thought that it was very likely or likely that it would make a few

people rich, 65% thought that it would keep power in the hands of enterprise managers, 89% thought that it would increase unemployment, 84% thought that it would increase prices, and 56% thought that it would mainly benefit foreigners. In contrast, only 30% thought that everyone would benefit materially, compared to 65% who thought that this was not very likely or not at all likely (CSPP, 1994, 4-5). With respect to those entrepreneurs who quickly accumulated wealth in Lithuania, only 4% of respondents believed that this was done without exploitation, and only 7% thought that this was done without dishonesty (CSPP, 1994, 1-2). By 1994, 69% of Lithuanians believed that the market had resulted in a falling standard of living in the country (CSPP, 1995, 20).

Although it is true that a majority of Lithuanians believe that economic reform has been too slow, when asked about their priorities more specifically, their response is quite different. When asked to prioritize between economic reform and fighting crime and maintaining order, 56% of Lithuanians pointed to order compared to only 39% who chose the economy. And when asked to prioritize between cutting taxes and increasing welfare, 55% chose the latter compared to 37% who chose the former (CSPP, 1994, 3).

Quite clearly, the orthodox economic adjustment program pursued by the Lithuanian government(s) in conjunction with the IFIs does not correspond to societal priorities, nor does it meet societal expectations. It is not at all surprising, however, that there has not been much in terms of protest over the direction of transformation. In 1994, 79% of Lithuanians thought that it was improbable if not impossible to do something about a national government decision that is against the interest of the people. 72% felt the same way about local government (CSPP, 1995, 28). By 1996, these figures had increased to 89% and 83% respectively (CSPP, 1997, 24).

Much like the economic system, Lithuanians have consistently evaluated the pre-independence system of governing more positively than its post-independence counterpart (Table 26).

TABLE 26: Evaluations of Pre-Independence/Post-Independence Governing Systems

	1993	1994	1996
Pre-independence (positive)	46	47	43
Pre-independence (negative)	44	44	47
Post-independence (positive)	46	34	37
Post-independence (negative)	40	55	53

Source: CSPP, *New Democracies Barometer (Baltic Barometer): A Survey Study*. Glasgow: 1994; 1995; 1997.

Although the positive evaluation of the pre-independence system of governing has decreased marginally from 1993 to 1996, the negative evaluation of the post-independence system of governing has increased substantially. When Lithuanians were asked in 1993 to evaluate the system of governing in five years from then, based on their expectations of the direction of change, fully 78% gave a positive evaluation compared to 11% who gave a negative evaluation. Yet, Table 26 shows that by 1996 (three years later), only 37% were in fact evaluating the post-independence system positively, while 53% were evaluating it negatively, and the overall trend was negative (CSPP, 1994, 36).

The general trend toward dissatisfaction is confirmed in the context of political participation. At the most basic level, one can examine participation levels in elections. Elections are, without a doubt, the most prominent procedure within the liberal democratic framework. Lithuania, like all other Eastern European states and formerly Soviet republics, had of course experienced elections under communism as well, but such

elections were widely recognized as not conforming to standards of liberal democracy (neither free nor fair). Much like in other Eastern European countries and in most of the formerly Soviet republics, election turnout for the first parliamentary elections (October 1992) in Lithuania was high--72.9%. In the second parliamentary elections (October 1996), participation dropped to 50.3% (Rose, Munro and Mackie, 1998). In addition to the participation rates, the outcome of the first two elections also relates to the general dissatisfaction with the transformation. So far, at least, neither an incumbent president nor an incumbent government has survived in an election. In the 1992 parliamentary elections, the *Sajudis* movement, which had formed the provisional government following independence (and which had initiated the transformation process), was not just narrowly defeated; it was entirely decimated, and therefore dissolved immediately following the elections. The Democratic Labour Party (successor to the Communist Party of Lithuania) had won 73 seats in the 1992 elections, but only managed to hang on to 12 of these in the 1996 elections (Rose, Munro and Mackie, 1998).

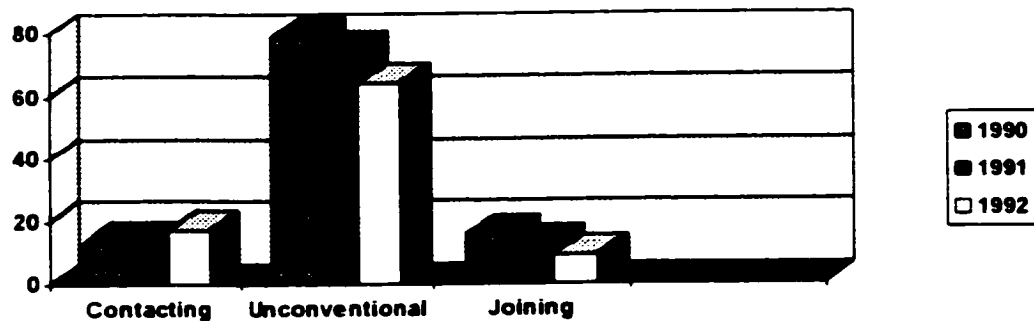
Political participation does, of course, involve more than merely voting. Even within the formal framework of liberal democracy, such participation also involves involvement in the political process by participating in election campaigns, demonstrations, protest, media debates and so on. Indeed, there have been a number of participation typologies developed over the past two decades. Verba, Nie and Kim (1978) suggested four types: campaign activity, voting activity, communal activity, and particularized contact. Milbrath and Goel (1979) in contrast, developed six types of political participation: voting, working for a party or candidate, communal activism, contacting officials, protest behaviour, and communications activities. In the specific context of

communist systems, Di Franceisco and Gitelman (1984) elaborated three 'modes' of participation: formal-ritualistic behaviour (encouraged by the regime), citizen-initiated contacts with officials, and contacts over implementation. Bahry and Silver (1990) expand this conceptualization by identifying four modes of participation in communist systems: unconventional activism, compliant political activism, social activism, and contacting.

Reisinger, Miller and Hesli (1995) examined political participation in Russia, Ukraine, and Lithuania specifically in the early stages of transformation. They identified three types of participation: contacting, unconventional, and joining. By contacting, they meant individuals contacting officials or institutions on their own behalf (to complain or request assistance with particular problems). Unconventional participation denotes actions such as demonstrations and other forms of overt process, as well as potentially illegal actions aimed against the state. Joining refers to the joining of civil society-based organizations as well as formal political institutions such as political parties.

Through survey work, they found that the participatory trends in all three countries was principally negative from 1990-1992 (Figure 10). In Lithuania this was the case even more so than in Russia and Ukraine. Whereas in the latter two there was a slight increase in joining, in Lithuania there was a decrease. Indeed, only in the area of contacting was there any sign of increased political participation. But this may not in fact represent a sign of deepening democracy. To the contrary, since contacting is essentially about meeting individual needs through the assistance of officials, but potentially at the expense of other citizens, this form of political participation has frequently been seen as anti-democratic (Di Franceisco and Gitelman, 1984).

Figure 10: Participatory Trends in Lithuania, 1990-1992



Source: William Reisinger, Arthur Miller, and Vicki Hesli (1995), 'Political Behaviour and Political Change in Post-Soviet States', *The Journal of Politics*, 57 (4), 964.

Most notable in the data provided by Reisinger, Miller and Hesli is the decrease in joining. Low membership in political parties, as well as limited interest in joining social organizations (especially those with political mandates, such as unions, lobby groups, etc.), implies that the institutional structure of liberal democracy has not yet been connected to the movements within civil society, which clearly has implications for democratization:

...the public's role in watchdogging and checking the elite has not been institutionalized in the large web of social groupings, organizations and political parties that characterize stable democracies. In the absence of this web, the trials of daily life in the former Soviet Union may well cause people to diminish their political engagement. Finally, because the organizational development of these societies remains limited, democratic institutions lack a key form of support present in long-standing democracies. For this reason and other reasons, democratic governance in the Soviet successor states will remain fragile for some time (Reisinger, Miller, and Hesli, 1995, 967).

The data from Figure 10 corresponds to data collected in 1997 by the United Nations Development Program (Table 27), indicating that early trends of decreasing political participation have continued. It should be noted that this data does not indicate

public disinterest; it only is indicative of the low levels of public participation in the political process. A survey from 1997 shows that 53% of Lithuanians are interested in politics, compared to only 8% who are completely disinterested (and 38% who have little interest) (UNDP, 1997, 8).

TABLE 27: Political Participation in Lithuania, 1997

	YES	NO	No Response
Active in political party activities	4%	92%	4%
Participation in election or referendum campaigns	12%	84%	4%
Express opinions publicly through the media	1%	95%	4%
Participate in mass public events	14%	82%	4%
Sign collective petitions	28%	68%	4%

A yet more telling result was obtained in the surveys conducted by the *New Democracies Barometer*. Here, people were asked whether they were a member of any public or non-state organization. This question therefore is inclusive of the entire NGO sector and civil society realm, because there is no implied political mandate. Nevertheless, 92% responded negatively, while only 8% responded affirmatively. When asked about participation in discussion and decision-making (which does not necessarily require membership) in public/non-state organizations, 95% responded negatively (CSPP, 1997, 26).

At this point, we can surmise from the data presented above that Lithuanians have some doubts about the efficacy of their political institutions, which is what may have led to decreased interest in political participation. As Table 28 indicates, however, it is not

merely a matter of doubt. There is in fact a problem of trust in Lithuania. Certainly with respect to official institutions, Lithuanians have expressed significant levels of distrust

TABLE 28: Public Trust in Institutions in Lithuania, 1996

	Trustworthy (%)	Not Trustworthy (%)	No Opinion (%)
Mass Media	72	19	9
Church	66	23	11
Government	25	63	12
Parliament	22	57	11
Local Government	29	50	9
Civil Defense	34	50	16
President's Office	26	47	27
Bank of Lithuania	25	65	10
Police	24	68	8
Courts	19	60	21
Tax Inspection	13	58	29
Commercial Banks	3	87	10

Source: *United Nations Human Development Report--Lithuania, 1997*. UNDP: Vilnius, 14.

In a similar survey, the New Democracies Barometer asked people whether they had complete trust or complete distrust toward a variety of institutions/organizations (Table 29). As such, this survey measured the extreme positions of trust/distrust. As Table 29 indicates, a substantial proportion of Lithuanians do indeed feel complete distrust toward the full range of institutions that make up the political economy of the country. In contrast, only a small minority feels complete trust vis-à-vis those institutions.

TABLE 29: Extreme Trust Positions in Lithuania, 1996

Institution	Complete Trust	Complete Distrust
Parties	1	32
Courts	2	31
Police	3	30
Civil Servants	1	30
Army	5	22
Parliament	2	27
Church	28	9

Farmers' Organizations	7	25
Private Entrepreneurs	4	26
Trade Unions	3	37
President	8	18
Government	3	23
National Bank	1	61
Mass Media	16	5

Source: CSPP, *New Democracies Barometer (New Baltic Barometer): A Survey Study*. Glasgow, 1997, 30-32.

It is interesting to note the significant difference in levels of trust toward the mass media and the church compared to all the other institutions. In the case of mass media, one should also note that this institution has been separated from the government/state through constitutional means. In addition, legislation passed in early 1996 (prior to the survey above) prohibits the state and commercial banks from holding any shares in media companies (with the exception of National Radio and Television, which is monitored by representatives of public institutions). As such, it is the only institution that has legally enforceable safeguards against state intervention, as well as against intervention from the commercial banks, which, as Table 29 indicates, are virtually universally mistrusted in Lithuania.

The church in Lithuania does enjoy significant levels of trust (the trend has been positive since 1992). Here again one should note that the role of the church has not been associated with that of the state. Indeed, trust in the church is indicative of a public reallocation of trust away from the state and its institutions. The church has acted, although not very strongly, as a counter-balance to the state, not as its ally¹.

¹ It should of course be noted that the church is hardly a 'democratic' institution. Indeed, the Catholic church in particular fundamentally opposes many of the aims of civil society groups/movements, as it is, after all, a highly patriarchal and capitalist institution. In this sense, the role of the church in Lithuania, and indeed anywhere in Eastern Europe and the

The low levels of trust bestowed upon commercial banks (as well as the National Bank in the CSPP survey) is of course interesting. This data reflects in part the poor performance of such banks (as indicated in the previous chapter, a number of commercial banks failed in the early stages of transformation), the corruption associated with them (see previous chapter), and the perception of wrong-doing directed at bank executives (they are often associated with the pre-transformation elite, and their wealth is therefore seen as suspect). What is striking, however, is that the commercial banks, which after all correspond to the goals of the marketization entailed in the transformation (inasmuch as privatization in the financial sector is very much encouraged in orthodox transformation discourse), are less trusted than the state-owned Bank of Lithuania, and this in spite of the general low levels of trust accorded to the state institutions and the government. It is, however, consistent with the negative trend in the public evaluations of the market economy (see above).

The low trust bestowed upon the police is not at all surprising. As indicated in the first section of this chapter, the levels of crime are such that Lithuanians have lost confidence in the ability of police to keep them safe. A Ministry of Justice survey conducted in 1997 indicates just how low the public evaluation of the police is in Lithuania. When asked about police performance in controlling criminality, no less than 60% of respondents indicated that the police does not 'do a good job', compared to only 14% who thought that it does do a good job (Ministry of Justice, 1997, 70). This is without a doubt problematic, given that Lithuanians (75% in a 1997 survey) have

FSU, should not in any way be confused with the 'liberation theology' movement of the Catholic church in Latin America.

consistently identified crime as a (if not *the*) major issue in their country (UNDP, 1997, 9). In the same survey, fully 54% of respondents indicated that they feel unsafe outdoors after dark. Somewhat fatalistically, over 50% of Lithuanians indicated that they expected to become victims of crime over the next twelve months (Ministry of Justice, 1997, 72). In a different survey, 53% of respondents thought it unlikely that they would receive fair treatment from the police, compared to only 36% who thought it probable that they would. 52% of respondents are more afraid of unlawful arrest by the post-independence police than by its pre-independence counterpart, compared to only 15% who felt the opposite (CSPP, 1997, 33).

The general climate of distrust in Lithuania extends well beyond societal evaluations of public institutions. As already demonstrated above, many of the organizations that are not state-operated, and that in fact exist at least partly as a counterweight to the state, are also distrusted. This includes trade unions, farmers' organizations, and even private entrepreneurs. Moreover, as survey data clearly shows, there is a widespread concrete distrust even within civil society itself. Thus, only 15% of Lithuanians believe that 'most people generally can be trusted', compared to 85% who believe that 'one cannot be too careful in dealing with people'. While 32% believe that 'the best way for people to get ahead is to cooperate with others in the community to promote common interests', fully 67% believe instead that 'the best way to get ahead is to look after oneself and not be concerned with what other people are doing'. Indeed, no less than 45% believe that 'no one else will care about a person who is having difficulties' (CSPP, 1995, 29).

At a more general level, it is increasingly becoming clear that the Lithuanian transformation has not made a particularly positive impression on Lithuanians. Given that the initial drive toward transformation was based on national liberation (more so than any particular goals with respect to marketization or democratization), Lithuanians have not developed significant associations with the artifacts of transformation (ie. of liberal democracy and of the market economy). Table 30 shows that Lithuanians have not developed a sense of pride in any aspect of the transformation.

TABLE 30: Expressions of Pride in Institutions/Accomplishments in Lithuania, 1997

	Proud Of	Not Proud Of
Lithuania's historical past	60%	40%
People of Lithuania	22%	78%
Spiritual Values	30%	70%
Lithuania's contribution to art and science	10%	90%
Parliament	0.9%	99%
The courts	3%	97%
Government	2%	98%
The economy	1%	99%
Lithuania's international standing	7%	93%
Architecture	30%	70%

Source: *United Nations Human Development Report--Lithuania, 1997*. UNDP: Vilnius, 11.

What is especially noticeable in Table 30 is that Lithuanians appear to have a greater sense of pride in those areas that are connected to the pre-communist past than in those connected to the post-communist present. The dismally low figures for Parliament, the courts, the government and the economy are telling in this respect. These four areas, in the orthodox approach to transformation, encompass virtually the entire process!

In light of this generally negative view of transformation, one might expect considerable support for a return to the past, or at least for an authoritarian alternative. In fact, this is not the case. Lithuanians have consistently rejected this as an alternative. In 1994, 87% disagreed with the idea of returning to communist rule, and 90% rejected the idea that the army should govern the country. By 1996, these figures had increased to 93% and 94% respectively. On the other hand, in 1994, 62% believed that it is best to have a strong leader 'who can quickly decide things without bothering with Parliament and elections', and this figure held steady in 1996 (CSPP, 1995, 32-33; 1997, 28-29). In both 1994 and 1996, about half of the respondents felt that continued failure of the transformation to produce results constitutes a good enough reason to try some other system of government.

While Lithuanians have a negative view of developments in their own country, they do have an exceptionally positive (and arguably unrealistic) view of possibilities arising from associations with Western Europe. In 1996, 36% saw the aims of the EU positively, compared to only 3% who saw these negatively. 56% would vote in favour of joining the EU, compared to 8% who would vote against joining. Perhaps more interestingly, many Lithuanians believe that membership in the EU could fundamentally alter the course of the transformation, as indicated in Table 31.

TABLE 31: Membership in the EU: 'Who Would Win, Who Would Lose'?

	Would Win (%)	Would Lose (%)	No Difference (%)
Private	80	7	10
Entrepreneurs			
Educational System	67	7	24
Army	69	9	19
Health and Social Services	73	7	17

Civil Servants	44	23	30
State Enterprises	56	23	19
Workers	48	24	25
Farmers	45	31	21
Poor People	33	22	42

CSPP, *New Democracies Barometer (Baltic Barometer): A Survey Study* Glasgow, 1997, 44-46.

What is most striking about these views is the expectation of impact generated by joining the EU. Not only do fewer than a quarter of Lithuanians believe that membership may not in fact make a notable difference in some sectors of the political economy, but it is noteworthy that there is an expectation of gain for opposing sectors. Thus, both the private sector and the public sector, state enterprises and private entrepreneurs are seen as winners. Even poor people are seen as potential winners, as are farmers (!), workers, and even civil servants.

Conclusion

The state-society relationship in Lithuania under Soviet occupation clearly was governed by a high degree of distrust. Independence in 1991 resulted in the wholesale exchange of the state within the state-society relationship. Given the rapid and far-reaching commitment to transformation, even prior to official independence, the Soviet state had all but disappeared in 1991. The new state in Lithuania came from within Lithuanian society. Specifically, however, it came from within the Lithuanian elite. Unlike in many other states in Eastern Europe and the FSU, the first government of independent Lithuania was not simply a re-named version of the previous political system. *Sajudis* was a social movement that was quite explicitly opposed to the Soviet system and had only anti-systemic affiliations with that system.

As a result, the state-society relationship in Lithuania immediately following independence was governed by at least some degree of trust, generated by the euphoria of independence. As is always the case in relationships, such trust is vulnerable and fragile, and cannot withstand broken expectations for very long. The rapid transformation in Lithuania, notwithstanding its successes from a neo-liberal perspective, generated a great deal of disappointment throughout Lithuanian society.

The set of beliefs which constitutes the foundation of trust within state-society relations, including the belief in the continuity of past, present and future, the belief in the competence and efficiency of institutions, the belief in fairness and due process, the belief in reasonableness and rationality, and the belief in integrity and good will, was not nurtured by the transformation process in Lithuania. Instead, the first 'two hours' of transformation were given clear priority, and were implemented swiftly.

Eight years into the transformation, the first 'two hours' are still underway. The 'third hour', however, has barely started, and to some extent, it is now further away from beginning than it was six years ago. With respect to generalized trust, we have seen in the first part of this chapter that the rise in crime, the emergent informal economy, and the general economic trends hardly invoke trustworthiness. In the second part of the chapter, the lack of trustworthiness in these areas was confirmed through quantitative indicators. Thus, crime does indeed rank as the top priority of Lithuanians, the informal economy is seen as an alternative to the formal one, and the majority of Lithuanians are not only dissatisfied with the process of marketization, but outright reject it and disagree with the general direction of transformation as well.

With respect to technological and commercial trust, we saw in the first part of this chapter that there are indeed major problems in all the sectors which provide the foundation of the Lithuanian political economy, including the energy sector, health care, education, and the environment. Foreign goods and foreign currency continue to be more trusted than anything domestically produced. In the second part of the chapter, the high estimation of the impact of joining the EU demonstrates unequivocally where the trust of Lithuanians really lies.

Perhaps it is in the context of institutional trust that this chapter has most clearly demonstrated the shortcomings of the Lithuanian transformation. In the first part of the chapter, I pointed to the major difficulties experienced by banks, the police, parliament, courts, the army and the government. In the second part of the chapter, the quantitative indicators show clearly that Lithuanians have very little trust in the efficacy of their institutions. Moreover, the decreasing rates of political participation, even at a time of nation-building and the fundamental re-ordering of the Lithuanian state and society, confirm that there is a generalized sense of distrust toward the entire process.

Sztompka had postulated that in the absence of trust within the state-society relationship, a number of dynamics might emerge: providentialism, corruption, vigilance, authoritarianism, and externalization. Decreasing political participation, combined with growing distrust within civil society, both in abstract and in concrete terms, are indicative of providentialism. Corruption clearly is rampant in Lithuania, as in most other states undergoing transformation. The inability of any incumbent government to maintain its position in elections would point to some degree of vigilance. Although there are no overt signs of a return to authoritarianism, it is clear that many Lithuanians are indeed losing

patience with the democratic process, and would endorse the marginalization of many of the liberal democratic institutions and procedures introduced by the transformation. Finally, Lithuanians quite clearly hold the EU in excessively high regard, believing that membership in this organization could fundamentally rescue the process of transformation. This is indicative of what Sztompka labels externalization.

In the end, the transformation in Lithuania certainly has not been a resolute failure. There have been many successful policies which have helped to stabilize the economy and which have given rise at least to a minimalist version of liberal democracy. It is also clear, however, that this democracy is precarious at best. Fundamentally, it is a democracy without trust: trust between state and society, as well as trust within society itself. Forty years ago, comparative political theorists thought they had solved the problem of democracy through the intervention of political culture: democracy and a democratic political culture are mutually reinforcing, in as much as they bind state and society to the common goal of the perpetual reproduction of democratic output. In the absence of a democratic political culture and of democracy per se, Lithuanians (along with other East Europeans and former Soviets) have to find a different way of connecting with the state. I have argued here that this can be done through the intervention of civil society in the process of democratization, but only if the state-society relationship is based on significant levels of trust. At present, it is not.

In the conclusion to this thesis, I will summarize all the major arguments pertaining to transformation and its two processes (marketization and democratization), political culture, trust, and the evaluation of transformation in Lithuania. I will also formulate the basis for an alternative strategy for transformation, in which the emphasis is on building

trust within the state-society relationship, rather than maximizing aggregate economic gains and replicating the liberal democratic structures of the West

Conclusion

In this thesis, I have examined the nature of state-society relations during the transformations in Eastern Europe and the FSU. Specifically, I have investigated the degree to which the transformation process itself has given rise to a strong element of distrust within state-society relations, and thereby has generated major obstacles to its completion. I have argued that to the extent that state-society relations are indeed characterized by distrust as a result of social, political and economic dynamics embedded within the transformation process, this process is likely to reproduce itself indefinitely, and thereby, for all intents and purposes, constitute a condition.

Transformation entails two simultaneous processes: democratization and marketization. I argued in this thesis that these two processes are interdependent. Both processes require a number of structural and procedural adjustments. In addition, however, both of these processes also require behavioral/psychological adjustments, which is what Ralf Dahrendorf refers to as the 'third hour of transformation'. The focus in this thesis had been precisely on this 'third hour' of transformation, and it is in this context that I have identified the state-society relationship as constituting a major element of completing the transformation. Given that the idea of democratization in the context of the transformations in Eastern Europe and the FSU is fundamentally based on liberal democratic principles, in which democracy relies substantially on the existence of a democratic political culture to shape both the state-society relationship and the 'character' of civil society itself (ie: the civic culture), the transforming countries in Eastern Europe and the FSU are faced with a paradox. They do not have a democratic political culture,

but they also do not have a consolidated democratic system that could give rise to one, precisely because of the absence of the democratic political culture.

I have argued in this thesis that this paradox cannot be resolved through the intervention of civil society because such society is itself not inherently democratic. In order for democratization to proceed, therefore, both civil society and the institutional representation of the state have to democratize simultaneously. This, in turn, can only take place in the presence of trust within the state-society relationship. Moreover, marketization depends to a significant degree on the progress of democratization, and therefore on the presence of trust, in order to proceed in spite of the inevitable 'ups and downs'.

Trust does not, however, develop easily. As indicated in chapter 2, trust is a rational response to uncertainty, and generally requires an experiential basis. Although trust can form in the absence of such a basis, it can quickly be turned into distrust when expectations are not met. In the euphoric context of independence, there was without a doubt a level of trust present within the state-society relationships throughout much of Eastern Europe and the FSU. The dramatic impact of early transformation strategies resulted in a withdrawal of such trust. The question now is whether the ongoing transformation efforts are working to re-establish trust, or are simply entrenching distrust within the state-society relationships of the region.

The comparative and impressionistic analysis I presented in chapter 4 regarding the status of trust within the state-society relationships in all the transforming countries of Eastern Europe and the FSU, as well as the more detailed analysis of trust in Lithuania, indicate that some of these transformations may indeed simply be reproducing themselves

indefinitely, because the status of trust is at best precarious. The analysis I have presented yields four conclusions in particular that directly and indirectly confirm the central argument of the thesis.

First, it has become abundantly clear that the initial euphoria pertaining to the collapse of communist political and economic systems in Eastern Europe and the FSU has passed. The grandiose declarations of 1989 (Eastern Europe) and 1991 (the FSU), which vaguely suggested that the arrival of peace, prosperity, and democracy was imminent in the transforming regions, has given way to a much more somber assessment of the situation. Thus, the World Bank now speaks of 'second generation' issues within the transformation process, thereby giving this process a 'multi-generational' character rather than the initially announced shock-therapy character (World Bank, May-June 1995, 1).

Indeed, the period of 'extraordinary politics' (Balcerowitz, 1994, 85) appears to have passed as well, but it has not necessarily been followed by a period of 'normal politics'. Instead, now we hear of 'the growth of an impossible capitalism' (Ticktin, 1994), the 'doomed Russian democracy' (McFaul, 1994), 'instability and fragmentation' (Reddaway, 1994), 'the politics of resentment' (Fairbanks, 1994), and 'the mirage of democracy' (Gati, 1996).

We know now that the expectation of imminent prosperity was rather naive. In some countries undergoing transformation, economic decline continues, including in Ukraine, Moldova, Russia, Turkmenistan, Kazakstan, Tajikistan, Azerbaijan, Belarus, and Bulgaria (World Bank, 1996; ECE, 1997). But even in those countries where economic growth returned early, such as in Poland, the Czech Republic, Estonia, Lithuania, Latvia, Solvenia, East Germany, and Albania, only one, Poland, has achieved the same level of

economic prosperity it already had in 1990 (ECE, 1997, EBRD, 1997). Even East Germany, which was wholly absorbed by West Germany, has not yet reached this point. The GDP per capita figures for the richest of the East European countries are only a quarter of those for the poorest West European countries (Spain, Portugal, Greece).

The 'peace dividend' promised by the many self-declared winners of the Cold War has also failed to impress. After all, the specter of ethnic war has been raised to the extent that one of the more distinguished political scientists of this century has developed a theory based on 'the clash of civilizations' (Huntington, 1995). Indeed, the evidence of peace is almost outweighed by the evidence of war. Yugoslavia, Chechnya, Tajikistan and Azerbaijan-Armenia have featured full-scale war efforts and long periods of violence and military confrontation. Other countries, such as Ukraine, Georgia, Kyrgyzstan, Rumania, Albania, and Bulgaria have also experienced violent confrontations and near-civil war conditions. Moreover, the proliferation of narcotics and associated violence, in addition to the illegal trade in nuclear weapon components hardly suggest a 'peace dividend'.

The reality of the challenges associated with the simultaneous pursuit of marketization and democratization is slowly setting in (Rose, 1997; Krasznai and Winiecki, 1995). The social response to shock therapy has not in fact corresponded to the expectations of the agents of transformation, such as governmental elites who after contributing to the communist system for decades suddenly claimed to always have been market enthusiasts, and foreign, mostly Western economic advisors riding the moral high horse, such as Jeffrey Sachs and Anders Aslund. After a brief period of 'romanticism', governments promoting rapid marketization were almost invariably 'dumped' by the

electorate, and replaced with governments promoting more attention to the social impacts of marketization.

In the end, regardless of ideological affiliation, no one is publicly suggesting a rapid arrival of peace, prosperity and democracy anymore. There are, of course, still considerable differences in the evaluations of orthodox political economists on the one hand, whose ideas about democratization are informed by neo-liberal ideology, and thus are not very complex to begin with, and critical theorists on the other hand, who concern themselves less with the institutional structures of democracy and more with movements within civil society. The former remain optimistic about the prospects of many countries in transition, in particular those countries that have indeed made considerable economic progress in aggregate terms. But there is a world of difference between optimism and euphoria, and the latter is no longer to be found in any perspective.

Second, we can conclude that all the transformations presently underway in Eastern Europe and the FSU are based on the pursuit of democratization and marketization, at least at the declaratory level. Both these concepts denote processes, and it is clear that there are significant variations in terms of how far along these processes have progressed in different countries. In some, such as all the states of Central Asia, democratization exists in rhetoric only, with the possible exception of Kyrgyzstan, where initial efforts at democratization appeared sincere (Olcott, 1996; Rubin, 1993-94; Bozdag, 1992; Hyman, 1994). In others, such as the Czech Republic and Slovenia, democratization has resulted in the establishment of functional liberal democratic institutions and processes (Aslund, 1994; O'Donnell, 1996). In other countries, such as the Russian Federation, Bulgaria and Ukraine, democratization by any definition has gone

both forward and backward (Savitskii, 1994; Nitzova, 1997). But in all countries, the official discourse is ultimately about democracy, even where the absence of democratic institutions and procedures is quite apparent (such as in Belarus and Turkmenistan).

There are also many differences in the process of marketization in Eastern Europe and the FSU. Countries such as Poland and Estonia, and to a lesser extent Lithuania, Latvia, Slovenia, and the Czech Republic, implemented shock therapy, and left no doubt about the intention to pursue marketization of the economy vigorously. Others, such as Ukraine, again the states of Central Asia, and Hungary, Bulgaria, and Rumania may have been much slower in their implementation of market reforms, but they all have implemented some reforms, which have resulted in a substantially larger share of the private sector in their economies. Even in those countries where there has been little enthusiasm for the market, such as Turkmenistan, market reforms have nevertheless been carried out (World Bank, 1993).

The at least rhetorical centrality of marketization and democratization in the transformation indicates the hegemonic position of neo-liberal discourse within the global political economy. No alternative formulation of transformation has ever been seriously considered or even publicly debated anywhere in Eastern Europe and the FSU. Notwithstanding initial pronouncements by principally Western (paranoid) politicians to the contrary, neither socialism nor any manifestation of Islamic economic thought (in the context of Central Asia) ever made it onto the transformation agenda.

Of course, the centrality of marketization and democratization are also indicative of the pressures of a global political economy. The collapse of national industries throughout the transforming regions necessitated the pursuit of foreign investment (which

is unlikely to be successful outside of a neo-liberal economic framework) and foreign assistance, which, of course, has been tied to cooperation with the directives of the IFIs

The third conclusion derived from the analysis in this thesis is that none of the transformation processes in Eastern Europe or the FSU are complete at this point. Without a doubt, as already alluded to above, there are significant variations in the degree of reform undertaken in the economic and political spheres across the region. Also without a doubt, there are a number of countries whose economic reforms have resulted in a situation where the private sector does indeed constitute by far the largest component of GDP, employment, and output, and where the institutional structures and the legal framework of the economy are fundamentally in accordance with those of a market economy. And in most of these countries, the institutional structure of the political system does indeed correspond to the requirements of liberal democracy. However, it is also clear that transformation cannot entail economic and political transformations separately. In the end, a transformation seeks to transform the political economy, and this includes civil society and societal attitudes, values, and even culture. In other words, it includes the state-society relationship, which cannot be 'transformed' until it is characterized by trust. No country in Eastern Europe or the FSU can as of yet make this claim.

Finally, this thesis is ultimately about developing an alternative approach to the evaluation of transformation in Eastern Europe and the FSU. I argued that such an approach must concern itself with the state-society relationship, the basis of which is trust. To this effect, I have elaborated the trust-matrix originally developed by Piotr Sztompka, with which one can analyze the status of trust within the state-society relationship. The

model relies on two sets of conditions and one set of potential consequences, as illustrated in Table 32.

TABLE 32: The Conditions for Trust and the Consequences of Distrust in State-Society Relations

Belief	Trust	Distrust
Continuity of Past, Present, Future	Generalized	Providentialism
Competence and Efficiency of Institutions	Technological	Corruption
Fairness, Due Process, Justice	Commercial	Vigilance
Reasonableness and Rationality	Institutional	Authoritarianism
Integrity and Pro-Social Orientation	Positional	Externalization
	Personal	

The basic beliefs based on which trust can be directed at various social objects is tenuous at best throughout Eastern Europe and the FSU. In many countries of the region, some or all of the potential consequences of distrust can readily be identified. While these potential consequences of distrust exist in all countries around the world, they are not necessarily the consequence of distrust, although they may well lead to distrust. Thus, corruption in Germany, for example, does indeed exist, but it is not a consequence of the absence of a belief in the continuity of the past, present and future, and the resultant absence of generalized or institutional trust. Instead, since the conditions for the presence of the beliefs listed above are generally good, and trust does appear to be vested in the social objects relevant to the various forms of trust, corruption in Germany is likely seen as the exception rather than the rule.

The orthodox approach to transformation has had some success in creating the basic institutions for a market economy, and in establishing an institutional structure for

liberal democracy. On the other hand, the extent of poverty and income disparities generated by the early reforms in particular, and the subsequent failure to address these issues have been major shortcomings of this approach. In addition, a number of sectoral problems created at least in part by the need to adhere to tight fiscal policies, as prescribed by the IFIs, have clearly contributed to the evolution of distrust within the state-society relationships. Thus, crises in the health care sectors throughout much of the FSU and Eastern Europe, and dysfunction within the education, social security and energy systems have impacted on the degree of technological trust in this region, as was illustrated, for example, in the case study of Lithuania. Yet the orthodox approach to transformation exempts these sectors from the list of priorities, focusing instead on the fine-tuning of the institutional structures of the economy and the political system.

Moreover, globalization, the impact of which is strengthened by the orthodox approach, creates some contradictory processes and conditions for democracy. Thus, the integration of the states of Eastern Europe and the FSU into the global economy, through, for example, accession to IFIs and the WTO, as well as through greater reliance on the international financial system and on international capital flows, has resulted in the internationalization of the decision-making process in the transforming regions. This, in turn, lessens the ability of the state to foster a healthy relationship with society, in as much as the state's accountability is now divided domestically and globally. Moreover, in the absence of any priority accorded to the building of a research and development capacity in the transforming regions, and only minimal investment in human resources (Dyker, 1994; Inzelt, 1994; Jasinski, 1994), the dependency of the transforming countries vis-à-vis the

global political economy is likely to increase, thereby accentuating the internationalization of the state and of social relations more generally.

Above, I have summarized the four major conclusions of this thesis. In addition, the thesis also presents a case study of Lithuania, in order to demonstrate how the conceptual model for the evaluation of transformation efforts in specific countries developed in this thesis can be applied. Below, I will briefly summarize the conclusions drawn from this case study.

Lithuania's Transformation in Perspective

If one evaluates Lithuania on the basis of criteria compatible with the orthodox approach to transformation, the country has clearly done quite well. After three years of economic contraction, Lithuania has experienced economic growth since 1994. The institutional structure and the legal framework of the economy correspond to the requirements of a market economy, and the political system has adopted all the basic features of liberal democracy. Indeed, Lithuania has already experienced two peaceful transitions of government based on free and fair elections.

The transformation in Lithuania has also generated a number of significant problems, in particular in those sectors that are relevant to the formation of technological trust. Thus, as demonstrated, the energy sector, the health sector, education and the labour market all are in crisis. Social security is also plagued by severe problems, in particular in relation to pensions. Women in Lithuania have gained very little if anything from the transformation, and in some respects, they have experienced a major setback, especially in the context of downsizing the child care sector and removing subsidies from

this sector. And while there has been much talk about the environment, the single most significant threat to the environment in Lithuania, the Ignalina nuclear reactor, continues to operate, largely because the state is not able to do without this major source of energy

In addition, Lithuania has experienced significant levels of corruption, both in the public sector and in the private sector. Crime has also increased dramatically, in particular with respect to narcotics and associated violence. Moreover, those entrusted with fighting crime have repeatedly been caught committing criminal acts themselves.

Notwithstanding Lithuania's considerable progress in the transformations of the economy and the political system, state-society relations remain tenuous at best, as trust within the state-society relationship is limited, and the intensification of the problem areas within the transformation continue to reinforce distrust within that relationship.

There is sufficient empirical evidence to be concerned about state-society relations in Lithuania. Thus, the evidence suggests that at least two of the potential consequences of distrust have a strong presence in the country--corruption and vigilance. Externalization and providentialism are weaker, but do also exist. The only potential consequence of distrust for which there is presently little evidence is authoritarianism.

In the end, then, the transformation in Lithuania has featured considerable success in terms of the first 'two hours' of transformation, but continues to struggle with the 'third hour' of transformation. The state-society relationship is clearly marred by a prevailing and, increasingly entrenched, distrust. This distrust is largely the result of transformation dynamics, and consequently, there is a danger in Lithuania that the transformation process will indeed perpetually reproduce itself.

Where To From Here?

The political economy of transformation in Eastern Europe and the FSU can be seen as microcosms of three world views articulated in recent years. First, there is the 'end of history' thesis advanced by Francis Fukuyama (1992). Fukuyama argues that the idea of liberal democracy, understood as an institutional form of democratic process set in the context of a capitalist economic system, represents the end of history, as there is no inherent flaw within this idea. Humanity still seeks to improve the operational dynamics of liberal democracy, but there is no competing idea that articulates a fundamentally distinctive system of social organization. While the political reality in many parts of the world may not correspond to the idea of liberal democracy, the political rhetoric of even the most authoritarian governments and oppositional groups is invariably articulated around the pursuit of 'liberal democracy'.

Fukuyama's thesis stands in sharp contrast to that of Samuel P. Huntington (1995), who argues that world order is rapidly moving toward a 'clash of civilizations'. Huntington suggests that the technological and historical experiences of different civilizations will keep them apart, so that eventually there will be a few civilizations (he estimates seven) competing for the resources of the planet, and co-existing at times peacefully and at other times in a conflictual way. Huntington believes that the reintegration of Eastern Europe into a 'united Europe' at the exclusion of Russia and the Asian parts of the FSU is simply symptomatic of a global re-alignment on the basis of civilizational belonging.

Finally, Robert Kaplan's thesis, 'the coming anarchy' (1994), contrasts strikingly with both Fukuyama and Huntington. Kaplan focuses on social fragmentation throughout the world, as evidenced by the rise in crime and corruption at every level in developing countries in particular. He suggests that this rise is associated with a decaying moral order based on a rejection of the institutional pillars (including the state and government) of contemporary social and political systems. At the same time, Kaplan sees some hope in the community-based responses to political disorder and widespread poverty in some areas of the 'South'.

Each of these three arguments has been subjected to significant criticisms. Fukuyama may well be underestimating the possibility of alternative forms of social organizations informed by, for example, Islam. Moreover, his contention that the principal two challengers of the idea of liberal democracy are 'dead', is also controversial. Communism does indeed appear to have disappeared from the agenda everywhere, although China still stands officially as a communist country, home to one fifth of the world's population. Fascism, on the other hand, certainly has not disappeared entirely, and the concepts of order and stability embodied in fascist leadership theories may well find resonance in different parts of the world. Huntington's delineation of civilizations appears to contradict the phenomenon of globalization. The expansion of NAFTA to cover all the Americas, for example, would indicate that inter-civilizational collaboration is increasing rather than decreasing. Kaplan, in turn, may underestimate the ability of institutions and institutional procedures to adjust to new demands, including to the demands of a more fragmented world.

Nevertheless, each of these three arguments finds fertile grounds for empirical evidence in Eastern Europe and the FSU. Thus, the call for liberal democracy is loud and clear, and the transformation processes underway everywhere do indeed reject any alternative idea, at least at the declaratory level. Ethnic conflicts, accompanied by ethnic cleansing, on the other hand, lend some credibility to the civilization theory. Indeed, the regional alignments forming amongst the transforming countries do suggest that historical affiliations to a particular 'civilization' contributes to the geographical categorization of the transforming countries. Prior to the disintegration of the Soviet Union, the territory of that country was generally considered to constitute one region (Cantori and Spiegel, 1981; Feld and Boyd, 1980). Today, the Baltic countries are geographically associated with Europe (or at least parts of Europe, such as Scandinavia), the Central Asian countries are counted as part of the northern tier of the Middle East, and Russia, Ukraine, Belarus and perhaps Mongolia are seen as a region in itself.

In the end, however, it is Kaplan's argument that relates the most to the arguments presented in this thesis. The rise in corruption and crime at every level of the political economies of the transforming countries, and the transnational connections of corruption and crime, have indeed furthered a level of skepticism, if not outright distrust, toward the institutions and institutional processes of the 'new liberal democracies', and in some cases, of the very idea of liberal democracy. If the state is viewed as an authoritative institution with no legitimacy, then the search for alternative forms of authoritative legitimacy is likely to intensify. Optimistically, such legitimacy may be found within non-governmental organizations with peaceful and socially conscious mandates. Pessimistically, it may be found within other movements of civil society, that may or may not be socially conscious,

and that may subscribe to social ideals that hardly correspond to any definition of democracy.

Eighty years ago Lenin asked 'What is to be Done?' in the context of a rapidly ascending new force in European politics--communism. In 1990, Jeffrey Sachs, a Harvard economist, asked the same question in the pages of *The Economist*, this time, however, in the context of a rapidly descending force in European, or more specifically, Eastern European, politics--again communism. Today, in the context of the on-going transformations in Eastern Europe and the FSU that have featured impressive success in some cases and in some sectors, but also devastating results in terms of poverty, violence, social order, and ecological development, we might ask 'Where To From Here?' The answer ought to be: 'toward the nurturing of state-society relationships based on trust'!

Toward An Alternative Approach To Transformation

In Lithuania as elsewhere in Eastern Europe and the FSU, few people are interested in a return to communism, notwithstanding some nostalgic sentiments for some elements of the communist system. Moreover, few people would endorse an overtly authoritarian alternative to liberal democracy. What is quite clear, however, is that the manner in which transformation has been approached does not meet the expectations of the peoples of this region.

Economic hardship was, to some extent, inevitable following the collapse of the communist state apparatus throughout the region. Economic and political dynamics, in any system, do have to be managed. Given the total reliance on the state to provide such

management for over fifty years, it is not ultimately surprising that after its collapse, chaos ensued.

There is no question that almost all of the approaches to transformation prioritized marketization over democratization. To be sure, the institutional structure of liberal democracy was created at the same pace as the macro-economic framework for the market economy. But while economic reform proceeded to take account of micro-economic issues and dynamics, political reform subsided dramatically after the institutional structures had been put into place. What should have happened, instead, is an active engagement with civil society in setting the agenda for reform.

It has now become quite clear that state and society agendas differ considerably. Whereas the former has globalized (through the intervention of the international financial institutions and foreign consultants), the latter has localized (through a retrenchment from politics, fear of crime, and cynicism vis-à-vis corruption and incompetence). The agenda of the state has clearly carried the day. The price of this is the alienation of society, and a growing distrust within society itself.

More analysis is required of the dynamics of trust under conditions of the 'simultaneous transition', involving marketization on the one hand, and democratization on the other (Crawford, 1992; Bartlett, 1997; Elster, Offe and Preuss, 1998). How are the many levels of trust affected by the contradictory forces unleashed by these two processes? Would a more corporatist approach transcend the constraints presented by the simultaneous transition?

In order to rescue the transformations presently still underway throughout Eastern Europe and the FSU, a renewed effort at 'synchronizing' the agendas from 'above and

below', of the state and of society, will be essential. Trust can ultimately be regained only if the state can succeed in convincing civil society to share the burden of transformation. It is quite clear that transformation approaches must begin to focus on providing the appropriate conditions for generalized trust to evolve. This, in turn, will mean prioritizing issues of social order and stability. Societies throughout Eastern Europe and the FSU have made it clear that crime and corruption are major concerns that have led to institutional distrust. These concerns have also led to a general distrust within civil society itself, and thereby serve as obstacles in the development of associational life.

In chapter 2 I elaborated at length the dynamics of trust within relationships. I argued that under conditions of trust, relationships can accommodate significant levels of turmoil. Under conditions of distrust, however, not only is there less capacity to accommodate turmoil, but turmoil serves to reinforce distrust. For over fifty years, the state-society relationships in Eastern Europe and the FSU were governed by coercion or the threat of force. Present approaches to transformation consider marketization and democratization as the primary processes. An alternative approach to transformation would consider these processes secondary to the process of building trust within a state-society relationship based not on coercion or the threat of force, but rather on an understanding of common interests.

Bibliography

- Abrahamian, Ervand (1993). *Khomeinism: Essays on the Islamic Republic*. Los Angeles: University of California Press.
- Alexandrova, Olga (1992), 'Geostrategic Reconstructing in the Former USSR', *Aussenpolitik* IV, 324-333.
- Alfonsin, Raul (1995), 'The Transition Toward Democracy in a Developing Country the Case of Argentina', in Nelson (ed.).
- Almond, Gabriel (1989), 'The Intellectual History of the Civic Culture Concept', in Almond and Verba (eds.).
- (1956), 'Comparative Political Systems', *Journal of Politics*, Vol. 18.
- Almond, Gabriel and Sidney Verba (eds.) (1989). *The Civic Culture Revisited*. London: Sage Publications.
- Amin, Samir (1996), 'The Future of Polorization', *Social Justice: a journal of crime, conflict and world order*, 23 (1-2), 5-13.
- Armijo, Leslie Elliott et al. (1994), 'The Problems of Simultaneous Transitions', *Journal of Democracy*, 5 (4), 161-175.
- Arnot, Bob (1995), 'The Continuing Disintegration of the Russian Economy', *Critique* 25, 11-54.
- Aslund, Anders (1995), 'The Russian Road to the Market', *Current History: A Journal of Contemporary World Affairs*, 94 (594), 311-316.
- (1994), 'The Case for Radical Reforms', *Journal of Democracy*, 5 (4), 63-74.
- (1994), 'Lessons of the First Four Years of Systemic Change in Eastern Europe', *Journal of Contemporary Economics*, 19, 22-38.
- Atkin, Muriel (1989), 'The Survival of Islam in Soviet Tajikistan', *Middle East Journal*, 43 (4), 605-634.
- Balcerowicz, Lezek (1994), 'Democracy is no Substitute for Capitalism', *Eastern European Economics*, 32 (2), 39-49.
- (1994), 'Understanding Post-Communist Transitions', *Journal of Democracy*, 5 (4), 75-89.

- Banks, John and Robert Ebel (1993), 'Kyrgyzstan: Problems, Opportunities', *Oil and Gas Journal* (March), 26-27.
- Bankowicz, Marek (1994a), 'Czechoslovakia: From Masaryk to Havel', in Berglund and Dellenbrant (eds.).
- (1994b), 'Bulgaria: The Continuing Revolution', in Berglund and Dellenbrant (eds.).
- Barber, Bernard (1983). *The Logic and Limits of Trust*. New Brunswick, NJ: Rutgers UP.
- Bartova, Lubica (1995), 'Liberalization Versus Protection', *Eastern European Economics*, 33 (4), 8-23.
- Beer, Samuel and Adam Ulam (eds.) (1958). *Patterns of Government*. New York: Random House.
- Berg, Andrew (1994), 'Does Macro-Economic Reform Cause Structural Adjustment? Lessons from Poland', *Journal of Contemporary Economics*, 18 (3), 376-409.
- Berglund, Sten and Jan Ake Dellenbrant (eds.) (1994). *The New Democracies in Eastern Europe: Party Systems and Political Cleavages*. Aldershot, U.K.: Edward Elgar Publishing Limited.
- Berglund, Sten and Jan Ake Dellenbrant (1994a), 'The Breakdown of Communism in Eastern Europe', in Berglund and Dellenbrant (eds.).
- (1994b), 'The Failure of Popular Democracy', in Berglund and Dellenbrant (eds.).
- (1994c), 'Prospects for the New Democracies in Eastern Europe', in Berglund and Dellenbrant (eds.).
- Beyme, Klaus (1993), 'Approaches to a Theory of the Transformation of Democracy and Market Society', *Transformations*, 34 (2), 5-25.
- Binefeld, Manfred (1994), 'The New World Order: echoes of a new imperialism', *Third World Quarterly*, 15 (1), 31-48.
- Black, Jan Knippers (1993), 'Elections and other Trivial Pursuits: Latin America and the New World Order', *Third World Quarterly*, 14 (3), 545-554.
- Boeri, T. (1994), 'Transitional Unemployment', *Economics of Transition*, 2, 1-25.
- Bornstein, Morris (1994), 'Russia's Mass Privatization Program', *Communist Economies and Economic Transformation*, 6 (4), 419-457.

- Bova, Russell (1997), 'Democracy and Liberty: the Cultural Connection', *Journal of Democracy*, 8 (1), 112-126.
- Bowles, Samuel and Herbert Gintis (1996), 'Efficient Redistribution: New Rules for Markets, States and Communities', *Politics and Society*, 24 (4), 307-342.
- Bozdag, Abidin (1992), 'Crisis and Democracy in Kirgizia', *Aussenpolitik* III, 277-286
- Brada, Josef C. et al. (1995), 'The Role of the International Financial Institutions in Central and Eastern Europe', *Journal of Contemporary Economics*, 20 (1), 49-56
- Brady, Rose and Peter Galuszka (1993), 'The Scramble for Oil's Last Frontiers', *Business Week* (January), 42-44.
- Bremmer, Ian and Cory Welt (1995), 'Kazakstan's Quandry', *Journal of Democracy*, 6 (3), 139-154.
- Bremmer, Ian and Ray Taras (eds.) (1993). *Nations and Politics in the Soviet Successor States*. Cambridge: Cambridge UP.
- Brohman, John (1995), 'Universalism, Eurocentrism, and Ideological Bias in Development Studies: from modernization to neo-liberalism', *Third World Quarterly*, 16 (1), 121-140.
- (1995), 'Economism and Critical Silences in Development Studies: a theoretical critique of neo-liberalism', *Third World Quarterly*, 16 (2), 297-318.
- Brown, Lester R. (1991), 'The Aral Sea: going, going, ...', *World Watch*, 4 (January-February), 20-27.
- Bruszt, Laszlo (1988), 'Without Us but for Us? Political Orientation in Hungary in the Period of Late Paternalism', *Social Research*, 55 (1), 43-76.
- Budryte, Dovile and Michelle Duplissis (1997), 'In Search of Happiness in the West? Exploring the Issues Related to Women's Migration, Gender Identity, and Societal Security in Lithuania and Mexico', paper presented to the International Studies Association, Toronto, March 1997, *unpublished*.
- Bunce, Valerie (1995), 'Comparing East and South', *Journal of Democracy*, 6 (3), 87-100.
- Butora, Martin and Zora Butorova (1999), 'Slovakia's Democratic Awakening', *Journal of Democracy*, 10 (1), 80-95.

- Butorova, Zora and Martin Butora (1995), 'Political Parties, Value Orientations and Slovakia's Road to Independence', in Gordon Wightman (ed.).
- Camdessus, Michel (1992) *Economic Transformation in the Fifteen republics of the Former USSR: A Challenge or an Opportunity for the World?* Washington, DC International Monetary Fund.
- Campbell, Robert W. (1993), 'Economic Reform in the USSR and its Successor States', in Islam and Mandelbaum (eds.).
- Cantori, Louis and Steven Spiegel (eds.) (1970). *The International Politics of Regions* Englewood Cliffs, NJ: Prentice-Hall.
- Centre for the Study of Public Policy (1994). *Nationalities in the Baltic States: A Survey Study*. Glasgow: Studies in Public Policy, No. 222.
- (1995). *New Baltic Barometer II--A Survey Study*. Glasgow: Studies in Public Policy, No. 251.
- (1997). *New Baltic Barometer III--A Survey Study*. Glasgow: Studies in Public Policy, No. 284.
- Chilosi, Alberto (1993), 'Economic Transition and the Unemployment Issue', *Economic Systems*, 17 (1), 63-78.
- Clark, Terry D. (1997), 'In Defense of Primordialism: The Lithuanian Case', paper presented to the International Studies Association, Toronto, March 1997, *unpublished*.
- (1995), 'The Lithuanian Political Party System: A Case Study of Democratic Consolidation', *East European Politics and Societies*, 9 (1), 41-62.
- Coady, C.A.J. (1992). *Testimony*. Oxford: Clarendon Press.
- Cohen, Ariel (1995), 'Crime Without Punishment', *Journal of Democracy*, 6 (2), 34-45.
- Cohen, Jean L. and Andrew Arato (1992). *Civil Society and Political Theory*. Cambridge, MA: MIT Press.
- Cohen, Stephen (1982). *An End to Silence: Uncensored Opinion in the Soviet Union*. New York: W.W. Norton.
- Colomer, Joseph M. (1995), 'Strategies and Outcomes in Eastern Europe', *Journal of Democracy*, 6 (2), 174-185.

- Cornelius, Peter K. (1995). 'Unemployment During Transition: The Experience in the Baltic Countries', *Communist Economies and Economic Transformation*, 7 (4), 445-464.
- Cox, Michael (1995), 'Whatever Happened to the New World Order?', *Critique* 25, 85-95.
- Cox, Robert W (1987). *Production, Power and World Order: Social Forces in the Making of History*. New York: Columbia UP
- (1983), 'Gramsci, Hegemony, and International Relations: an essay in method', *Millennium*, 12 (2), 162-175.
- Csabsa, Lazlo (1996), 'The Political Economy of the Reform Strategy: China and Eastern Europe Compared', *Communist Economies and Economic Transformation*, 8 (1), 53-66.
- Dahl, Robert (1995), 'The Newer Democracies: From the Time of Triumph to the Time of Trouble', in Nelson (ed.).
- (1985). *A Preface to Economic Democracy*. Cambridge: Polity Press.
- (1971). *Polyarchy: Participation and Opposition*. New Haven: Yale UP.
- Dahrendorf, Ralf (1991). *Reflections on the Revolution in Europe*. Toronto: Random House.
- Danahen, Kevin (ed.) (1994). *50 Years is Enough: The Case Against the World Bank and the International Monetary Fund*. Boston: South End Press.
- Dasgupta, Partha (1988), 'Trust as a Commodity', in Gambetta (ed.).
- Delamaide, Darrell (1994). *The New Superregions of Europe*. New York: Penguin Group.
- Dellenbrant, Jan Ake (1994a), 'The Reemergence of Multi-Partyism in the Baltic States', in Berglund and Dellenbrant (eds.).
- (1994b), 'Romania: The Slow Revolution', in Berglund and Dellenbrant (eds.).
- Desai, Podima (1995), 'Beyond Shock Therapy', *Journal of Democracy*, 6 (2), 102-112.
- Devlin, John F. (1994), 'The New World Disorder: Towards Managed Trade and Economic Partnership for the Next Century', in Swatuk and Shaw (eds.).

- Diamond, Larry (1996), 'Is The Third Wave Over?', *Journal of Democracy*, 7 (3), 20-37
- Diuk, Nadia and Adrian Karatnycky (1993). *New Nations Rising: the Fall of the Soviets and the Challenge of Independence*. New York: John Wiley.
- Dlaboha, Ihor (1997), 'Chornobyl, 1986-1996', *ABN Correspondence*, 47 (1-2), 9-19
- Dollar, David (1994), 'Macroeconomic Management and the Transition to the Market in Vietnam', *Journal of Contemporary Economics*, 18 (3), 357-375.
- Dorraj, Manochehr (1994), 'Privatization, Democratization and Development in the Third World: Lessons of a Turbulent Decade', *Journal of Developing Societies*, 10 (2), 173-185.
- Drabek, Zdenek (1995), 'IMF and IBRD Policies in the Former Czechoslovakia', *Journal of Contemporary Economics*, 20 (2), 235-264.
- Drakulic, Slavenka (1996). *Café Europa: Life After Communism*. London: Little, Brown and Company.
- Dunn, John (1988), 'Trust and Political Agency', in Gambetta (ed.).
- Dyker, Donald A. (1994), 'Technology Policy and the Productivity Crisis in Eastern Europe and the Former Soviet Union', *Economic Systems*, 18 (2), 71-85.
- Eamets, Raul (1994), 'Labour Markets and Employment Issues in Transition Economies: The Case of Estonia', *Communist Economies and Economic Transformation*, 6 (1), 55-73.
- Eisenstadt, S.N. (1966). *Modernization: Protest and Change*. Englewood Cliffs, N.J.: Prentice-Hall.
- Ekes, Idiko (1995), 'The Hidden Economy and Income: The Hungarian Experience', *Economic Systems*, 18 (4), 309-334.
- Ellman, Michael (1994), 'Transformation, Depression and Economics: Some Lessons', *Journal of Comparative Economics*, 19, 1-21.
- (1994), 'System Change in Eastern Europe: Lessons of the First Four Years', *Journal of Contemporary Economics* (special issue), 19 (1).
- European Bank for Reconstruction and Development (1997). *Transition Report Update*. London: EBRD.
- European Commission (1995). *Central and Eastern Eurobarometer: Public Opinion*

and the European Union Brussels Directorate General--Survey Unit.

--- (1996) *Central and Eastern Eurobarometer: Public Opinion and the European Union*. Brussels: Directorate General--Survey Unit.

Evans, Judith et al. (1995). 'Review of Child Care Developments in Eastern Europe', paper presented at World bank Conference (Gender in Transition), Bucharest, 1995, *unpublished*.

Fairbanks, Charles H. Jr. (1994). 'The Politics of Resentment', *Journal of Democracy*, 5 (2), 35-41.

Feld, Werner and Gavin Boyd (eds.) (1980). *Comparative Regional Systems*. New York: Pergamon Press.

Feltenstein, Andrew (1994). 'The Uncertainty of Economic Success When Economic Regimes Are Uncertain: A Study of Transition Periods', *Journal of Contemporary Economics*, 19 (2), 217-236.

Fish, Steven M. (1995). 'Democracy Begins to Emerge', *Current History: A Journal of Contemporary World Affairs*, 94 (594), 317-321

Fisher, Mary Ellen (ed.) (1996). *Establishing Democracies*. Boulder, CO: Westview Press.

Fisher, Mary Ellen (1996a), 'Introduction', in Fisher (ed.).

--- (1996b), 'Conclusion', in Fisher (ed.).

--- (1996c), 'Rumania: The Anguish of Postcommunist Politics', in Fisher (ed.).

Fisher, Sharon (1996), 'Where Are They Now?', *Transition*, 2 (9), 36-39.

Foley, Michael W. and Bob Edwards (1997), 'The Paradox of Civil Society', *Journal of Democracy*, 8 (2), 38-52.

Fox, Louise and Monica Fong (1995), 'Gender Dimensions of Old Age Poverty and Pension Reform in the FSU', paper presented at World Bank conference (Gender in Transition), Bucharest, 1995, *unpublished*.

Freeman, Chris (1994), 'Postscript', *Economic Systems*, 18 (2), 215-219.

Friedman, Edward (ed.) (1994). *Generalizing East Asian Experiences*. Boulder, CO: Westview Press.

- Friedman, Edward (1994a). 'Democratization: Generalizing the East Asian Experience', in Friedman (ed.).
- (1994b). 'Conclusion', in Friedman (ed.).
- Fukuyama, Francis (1995). *Trust: The Social Virtues and the Creation of Prosperity*. London: Hamish Hamilton.
- (1995). 'The Primacy of Culture', *Journal of Democracy*, 6 (1), 7-14.
- (1989). 'The End of History?', *The National Interest*, 16, 3-18.
- Gambetta, Diego (ed.) (1988). *Trust: Making and Breaking Cooperative Relations*. New York: Basil Blackwell.
- Gambetta, Diego (1988). 'Mafia: the Price of Distrust', in Gambetta (ed.).
- (1988). 'Can We Trust Trust?', in Gambetta (ed.).
- Garfinkel, Harold (1963). 'A Conception of, and Experiments with, Trust as a Condition of Stable Concerted Actions', in Harvey (ed.).
- Gati, Charles (1996). 'If Not Democracy, What? Leaders, Laggards, and Losers in the Post-Communist World', in Michael Mandelbaum (ed.).
- (1996). 'The Mirage of Democracy', *Transition*, 2 (6), 6-12.
- Gebethner, Stanislaw (1996). 'Proportional Representation Versus Majoritarian Systems: Free Elections and Political Parties in Poland, 1989-1991', in Lijphart and Waisman (eds.).
- Gellner, Ernest (1995). 'The Importance of Being Modular', in Hall (ed.).
- (1988). 'Trust, Cohesion and the Social Order', in Gambetta (ed.).
- Gernius, Saulius (1996). 'Cooperation Within the Baltic Grows, but Moscow's Shadow Lingers', *Transition*, 2 (3), 32-35.
- (1996). 'Caretaker Government Faces Financial Crisis', *Transition*, 2 (10), 39-42.
- (1996). 'Reaching West While Eyeing Russia', *Transition: 1994 in Review*, Part I, 14-18.
- Gharabaghi, Kiaras (1994). 'Development Strategies for Central Asia in the 1990s: in search for alternatives', *Third World Quarterly*, 15 (1), 103-120.

- Gibson, David G. (1996). 'High Public Confidence in the Church', *Transition*, 2 (7), 27
- Gill, Stephen and David Law (1988). *The Global Political Economy: Perspectives, Problems and Policies*. UK. Harvester Wheatsheaf.
- Gill, Stephen (1990) *American Hegemony and the Trilateral Commission* Cambridge Cambridge UP.
- Gokhberg, Lenoid (1994). 'Basic Research in Russia: Human Resources and Funding', *Economic Systems*, 18 (2), 159-178.
- Goldman, Marshall I. (1995). 'Is This Any Way to Create a Market Economy?', *Current History: A Journal of Contemporary World Affairs*, 94 (594), 305-310.
- Golub, Roman (1992). 'The Caspian/Khazar Sea', *Environmental Policy Review*, 6 (spring), 1-10.
- Gorecki, Brunan (1994). 'Evidence of a New Shape of Income Distribution in Poland', *Eastern European Economics*, 32 (3), 32-51.
- Gorst, Isabel (1991). 'Back to Baku Development', *Petroleum Economist*, 58 (december), 14-17.
- Government of Lithuania (1999). *Investment Guide*. Vilnius: Department of Statistics.
- (1999). *Foreign Trade of Lithuania*. Vilnius: Department of Statistics.
- (1997). *International Crime Victim Survey In Lithuania, 1997*. Vilnius: Ministry of Justice--Institute of Law.
- (1995). *Information on Unemployment*. Vilnius: Department of Statistics.
- (1995). *Situation in Labour Market and Organization of Employment Service in Lithuania*. Vilnius: Lithuanian Labour Exchange.
- Govier, Trudy (1997). *Social Trust and Human Communities*. Montreal: McGill-Queen's University Press.
- (ed.) (1988). *Selected Issues in Logic and Communications*. Belmont, CA: Wadsworth Press.
- Gowan, Peter (1995). 'Neoliberal Theory and Practice for Eastern Europe', *New Left Review*, No. 213 (September/October), 3-59.

- Graham, Lawrence S. and Robert H. Wilson (eds.) (1990). *The Political Economy of Brazil: Public Policies in an Era of Transition*. Austin: University of Texas Press
- Gray, Malcolm (1994), 'Mob Rule', *MacLean's*, (May30), 16-17.
- (1994), 'Capitalist Crimes', *MacLean's*, (January 10), 17
- Gray, Michael (1995), 'Russia Fights Crime and Corruption', *Transition*, 6 (11-12), 7-8
- Grennes, Thomas (1994), 'The Lithuanian Economy in Transition', *Lituanos*, (3), 15-42
- Grieve, Malcolm (1995), 'Buying Security After the Cold War: What Price Peace?', *International Insights: a Dalhousie Journal of International Affairs*, 11 (2), 83-98.
- Griffiths, Ann L. (1997). *Creating Sustainable Democracy? Canadian Policy in the Visegrád Countries in the Post-Cold War Period*. Halifax: Dalhousie University, unpublished / Ph.D. Thesis.
- Grossman, Gregory (1977), 'The Second Economy of the USSR', *Problems of Communism*, (September-October), 25-40.
- Gruchelski, Marek (1994), 'Evaluation of the Government Program', *Eastern European Economics*, 32 (2), 50-70.
- Grzybowski, Marian (1994), 'The Transition to Competitive Pluralism in Hungary', in Berglund and Dellenbrant (eds.).
- Gunther, Richard et al. (1996), 'O'Donnell's Illusions: A Rejoinder', *Journal of Democracy*, 7 (4), 151-159.
- Hall, John A. (ed.) (1995). *Civil Society: Theory, History, Comparison*. Cambridge, UK: Polity Press.
- Hall, John A. (1995), 'In Search of Civil Society', in Hall (ed.).
- Hamilton, Nora and Eun Mee Kim (1993), 'Economic and Political Liberalization in Mexico and South Korea', *Third World Quarterly*, 14 (1), 109-139.
- Handelman, Stephen (1994). *Comrade Criminal: The Theft of the Second Russian Revolution*. London: Penguin.
- (1994), 'The Russian Mafiya', *Foreign Affairs*, 73 (2), 83-96.

- Hannam, Peter (1994), 'Shysters on the Mongolian Frontier', *Financial Post* (June 18), 71.
- Hardin, Russell (1993), 'The Street-Level Epistemology of Trust', *Politics and Society*, 21 (4), December, 505-529.
- (1991), 'Trusting Persons, Trusting Institutions', in Zeckhauser (ed.).
- Hardwig, John (1988), 'Depending on Experts', in Govier (ed.).
- Harvey, O.J. (ed.) (1963) *Motivation and Social Interaction*. New York: Rival Press
- Hausknecht, Murray (1992), 'On Politics and Trust: a Growing Problem of Modern Life', *Dissent* 39 (4), 456-460.
- Havel, Vaclav and Vaclav Klaus (1997), 'Civil Society After Communism: Rival Visions', *Journal of Democracy*, 8 (2), 12-23.
- Havel, Vaclav (1995), 'Democracy's Forgotten Dimension', *Journal of Democracy*, 6 (2), 3-10.
- Hersh, Seymour M. (1994), 'The Wild East', *The Atlantic Monthly* (June), 61-86.
- Hettne, Bjorn (ed.) (1995). *International Political Economy: Understanding Global Disorder*. London: Zed Books.
- Hibbing, John R. and Samuel C. Patterson (1994), 'Public Trust in the New Parliaments of Central and Eastern Europe', *Political Studies*, XLII, 570-592.
- Hicks, James F. and Bartlomiej Kaminski (1995), 'Local Government Reform and Transition from Communism: the Case of Poland', *Journal of Developing Societies*, 11 (1), 1-20.
- Higley, John et al. (1996), 'The Persistence of Post-Communist Elites', *Journal of Democracy*, 7 (2), 133-147.
- Hill, Ronald J. (1993), 'The Soviet Union: From Federation to Commonwealth', *Regional Politics and Policy: an international journal*, 3 (1), 96-122.
- Hoerl, Hermann W. (1995), 'Theoretical Underpinnings and the Transition in Eastern Europe: An Austrian View', *Economic Systems*, 19 (1), 59-77.
- Holmes, Stephen (1996), 'Cultural Legacies or State Collapse? Probing the Post-Communist Dilemma', in Michael Mandelbaum (ed.).

- Holt, Sharon (1995), 'Gender and Agrarian Reform', paper presented at World Bank conference (Gender in Transition), Bucharest, 1995, *unpublished*.
- Hunter, Shireen T. (1994). *The Transcaucasus in Transition: Nation-Building and Conflict*. Washington, DC. The Centre for Strategic and International Studies.
- Huntington, Samuel (1997), 'After Twenty Years The Future of the Third Wave', *Journal of Democracy*, 8 (4), 3-12.
- (1996), 'Democracy for the Long Haul', *Journal of Democracy*, 7 (2), 3-13.
- (1968). *Political Order in Changing Societies*. New Haven Yale UP
- Huskey, Gene (1993), 'Kyrgyzstan: the Politics of Demographic and Economic Frustration', in Ian Bremmer and Ray Taras (eds.)
- Hussain, Aasim M. (1994), 'Private Sector Development in Economies in Transition', *Journal of Contemporary Economics*, 19 (2), 260-271.
- HWWA-Institut Hamburg (1995), 'Estland, Lettland, Litauen: Der reformprozess und Seine Okonomisch-Sozialen Begleiterscheinungen', *Osteuropa-Wirtschaft*, 40 (2), 104-115.
- Hyman, Anthony (1994). *Power and Politics in Central Asia's New Republics*. London: Research Institute for the Study of Conflict and Terrorism.
- (1993), 'Moving Out of Moscow's Orbit: the Outlook for Central Asia', *International Affairs*, 69 (2), 289-305.
- Ihonvbere, Julius O. (1994), 'Political Conditionality and Prospects of recovery in Sub-Saharan Africa', in Swatuk and Shaw (eds.).
- Inglehart, Ronald (1997). *Modernization and Postmodernization: Cultural, Economic and Political Change in 43 Societies*. Princeton: Princeton UP.
- (1988), 'The Renaissance of Political Culture', *American Political Science Review*, 82 (4), December, 1203-1230.
- (1977). *The Silent Revolution: Changing Values and Political Styles Among Western Publics*. Princeton: Princeton UP.
- (1971), 'The Silent Revolution in Europe: Intergenerational Change in Post-Industrial Societies', *American Political Science Review*, 65 (4), December, 991-1017.
- Inglot, Tomasz (1995), 'The Politics of Social Policy Reform in Post-Communist Poland:

- Popular beliefs and their Underpinnings'. *Communist and Post-Communist Studies*, 28 (3), 361-373
- Inkeles, Alex (1998), 'Surveying Postmaterialism', *Journal of Democracy*, 9 (1), 175-181
- International Monetary Fund (1994a). *World Economic Outlook* Washington, DC International Monetary Fund (May).
- (1994b). *World Economic Outlook*. Washington, DC: International Monetary Fund (October).
- (1993). *Annual Report*. Washington, DC: International Monetary Fund.
- (1992). *Economic Review: Common Issues and Interrepublican Relations in the Former USSR*. Washington, DC: International Monetary Fund.
- (1991). *Annual Report*. Washington, DC: International Monetary Fund.
- Inzelt, Anna Maria (1994), 'Privatization and Innovation in Hungary: First Experiences', *Economic Systems*, 18 (2), 141-158.
- Islam, Shafiqul and Michael Mandelbaum (eds.) (1993). *Making Markets: Economic Transformation in Eastern Europe and the Post-Soviet States*. New York: Council of Foreign Relations.
- Islam, Shafiqul (1993), 'Conclusions: Problems of Planning a Market Economy', in Islam and Mandelbaum (eds.).
- Jakubauskas, Edward B. (1996), 'A Framework for Sustained Economic Growth in Lithuania', *Baltic Studies Newsletter*, No. 80 (December), 1-4.
- Jasinski, Andrej (1994), 'R & D and Innovation in Poland During the Transition Period', *Economic Systems*, 18 (2), 117-140.
- Jingjie, Li (1994), 'The Characteristics of Chinese and Russian Economic Reform', *Journal of Comparative Economics*, 18 (3), 309-313.
- Joenniemi, Pertti (1997), 'Security Around the Baltic Rim: On the Inflation of a Core Concept', paper presented to the International Studies Association, Toronto, March 1997, *unpublished*.
- Johnson, Peter (1993). *Frames of Deceit: A Study of the Loss and Recovery of Public and Private Trust*. Cambridge, UK: Cambridge UP.
- Juncar-Webster, Barbara (ed.) (1993). *Environmental Action in Eastern Europe:*

Responses to Crises. New York: M.E. Sharpe.

- Kagarlitzky, Boris (1995). *Restoration in Russia: Why Capitalism Failed*. (translated by Renfrew Clarke). London: Verso Books.
- Kagedan, Allen I. (1994), 'C.I.S. R.I.P.?' in David H. Goldberg and Paul Marantz (eds.), *The Decline of the Soviet Union and the Transformation of the Middle East*. Boulder: Westview Press.
- Kajzev, Alenka (1995). 'The Real Wage Employment Relationship and Unemployment in Transition Economies', *Eastern European Economics*, 33 (4), 55-78
- Kaldor, Mary and Ivan Vejvoda (1997). 'Democratization in Central and East European Countries', *International Affairs*, 73 (1), 59-82.
- Kaminski, Bartlomiej, Zhen Kun Wang and L. Alan Winters (1995), 'Trade Performance Depends on Bold Reform', *Transition*, 6 (9-10), 17-19.
- Karasimeonov, Georgi (1995), 'Differentiation Postponed: Party Pluralism in Bulgaria', in Gordon Wightman (ed.).
- Karatnycky, Adrian (1995), 'Ukraine at the Crossroads', *Journal of Democracy*, 6 (1), 117-130.
- Katsenelinboigen, A. (1977), 'Coloured Markets in the Soviet Union', *Soviet Studies*, 29 (1), 62-85.
- Kaufman, Dael (1997), 'Desperately Seeking Economic Recovery: Why is Ukraine's Economy--and Russia's--not Growing?', *Transition* (April), 5-8.
- Kay, Cristobal (1993), 'For a Renewal of Development Studies: Latin American Theories and Neo-Liberalism in the Era of Structural Adjustment', *Third World Quarterly*, 14 (4), 691-702.
- Kekic, Laza (1995), 'Quotation of the Month: The IMF's Role in the Transition has Come Under Increasing Scrutiny', *Transition*, 6 (9-10), 15-17.
- Kennedy, Peter (1994), 'Cameco Moves Into Gold', *The Financial Post* (November 12), 13.
- Kirkpatrick, Colin and Ziya Onis (1991), 'Turkey', in Paul Mosley et al. (eds.).
- Kiss, Karoly and Volodimir R. Sidenko (1993), 'Ukraine on the Way Toward Economic Stabilization and Independence', *Eastern European Economics*, 31 (2), 65-93.

- Kopits, George (1994), 'Midway in the Transition', *Eastern European Economics*, 32 (6), 29-55
- Kosmarskii, V. et al. (1991), 'Attitude of the Population Toward the Prospect of Making the Transition to a Market', *Problems of Economics*, 33 (April), 52-59
- Kostelecky, Tomas (1995), 'Changing Party Allegiances in a Changing Party System the 1990 and 1992 Parliamentary Elections in the Czech Republic', in Gordon Wightman (ed.).
- Kovacs, Andras (1996), 'Did the Losers Really Win? An Analysis of Electoral Behaviour in Hungary in 1994', *Social Research*, 63 (2), 511-530.
- Krol, Marcin (1995), 'Where East Meets West', *Journal of Democracy*, 6 (1), 37-43
- Krueger, Anne O. (1995). *Trade Policies and Developing Nations*. Washington, DC The Brookings Institution.
- Kubicek, Paul (1997), 'Regionalism, Nationalism, and Realpolitik in Central Asia', *Europe-Asia Studies*, 49 (4), 637-655.
- Lagerspetz, Olli (1998). *Trust: The Tacit Demand*. Norwell, MA: Kluwer Academic Publishers.
- Lainela, Seija (1994), 'Private Sector Development and Liberalization in the Baltic Countries', *Communist Economies and Economic Transformation*, 6 (2), 175-186.
- Lane, Timothy D. (1994), 'Wage Controls and Employment in Economies in Transition', *Journal of Contemporary Economics*, 19 (2), 171-187.
- Langhammer, Rolf J. and Ulrich Hiemenz (1990). *Regional Integration among Developing Countries*. Boulder: Westview Press.
- Lavigue, Marie (1995). *The Economics of Transition: From Socialist Economy to Market Economy*. New York: St. Martin's Press.
- Lee, Rensselaer and Scott B. MacDonald (1993), 'Drugs in the East', *Foreign Policy*, No. 90 (Spring), 89-107.
- Lee, Rensselaer (1995), 'Post-Soviet Nuclear Trafficking: Myths, Half-Truths and the Reality', *Current History: A Journal of Contemporary World Affairs*, 94 (594), 343-348.
- (1994), 'Russia's New Drug Threats', *Eurasian Reports*, 4 (1), 33-50.

- Leftwich, Adrian (1993), 'Governance, Democracy and Development in the Third World', *Third World Quarterly*, 14 (3), 605-624.
- (1992), 'Is There a Socialist Path to Socialism?', *Third World Quarterly*, 13 (1), 27-42.
- Leitzei, Jim, Clifford Gaddy and Michael Alexeev (1995), 'Mafiosi and Matrioshki. Organized Crime and Russian Reform', *The Brookings Review* (Winter), 26-29.
- Levi, Margaret (1996), 'Social and Unsocial Capital: A Review Essay on Robert Putnam's Making Democracy Work', *Politics and Society*, 24 (1), 45-55.
- LeVine, Steve et al. (1993), 'A Long Bloody Summer', *Newsweek* (August 30), 38-39.
- Lewis, Paul G. (1995), 'Poland's New Parties in the Post-Communist Political System', in Gordon Wightman (ed.).
- Lieberman, Ira W. et al. (eds.) (1995). *Mass Privatization in Central and Eastern Europe and the Former Soviet Union: A Comparative Analysis*. Washington, DC: The World Bank.
- Lijphart, Arend (1989), 'The Structure of Inference', in Almond and Verba (eds.).
- Lijphart, Arend and Carlos H. Waisman (eds.) (1996). *Institutional Design in New Democracies: Eastern Europe and Latin America*. Boulder, CO: Westview Press.
- (1996), 'The Design of Democracies and Markets: Generalizing Across Regions', in Lijphart and Waisman (eds.).
- (1996), 'Institutional Design and Democratization', in Lijphart and Waisman (eds.).
- Linz, Juan L. and Alfred Stepan (1996), 'Toward Consolidated Democracies', *Journal of Democracy*, 7 (2), 14-33.
- Lomax, Bill (1995), 'Impediments to Democratization in Post-Communist East-Central Europe', in Gordon Wightman (ed.).
- (1995), 'From Death to Resurrection: The Metamorphosis of Power in Eastern Europe', *Critique* 25, 47-83.
- Luhmann, Niklas (1988), 'Familiarity, Confidence, Trust: Problems and Alternatives', in Gambetta (ed.).

- (1979). *Trust and Power*. (trans By H. Davies et al.) London: John Wiley and Sons.
- Lummis, Douglas C. (1996). *Radical Democracy*. Ithaca, NY: Cornell UP
- MacLean, Sandra J. (1997). *NGO Partnerships and Sustainable Democratic Development With Lessons from a Canadian-Zimbabwean Case Study*. Halifax: Dalhousie University, unpublished / Ph.D Thesis
- Macpherson, C.B. (1977). *The Life and Times of Liberal Democracy*. Oxford: Oxford UP.
- Mandelbaum, Michael (ed.) (1996). *Post-Communism: Four Perspectives*. New York: Council on Foreign Relations.
- (1996). 'Introduction', in Michael Mandelman (ed.).
- (ed.). *Central Asia and the World*. New York: Council on Foreign Relations.
- (1993). 'Introduction', in Islam and Mandelbaum (eds).
- Marer, Paul (1993). 'Economic Transformation in Central and Eastern Europe', in Islam and Mandelbaum (eds.).
- Markus, Ustina et al. (1996), 'In the Baltics and Western CIS. Soaring Crime Challenges Revamped Security Forces', *Transition* (February), 10-15.
- Markowski, Stefan and Sharon Jackson (1994), 'The Attractiveness of Poland to Direct Foreign Investors', *Communist Economies and Economic Transformation*, 6 (4), 515-535.
- Marnie, Sheila and Albert Motivans (1995), 'Women in the Labour Market and Female Unemployment in the FSU', paper presented at World Bank conference (Gender in Transition), Bucharest, 1995, *unpublished*.
- Martin, Lind G. (1987). *The ASEAN Success Story: Social, Economic, and Political Dimensions*. Honolulu: University of Hawaii Press.
- Masland, Tom et al. (1994), 'For Sale', *Newsweek* (August 29), 30-32.
- McAuley, Alastair (1994), 'Poverty and Anti-Poverty in a Quasi-Developed Society: the Case of Uzbekistan', *Communist Economies and Economic Transformation*, 6 (2), 187-201.
- McFaul, Michael (1994), 'Is Russian Democracy Doomed?', *Journal of Democracy*, 5 (2), 4-9.

- Melowinsky, Ivan (1997), 'The Chornobyl Nuclear Catastrophe and the High Risk Potential of Mental Retardation', *ABN Correspondence*, 47 (1-2), 20-26.
- Meyer, Stephen M. (1995), 'The Devolution of Russian Military Power', *Current History: A Journal of Contemporary World Affairs*, 94 (594), 322-328.
- Michalopoulos, Constantine (1993). *Trade Issues in the New Independent States*. Washington, DC: The World Bank.
- Miliband, Ralph (1996), 'The New World Order and the Left', *Social Justice: a journal of crime, conflict and world order*, 23 (1-2), 14-20.
- (1994). *Socialism for a Skeptical Age*. London: Verso Books.
- Miniotaite, Grazina (1997), 'Lithuania: Towards the European Security Community', paper presented to the International Studies Association, Toronto, March 1997. *unpublished*.
- Mirovitskaya, Natalia (1994), 'Socialism and the Tragedy of the Commons: Reflections on Environmental Practice in the Soviet Union/Russia', paper presented to the International Studies Association, Washington, DC, March-April 1994. *unpublished*.
- Mishler, William and Richard Rose (1997), 'Trust, Distrust and Skepticism: Popular Evaluations of Civil and Political Institutions in Post-Communist Societies'. *The Journal of Politics*, 59 (2), May, 418-451.
- Mittleman, James H. (1994), 'The End of a Millennium: Changing Structures of World Order and the Post-Cold War Division of Labour', in Swatuk and Shaw (eds.).
- Molyneux, Maxine (1994), 'Women's Rights and the International Context: Some Reflections on the Post-Communist States', *Millennium*, 23 (2), 287-313.
- Morton, Kathryn and Peer Tulloch (1977). *Trade and Developing Countries*. London: Overseas Development Institute.
- Morvant, Penny (1955), 'Unemployment: A Growing Problem', *Transition*, 1 (6), 46-50.
- Mosley, Paul et al. (1991). *Aid and Power: The World Bank and Policy-Based Lending, Volume 1*. London: Routledge.
- Mosley, Paul et al. (eds.) (1991). *Aid and Power: The World Bank and Policy-Based Lending, Volume 2*. London: Routledge.

- Mosley, Paul (1987). *Conditionality as Bargaining Process: Structural Adjustment Lending, 1980-1986*. Princeton: Princeton UP.
- Mouffe, Chantal (ed.) (1992). *Dimensions of Radical Democracy: Pluralism, Citizenship, Community*. London: Verso.
- Mouzelis, Nicos (1995). 'Modernity, Late Development and Civil Society', in Hall (ed.).
- Muiznieks, Nils (1993). 'Latvia: origins, evolution and triumph', in Ian Bremmer and Ray Taras (eds.).
- Murphy, Craig and Roger Tooze (eds.) (1991). *The New International Political Economy*. Boulder: Lynne Rienner Publishers.
- Naylor, R.T. (1995). 'Loose Cannons: Covert Commerce and Underground Finance in the Modern Black Arms Market', *Crime, Law, and Social Change*, 22, 1-57.
- (1994). *Hot Money and the Politics of Debt*. Montreal: Black Rose Books.
- Nelson, Daniel N. (1996). 'Civil Society Endangered', *Social Research*, 63 (2), Summer, 345-368.
- (ed.) (1995). *After Authoritarianism: Democracy or Disorder?* Westport, CN: Greenwood Press.
- (1995). 'Syndromes of Public Withdrawal in Post-Communism', *Transition* 6 (1-2), 13-15.
- (1995a). 'Introduction: After Authoritarianism', in Nelson (ed.).
- (1995b). 'The Rise of Public Legitimation in the Soviet Union and Eastern Europe', in Nelson (ed.).
- (1995c). 'Conclusion: In the Pursuit of Democracy and Security', in Nelson (ed.).
- Newell, Andrew and Barry Reilly (1995). 'The Gender Wage Gap in Russia', paper presented at World Bank conference (Gender in Transition), Bucharest, 1995, *unpublished*.
- Nikolic, Milos (1996). 'East-Central Europe: Transition to a Market Economy and Democracy', *Social Justice: a journal of crime, conflict and world order*, 23 (1-2), 101-119.
- Nitzova, Petya (1997). 'Bulgaria: Minorities, Democratization, and National Sentiments', *Nationalities Papers*, 25 (4), 729-739.

- Nodia, Ghia (1996), 'How Different are Post-Communist Transitions?', *Journal of Democracy*, 7 (4), 15-29.
- (1995), 'Georgia's Identity Crisis', *Journal of Democracy*, 6 (1), 104-116.
- Norgaard, Ole. Lars Johansen and Anette Pedersen (1994), 'Lithuania', in Bogdan Szajkowski (ed.), *Political Parties of Eastern Europe, Russia and the Successor States*. New York: Stockton Press.
- (1994), 'The Baltic Republics Estonia, Latvia and Lithuania: the Development of Multi-Party Systems', in Bgdan Szajkowski (ed.).
- O'Donnell, Guillermo (1998), 'Horizontal Accountability in New Democracies', *Journal of Democracy*, 9 (3), 112-126.
- (1996), 'Illusions and Conceptual Flaws', *Journal of Democracy*, 7 (4), 160-168.
- (1996), 'Illusions About Consolidation', *Journal of Democracy*, 7 (2), 34-48.
- (1995), 'Do Economists Know Best?', *Journal of Democracy*, 6 (1), 23-28.
- Odum, William E. and Robert Oujarric (1995). *Commonwealth or Empire: Russia, Central Asia, and the Transcaucasus*. Indianapolis: Hudson Institute.
- Offe, Claus (1993), 'The Politics of Social Policy in East European Transitions: Antecedents, Agents and Agenda of Reform', *Social Research*, 60 (4), 649-684.
- (1991), 'Capitalism by Democratic Design? Democratic Theory Facing the Triple Transition in Eastern Europe', *Social Research*, 58 (4), 865-892.
- Okas, Argudas (1995), 'Lithuania's Health Care--In Need of Care?', *The Baltic Observer*, (August 24-30), 19.
- Olcott, Martha (1996). *Central Asia's New States: Independence, Foreign Policy and Regional Security*. Washington, DC: United States Institute for Peace.
- (1992), 'Central Asia's Post-Empire Politics', *Orbis* (Spring), 253-268.
- Onis, Ziya (1995), 'Turkey in the Post-Cold War Era: In Search of Identity', *Middle East Journal*, 49 (1), 48-68.
- Ordeshook, Peter C. (1995), 'Institutions and Incentives', *Journal of Democracy*, 6 (2), 46-60.

- Organization for Economic Co-operation and Development (1993). *Trends in International Migration: Annual Report*. Paris: OECD.
- Pateman, Carol (1989). 'The Civic Culture: A Philosophic Critique', in Almond and Verba (eds.).
- (1970) *Participation and Democratic Theory*. Cambridge: Cambridge UP.
- Petersen, D.J. (1993). *Troubled Lands: The Legacy of Soviet Environmental Destruction*. Boulder: Westview Press.
- Petras, James (1995). 'Eastern Europe: Restoration and Crisis', *Critique* 25, 13-45.
- Portes, Richard (1993). 'From Central Planning to a Market Economy', in Islam and Mandelbaum (eds.).
- Pridham, Geoffrey (1995). 'Political Parties and their Strategies in the Transition from Authoritarian Rule: the Comparative Perspective', in Gordon Wightman (ed.).
- Pryde, Philip R. (1991). *Environmental Management in the Soviet Union*. Cambridge: Cambridge UP.
- Przeworski, Adam et al. (1997), 'What Makes Democracies Endure?', *Journal of Democracy*, 8 (4), 39-55.
- Putnam, Robert D. (1993). *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton: Princeton UP.
- Pye, Lucien W. and Sidney Verba (eds.) (1965). *Political Culture and Political Development*. Princeton, NJ: Princeton UP.
- Qadir, Shahid et al. (1993), 'Democratization in the Third World: an introduction', *Third World Quarterly*, 14 (3), 415-422.
- Radosevic, Slavo (1994), 'Strategic Technology Policy for Eastern Europe', *Economic Systems*, 18 (2), 87-116.
- Reddaway, Peter (1994), 'Instability and Fragmentation', *Journal of Democracy*, 5 (2), 13-19.
- Reed, Quentin (1995), 'Transition, Dysfunctionality and Change in the Czech and Slovak Republics', *Crime, Law, and Social Change*, 22, 323-337.
- Reisinger, William M., Arthur Miller, and Vicki Hesli (1995), 'Public Behaviour and Political Change in Post-Soviet States', *The Journal of Politics*, 57 (4), November,

941-970.

- Reisinger, William M. et al. (1994). 'Political Values in Russia, Ukraine and Lithuania: Sources and Implications for Democracy', *British Journal of Political Science*, 24, 183-233.
- Resler, Tamara J. (1996). 'Ethnopolitics and the Post-Soviet Transitions: A Comparison of Russia, Ukraine, and Lithuania', paper presented to the International Studies Association, San Diego, April 1996, *unpublished*
- Rhodes, Mark (1995). 'Divisiveness and Doubt Over Economic Reform', *Transition*, 1 (6), 39-41.
- Rodlauer, Markus (1995). 'The Experience with IMF Supported Reform Programs in Central and Eastern Europe', *Journal of Contemporary Economics*, 20 (1), 95-115.
- Roland, Gerarld (1997). 'Political Constraints and the Transition Experience', in Salvatore Zecchini (ed.), *Lessons from the Economic Transition: Central and Eastern Europe in the 1990s*, London: Kluver Academic Publishers.
- Rose, Richard (1999). 'Another Great Transformation', *Journal of Democracy*, 10 (1), 51-56.
- (1997). 'Where Are The Post-Communist Countries Going?', *Journal of Democracy*, 8 (3), 92-108.
- (1994). 'Postcommunism and the Problem of Trust', *Journal of Democracy*, 5 (3), July, 18-30.
- Rose, Richard et al. (1998). *Elections in Central and Eastern Europe Since 1990*. Glasgow: Studies in Public Policy, No. 300.
- Rosenbaum, Walter A. (1975). *Political Culture*. New York: Praeger Publishers.
- Rothchild, Donald (ed.) (1991). *Ghana: The Political Economy of Recovery*. Boulder: Lynne Rienner Publishers.
- Rothchild, Robert L. (1979). *Global Bargaining: UNCTAD and the Quest for a NIEO*. Princeton: Princeton UP.
- Rubin, Barnett R. (1993). 'The Fragmentation of Tajikistan', *Survival*, 35 (4), 71-91.
- Rupnik, Jacques (1999). 'The Post-Communist Divide', *Journal of Democracy*, 10 (1), 57-62.

- (1995), 'The Post-Totalitarian Blues', *Journal of Democracy*, 6 (2), 61-73.
- Rustow, Dankwart A. (1970), 'Transitions to Democracy', *Comparative Politics*, 2 (3), 337-365.
- Sachs, Jeffrey and Wing Thy Woo (eds.) (1994), 'Experiences in the Transition to a Market Economy', *Journal of Contemporary Economics* (special issue), 18 (3)
- Sahasakul, Chaiput et al. (1991), 'Thailand', in Mosley et al. (eds.).
- Samonis, Valdas (1996), 'Lithuania's Economic Transformation: from Moscow to Vilnius and from Plan to Market', *Ost-Europa Wirtschaft*, 41 (February), 141-158
- (1994), 'Hijacking Change in the Post-Communist World? Lessons from Lithuania', *Lituanus* (December), 5-10.
- Sartori, Giovanni (1997), 'Understanding Pluralism', *Journal of Democracy*, 8 (4), 58-69
- Savitskii, V.M. (1995), 'The Criminal Process in Russia in the New Stage of Democratization', *Russian Politics and Law* (July-August), 55-72.
- Schedler, Andreas (1997), 'What is Democratic Consolidation?', *Journal of Democracy*, 9 (2), 91-107.
- Schumpeter, Joseph [1942] (1976). *Capitalism, Socialism, and Democracy*. London: Allen and Unwin.
- Seligman, Adam B. (1997). *The Problem of Trust*. Princeton, NJ: Princeton UP.
- (1995), 'Animadversions upon Civil Society and Civic Virtue in the Last Decade of the Twentieth Century', in Hall (ed.).
- (1992). *The Idea of Civil Society*. New York: The Free Press.
- Senn, Alfred Erich (1996). *The Great Powers, Lithuania, and the Vilnius Question, 1920-1928*. Leiden: E.J. Brill.
- Shaw, Timothy M. (1994), 'The South in the New World (Dis)order: Towards a Political Economy of Third World Foreign Policy in the 1990s', *Third World Quarterly*, 15 (1), 17-30.
- Shaw, Timothy and Larry Swatuk (1994), 'The South at the End of the Twentieth Century: an Overview', in Swatuk and Shaw (eds.).

- Shelley, Lousie I. (1997). 'The Price Tag of Russia's Organized Crime', *Transition* (February), 7-8.
- Sherr, James (1995). 'Russia: Geopolitics and Crime', *The World Today* (February), 32-36
- Shevtsova, Lilia (1995), 'The Two Sides of the New Russia', *Journal of Democracy*, 6 (3), 56-71.
- Sigel, Thomas (1995). 'Bleak Prospects for Foreign Investment', *Transition*, 1 (7), 52-55
- Singer, H.W. et al. (1987). *International Commodity Policy (2 volumes)*. New Delhi: Ashish Publishing House.
- Sire, Ljubo (1995). 'Morality in Economic Life', *Communist Economies and Economic Transformation*, 7 (2), 259-264.
- Smith, Hedrick (1990). *The New Russians*. New York: Random House.
- Smolar, Aleksander (1997), 'From Opposition to Atomization', *Journal of Democracy*, 8 (1), 24-38.
- Snyder, Tim (1995), 'National Myths and International Relations: Poland and Lithuania, 1989-1994', *East European Politics and Societies*, 9 (2), 317-343.
- Snyder, Mark (1984), 'When Belief Creates Reality', *Advances in Experimental Social Psychology*, 18, 2247-2305.
- Solimano, Andreas (1993), 'The Economies of Central and Eastern Europe: An Historical and International Perspective', in Vittorio Corbo et al. (eds.), *Reforming Central and Eastern European Economies: initial results and challenges*. Washington, DC: The World Bank.
- Sorenson, Georg (1993). *Democracy and Democratization: Processes and Prospects in a Changing World*. Boulder, CO: Westview Press.
- Stares, Paul B. (1996). *Global Habit: The Drug Problem in a Borderless World*. Washington, DC: Brookings Institute.
- Steffens, Marec B. (1993), 'The Influence of Economic Reform on the Personal Income Distribution: The Hungarian Example', *Economic Systems*, 17 (2), 155-164.
- Stromberg, Kerry (1994), 'Educational Reform in Lithuania: Great Plans, Small Strides, Little Help', *Baltic Studies Newsletter*, 18 (4), 1-3.

- Stubbs, Richard (1994), 'Malaysia and Thailand: Models for Economic Development at the Margins', in Swatuk and Shaw (eds.).
- Sulc, Zdislav (1994), 'Some Theoretical Issues on Transformation', *Eastern European Economics*, 32 (2), 23-38.
- Sullivan, John D. (1994), 'Democratization and Business Interests', *Journal of Democracy*, 5 (4), 146-160.
- Sun, Haishan and Dilip Dutta (1997), 'China's Economic Growth, 1984-93: a case of regional dualism', *Third World Quarterly*, 18 (4), 843-864.
- Sunary, Catherine (1995). *Yugoslavia Dismembered* (translated by Peter Drucker). New York: Monthly Review Press.
- Sutela, Pekka (1994), 'Production, Employment and Inflation in the Baltic Countries', *Communist Economies and Economic Transformation*, 6 (2), 157-173.
- Swatuk, Larry and Timothy M. Shaw (eds.) (1994). *The South at the End of the Twentieth Century*. New York: St. Martin's Press.
- Sztompka, Piotr (1995), 'Trust: The Missing resource of Post-Communist Society', paper presented to the International Studies Association, Chicago, March 1995. *unpublished*.
- (1991), 'The Intangibles and Inponderables of the Transition to Democracy', *Studies in Comparative Communism*, 24 (3), 295-311.
- Szymanderski, Jucek (1995), 'Moral Order and Corruption in Transitions to the Market: Popular Beliefs and their Underpinnings', *Communist Economies and Economic Transformation*, 7 (2), 249-257.
- Tamas, G.M. (1999), 'Victory Defeated', *Journal of Democracy*, 10 (1), 63-68.
- Tarr, David G. (1994), 'The Terms of Trade Effects of Moving to World Prices on Countries in the Former Soviet Union', *Journal of Comparative Economics*, 18 (1), 1-24.
- Taylor, Lance (1994), 'The Market Meets its Match: Lessons for the Future from the Transitions' Initial Years', *Journal of Comparative Economics*, 19, 64-87.
- Thy Woo, Wing (1994), 'The Art of reforming Centrally Planned Economies: Comparing China, Poland and Russia', *Journal of Comparative Economics*, 18 (3), 276-319.
- Ticktin, Hillel H. (1995), 'The Growth of an Impossible Capitalism', *Critique* 25, 119-

132.

- (1995), 'What Will a Socialist Society be Like?', *Critique* 25, 145-167.
- Tismaneana, Vladimir (1999), 'Reassessing the Revolutions of 1989', *Journal of Democracy*, 10 (1), 69-73.
- Toye, John (1991), 'Ghana', in Mosley et al. (eds.).
- Tucker, Aviezer (1995), 'Corruption and Greed: Western Academic Aid to Eastern Europe', *Telos*, No. 102 (winter), 149-158.
- Turbiville, Graham H. Jr. (1992), 'Narcotics Trafficking in Central Asia: A New Columbia', *Military Review* (December), 55-63.
- Turnbull, Colin (1972). *The Mountain People*. New York: Simon and Schuster.
- Uhlig, Mark A. (1994), 'The Karabakh War', *World Policy Journal*, 10 (4), 47-52.
- United Nations (1995). *Human Development Report-Lithuania*. Vilnius: UNDP.
- (1996). *Human Development Report--Lithuania*. Vilnius: UNDP.
- (1997). *Human Development Report--Lithuania*. Vilnius: UNDP.
- United Nations Economic Commission for Europe (1997). *Economic Survey of Europe in 1996-1997*. Geneva: Secretariat of the ECE.
- United Nations International Drug Control Program (1995). *Project Document with the Government of Lithuania*. Vilnius: UNDCP.
- Usuvaliyev, M.V. and K.T. Toktonaliyev (1994), 'Exploring Drilling Results, Directions in Kyrgyzstan', *Oil and Gas Journal* (July), 107-108.
- Vaksman, Fabiar (1987). *Ideological Struggle: A Study in the Principles of Operation of the Soviet Political Mechanism*. Lanham, MD: University Press of America.
- Venclova, Tomas (1995), 'A Fifth Year of Independence: Lithuania, 1922 and 1994', *East European Politics and Societies*, 9 (2), 344-367.
- Verba, Sidney (1989), 'On Re-Visiting the Civic Culture: A Personal Postscript', in Almond and Verba (eds.).
- (1965), 'Comparative Political Culture', in Pye and Verba (eds.).

- Vinaver, Krystyna et al. (1993) *La Crise de l'Environnement a l'Est* Paris: Editions l'Harmatton.
- Von Ees, Hans and Harry Garretsen (1994). 'The Theoretical Foundations of the Reforms in Eastern Europe: Big Bang Versus Gradualism and the Limitations of Neo-Classical Theory', *Economic Systems*, 18 (1), 1-14
- Von Hirschhausen, Christian and Wan-Sze Hui (1995). 'Industrial Restructuring in the Baltic Countries: Large-Scale Privatization, New Enterprise Networks and Growing Diversity of Corporate Governance', *Communist Economies and Economic Transformation*, 7 (4), 421-443.
- Walker, Christopher (1996). 'The Armenian Presence in Mountainous Karabakh', in John Wright, Suzanne Goldenburg and Richard Shofield (eds.), *Transcaucasian Boundaries*. New York: St. Martin's Press
- Wallich, Christine I. (1995). 'What's Right and Wrong with World Bank Involvement in Eastern Europe?', *Journal of Contemporary Economics*, 20 (1), 57-94.
- Waltzer, Michael (1992). 'The Civil Society Argument' in Mouffe (ed.).
- (1991). 'The Idea of Civil Society', *Dissent* 38 (1).
- Weil, Frederick D. (1986), 'The Stranger, Prudence and Trust in Hobbes' Theory', *Theory and Society*, 15 (5), 759-788.
- Whitehead, Lawrence (1999), 'The Geography of Transformation', *Journal of Democracy*, 10 (1), 74-79.
- Wightman, Gordon (ed.) (1995). *Party Formation in East-Central Europe: Post-Communist Politics in Czechoslovakia, Hungary, Poland and Bulgaria*. Aldershot, UK: Edward Elgar Publishing Limited.
- Wightman, Gordon (1995a), 'The Development of the Party System and the Break-up of Czechoslovakia', in Gordon Wightman (ed.).
- Williams, Marc (1991). *Third World Cooperation: The Group of 77 in UNCTAD*. New York: St. Martin's Press.
- Winiacki, Jan (1991), 'How It All Began: Sources of the Recent Breakdown of the Soviet Economic System', in Herbert Giersch (ed.), *Towards a Market Economy in Central and Eastern Europe*. Berlin: Springer Verlag.
- (1995), 'The Applicability of Standard Reform Packages in Eastern Europe', *Journal of Contemporary Economics*, 20 (3), 347-367.

- Woodward, Colin (1996), 'Tobacco Giants See Their Future in the East', *Transition*, 2 (4), 46-48.
- World Bank (1995). *Lithuania--World Bank Program: Summary Report*. Vilnius: The World Bank.
- (1993). *Lithuania: The Transition to a Market Economy*. Washington, DC: The World Bank.
- (1992). *Annual Report*. Washington, DC: The World Bank.
- (1991). *Annual Report*. Washington, DC: The World Bank.
- Yavlinsky, Grigory and Serguey Braguinsky (1994), 'The Inefficiency of Laissez-Faire in Russia: Hysteresis Effects and the Need for Policy-Led Transformation', *Journal of Comparative Economics*, 19, 88-116.
- Zagalsky, Lenoid (1994), 'Kafka Meets the Free Market', *The Bulletin of the Atomic Scientists*, (May / June), 11.
- Zecchini, Salvatore (1995), 'The Role of International Financial Institutions in the Transition Process', *Journal of Contemporary Economics*, 20 (1), 116-138.
- Zeckhauser, Richard (ed.) (1991). *The Strategy of Choice*. Cambridge: MIT Press.
- Ziegler, Charles E. (1987). *Environmental Policy in the USSR*. Amherst, MA: The University of Massachusetts Press.
- Zielonka, Jan (1994), 'New Institutions in the Old East Bloc', *Journal of Democracy*, 5 (2), 87-104.
- Zhilin, Alexandre (1995), 'Quotation of the Month: Criminal Financial Dealings Dramatically Increased in Russia', *Transition*, 6 (11-12), 9-10.