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POST-COMMUNIST TRANSFORMATIONS: MULTILEVEL ANALYSIS METHODOLOGY

The end of the 20th century witnessed large-scale simultaneous social transformations on the global, regional and country levels. Post-communist transformations whose analysis has been the focus of multiple Russian and foreign scholarly works, take a special place in these processes. The phenomenon seems, however, not to be wholly comprehended, moreover, we can observe something similar to increasing mythology in the evaluation of current events and processes. Therefore, designing the analysis methodology of post-communist transformations turns out to be an extremely topical scientific problem.

On the Criticism of Transformation Theory

Should the past be object of studies? A question is rhetorical - any person with common sense would tell you it should be done. A person/country lacking knowledge or comprehension of own past is, practically, undermining the basics of own future. Meanwhile, posing the problem in such an obvious way at the “universal” level finds – nobody knows why - a resolution quite different in principle if applied to a special case: the initial point of post-communist transformations, which remains, actually, beyond all analysis and is substituted by slogan:

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“The defeat of socialism in economic competition with capitalism is an absolute historical fact”. All discussions, indeed, boil down to emotion-loaded debates on whether life was good or bad in those times. But in the academic environment another issue should be the point of discussion: How did it happen that the system was able to establish in the early 1930-1940s and later, in the 1950-1960s, register exceptional successes in its economic development? Why did it start to stagnate in the 1970s and the 1980s witnessed growing critical phenomena?

The socialist planning system is regarded as something unified, diverse economic models, which existed in its framework, questions of how individual countries succeeded in solving topical civilizational tasks in “that” society, in what way values of human solidarity and justice were rather deeply rooted in all these countries – these issues remain beyond analysis and classification. According to Y.Olsevich, renowned Russian scholar, as a result “the initial basis of the started transition from state socialism to market capitalism turned out to be hardly investigated, now we have to judge about the real structure of the demolished building by left-over blocs and beams chaotically encumbering the basement of informal institutions.”¹ A well-known German economist H.-J.Wagener argued that at the stage of “real socialism” no formalized model of socialist system in general or socialist economy in particular was developed either in the West or in the East. Therefore, reform approaches undertaken after 1990 in Central and East European countries were pragmatic and lacked a theoretical fundament.²

We wish to stress once again: it is not that we try to persuade somebody that the “initial point of transformation” was good and its most thorough reform was not needed. Everything stated above is important not from the point of view of “restoring elementary objectivity”, “transition” cannot be understood without defining its initial point and, consequently, the causes and prerequisites of this transition.

Problems of defining the “transition” notion. At his time Confucius called for “straightening” notions. Allow us to draw the reader’s attention to only two crucial issues. The first implies that proponents of various economic schools demonstrate essentially varying ideas about the main content of the notion of “economic system”, which, naturally, produces principally varying ideas about the essence of transformation transition. Incredible as it may seem, advocates of Marxism and neoclassicals agree in methodology and propagate a mono-factor approach to differentiate stable, basic and transitional systems. For them, a basic system is the fundament which has helped overcome economic multi-layeredness

¹ Y.Y.Olsevich. Vliyanie khozaistvennykh reform v Rossii i KNR na ekonomicheskuyu mysl Zapada. M., INFRA-M, 2007, s. 6 (Y.Y.Olsevich. The Impact of Economic Reforms in Russia and PRC on the Economic Thought of the West. Moscow: INFRA-M, 2007, p.6).

² Economic Thought in the Communist and Post-Communist Europe. Ed. by H.-J.Wagener. London: Routledge, 1998, p.26.

and heterogeneity. Therefore, “transition”, in their view, is a program aiming at most rapidly setting up a “perfect” environment for economic activity: a market economy accompanied by predominant private property, or an economic system with dominant state-run property.

The classical and post-Keynesian schools of political economy with their “production-product vision of economic reality” regard transformation transition as a gradual change of structural resource flows, which in turn form structural parameters of production, consumption and investment by adjusting them to changes in the institutional environment and economic behavior of people.³

Proponents of “old institutionalism” expect even more of transformation transition - neither more and nor less than “transformation of the entire socio-economic tissue.”

Now we come to the second point, which has to be considered when specifying “transition” notion. The “transition” picture turns even more knotty if we pass from a stage-structure approach to evaluating history (Marxism, W.Rostow, D.Bell, etc) - claiming the primacy of economy in the structure and dynamics of society, a lineal-progressive character of development path, and a straight upward, stage-by-stage accession of society - and address the stands taken by proponents of the civilizational approach (N.Danilevsky, O.Spengler, A.Toynbee, P.Sorokin, etc). The latter stand up for the primacy of the spiritual sphere – science, culture, education, moral, religion, priority of the system of civilizational values motivating human activities of all types. They acknowledge cyclical-genetic regularities in society’s dynamics as its fundamental bases inevitably inherent to any society in the past, present and future. They have their own judgement of history periodization and the future of mankind radically differing from the one prevailing in Russian 20th-century (and, if anything, today’s) academic thought. They hold that the global civilizational space in every particular period is similar to a colored “patched blanket” with civilizations at various development stages tightly “stitched up”. From time to time the “blanket” changes its color: now these, now those civilizations move to the forefront, become leaders of civilizational progress, others retreat to the second or third echelon.⁴ Naturally, advocates of the civilizational approach do not and cannot accept “the end of history”, “a full and definite victory” of this or that social system. The very concept of “transition” is incompatible with the one used by advocates of the stage-structure approach.

³ See more in: O.I.Ananyin. *Struktura ekonomiko-teoreticheskogo znaniya*. M., Nauka, 2005, s.129 (O.I.Ananyin. *The Structure of Theoretical Economic Knowledge*. Moscow: Nauka, 2005, p. 129).

⁴ See more in: B.N.Kuzyk, Y.V.Yakovets. *Tsivilizatsii: teorii, istoriya, dialog, budushchee*. T.I. M., Institut ekonomicheskikh strategiy, 2006 (B.N.Kuzyk, Y.V.Yakovets. *Civilizations: Theories, History, Dialogue, Future*. Vol.1. Moscow, Institute of Economic Strategies, 2006).

The content of transformation transition. Analysis of trends prevailing in modern political science allows to admit the stage-structure approach as dominant in the evaluation of post-communist transformations. In this case the “socialist development period” is perceived as a “lapse” from historical development process of mankind (an experiment, crime, etc) and, accordingly, transformation transition as a return to the bosom of civilization.

Four theoretical approaches to transformation exist, i.e.:

The teleological approach, which regards the creation of a new economic system as a rapid transition from one condition of society and economy to another in line with a certain ideal or project; in the course of transformation transition this approach has been rejected along with the experience of building real socialism - an experiment accompanied by large-scale social engineering;

Absolutized evolutionism applied by Western states during several centuries of market economy formation; its application turned out to be unfeasible due to considerable time squeeze at the close of the 20th century;

The genetic approach represented by a series of academic concepts:

- the idea of gradual, stage-by-stage social engineering advocated by K.Popper; he suggested “to avoid problems” by constantly, by “trial and error”, introducing improvements instead of trying to quickly achieve a speculative or supposedly existing ideal⁵;
- the approach of N.Kondratyev to goal-setting and designing planned figures based on an imperative account of objective development trends⁶;
- the concept of “perspective development paths” by V. Polterovich⁷, etc.;

“Transition by borrowing” institutions existing in most developed Western countries in the hope for a successful catching-up modernization.

The practice of post-communist transformations shows that the “genetic approach” (China) and “transition by borrowing of market and democracy institutions” are, indeed, in demand. In real life borrowing either became formal (in states of the post-Soviet space) or is supported by related mechanisms of coercion to efficient performance (in countries of Central and Eastern Europe).

⁵ K.Popper. *The Open Society and its Enemies*. L., Routledge, 1962.

⁶ N.D.Kondratyev. *Plan i predvideniye. Kriticheskie zametki o plane razvitiya narodnogo khozyaystva*. V: N.D.Kondratyev. *Problemy ekonomicheskoy dinamiki*. M., 1989. (N.D.Kondratyev. *Plan and Foresight. Critical Notes on the Development Plan of National Economy*. In: N.D.Kondratyev. *Problems of Economic Dynamics*. Moscow, 1989).

⁷ *Strategii institutsionalnykh reform. Perspektivnye traektorii*. V: *Ekonomika i matematicheskie metody*. 2006. T. 42. Vyp.1 (Strategies of Institutional Reforms. Perspective Paths. In: *Economy and Mathematical Methods*, 2006, Vol. 42, Issue 1).

On the socioeconomic direction of transformation transition. For those who choose borrowing as transformation method the point of “arrival” is fixed: it is market economy and political democracy. But frequently not analyzed are humble (sometimes even deplorable) attempts to quickly overcome backwardness of “Third World” countries made in the 1950-1960s, when the problem was interpreted in a technocratic way, in line with the teleological approach. Moreover, the political strategy was set out by a “deduction” method: “practical goals were set by deducting values of major economic indicators (capital intensity, investment volume, educational level, etc) of “Third World” countries from those of developed countries; additionally, “control figures” were assumed to be achievable in the first place thanks to a changing flow of financial resources”.⁸

During the transformation process hardly has anybody given ear to the viewpoint of S.Huntington: the West is a strange, fragile construction, which in no case should be attributed the status of universal... The Western development path has never been and will never be a path for 95% of the population of the Earth ... The West is unique, not universal.⁹ The voice of one crying in the wilderness was that of Mancur Olson, famous American economist: the transition from plan to market has revealed “a failure” in Western economic thought, which up to now has not answered the main question: What is a prosperous market economy as a system?¹⁰

Special types of market capitalist economies obviously do exist. In this case the slogan of the transition from plan to market as the essence of transition process gives a vague explanation since markets differ. What kind of market are we speaking of? The predominance of this or that market type will shape the specificity of economic system in formation, special social structure of society and motivation system for its members. What is it we get in the end – a rent-oriented or a productive economy?

Thus, the question about the real avenue of socioeconomic transformation remains open. Remember the admission of Russia’s President elect, D.Medvedev, at the Vth Krasnoyarsk Economic Forum on February 15, 2008: “We have been running the economy in manual over these last years. This management was needed because the “invisible hand of the market”, the main hope after the break-up of the USSR, did remain absolutely invisible in many economic branches. A free interplay of market forces has not produced a single ship or nuclear reactor, not a single automobile or a new aircraft; it has not solved problems of poverty, those

⁸ See Y.Y.Olsevich. Vliyanie khozaistvennykh reform v Rossii i KNR na ekonomicheskuyu mysl Zapada. M., INFRA-M, 2007, s. 264-268 (Y.Y.Olsevich. The Impact of Economic Reforms in Russia and PRC on Western Economic Thought. Moscow: INFRA-M, 2007, p.264-268).

⁹ See S.Huntington. The West: Unique, Not Universal. *Foreign Affairs*, 1996 Nov./Dec.

¹⁰ M.Olson. Preface. In: The Emergence of Market Economies in Eastern Europe. Ed. by Christopher Clague a. Gordon C.Rausser. Cambridge (Mass.), Blackwell Publishers, 1992, p.vii-viii.

existing in education and healthcare, etc.”¹¹ Note that this situation was stated several years after the world community recognized Russia as a market economy.

The debate on how to characterize the point reached in the process of transformation has been under way even with reference to dynamically reforming countries like China. A wide range of opinions is conveyed on the economic system established in modern China: starting with unconditional recognition of a certain variant of socialist market economy complying with the country’s specificity (G.Popov); explanation of the positive impact of reform changes in PRC on economic dynamics exclusively by the fact that China lives the stage of industrialization, which Russia and East European countries covered long ago (Y.Gaidar); and, ending with total negation of this specifics, declaration of China’s very adherence to socialism as purely formal and mimic (P.Bunich). Peter Nolan maintains that beginning with the late 1970s China “has been moving towards a nationalistic, state-led, bureaucratic market economy”¹². V.Polterovich admits Chinese specificity in reform tactics against the background of the country’s general orientation at building “a standard market economy”. L.Kondrashova holds that for China as “state-civilization” great civilizational specificity will always be typical. We presume that V.Portyakov’s standing is most justified and adequate to reality: “the market economy in formation now in PRC will for long retain the features of “coercion-led economy” (L.Erhard). This is dictated by economic reasons, China’s drive at modernization demanding a high degree of resources centralization, as well as by other conditions (the need for control over social and demographic situation, etc).”¹³ “Coercion” may even increase with economic growth suggesting transition to intensive type of consumption by the 1.5 billion-strong population of the country, which, due limited available resources on the Earth, in case of “free market forces” victory, may lead to a world-wide disaster.

Transformation by Borrowing: The Case of Central and East European Countries

Let us pass from the general overview to the specificity in the analysis of post-communist transformations. Is borrowing as successful method of transform-

¹¹ Tochki nad “i” (Dotting the i’s). *Rossiyskaya gazeta*, 2008, 16.2.

¹² P.Nolan. *China’s Rise, Russia’s Fall: Politics, Economics and Planning in the Transition from Stalinism*. Basingstoke, 1995, p. 303.

¹³ V.Y.Portyakov. *Ekonomicheskaya reforma v Kitae (1979-1999)*. M., RAN, Institut Dalnego Vostoka, 2002, s. 26 (V.Y.Portyakov. *Economic Reform in China*. RAS Institute of Far Eastern Studies, Moscow, 2002, p. 26).

ing society feasible in principle? Yes, of course, but the experience of Central and East European post-socialist countries suggests that to be successful it requires that several conditions are observed.

Investigation of processes going on in CEE countries is extremely interesting since they practice almost a pure transition to market and democracy by borrowing European institutions. Extensive academic literature is devoted to the transformation course in the region; in Russia, regrettably, papers of Western analysts on the subject are as a rule quoted, which frequently leads to mystification of ongoing processes (which results from making use of translated and – due to highly dynamic changes - sometimes outdated sources; in addition, these are predominantly translations of neoclassical economic school proponents). For example, the idea that CEE countries have passed the “shock therapy” phase has been widely accepted. Depending on the “ideological” orientation of the authors this disputed fact is declared either a prerequisite of successes achieved on the way of transformation, or an explanation for “bitter outcomes of hasty asocial steps”.

Scholars of the Department for International Economic and Political Studies (DIEPS), RAS Institute of Economics, in their researches tellingly reject this unambiguous statement related to the character of transformations, analysis of causes for real difficulties and real achievements of CEE countries. DIEPS scholars engaged in Polish researches have more than once denounced the idea of Poland being a country which has undergone a tough “shock therapy”. Suffice it to recall that price liberalization was introduced here gradually, practically during the entire decade of the 1980s; a year and a half after the end-stage of liberalization completed (second half of 1989) the growth rates of consumption surpassed GDP growth rates.¹⁴ We cannot but recall Poland’s approach to privatization qualified as “hesitant” by IMF experts and the attention paid during transformation to stronger government role accompanied by radically changing state functions, the setting up of the economic foundation for small businesses, a growing role of local self-government and other issues not envisaged by “shock therapy”.

Even more interesting is the analysis of transformation changes in Slovenia, a country, which has established the healthiest economy during the transition period. Practical measures to reform the economy as a rule contradicted Washington

¹⁴ N.I.Bukharin, I.S.Sinitsina, N.A.Chudakova. 10 let rynochnoy transformatsii v Polshе (N.I.Bukharin, I.S.Sinitsina, N.A.Chudakova. 10 Years of Market Transformation in Poland). *Novaya i noveishaya istoriya*, 2000, N4; I.S.Sinitsina, N.A.Chudakova. Polsha. V: Tsentralno-Vostochnaya Evropa vo vtoroy polovine XX veka (I.S.Sinitsina, N.A.Chudakova. Poland. In: Central - Eastern Europe in the Second Half of the 20th Century). T.3. Ch.II. M., Nauka, 2002; I.S.Sinitsina, N.A.Chudakova. ES i ekonomika Polshi: ot adaptatsii k integratsii (I.S.Sinitsina, N.A.Chudakova. The EU and Poland’s Economy: From Adjustent to Integration). *Sovremennaya Evropa*, 2006, N.3), and others.

consensus principles.¹⁵ Indeed, in the majority of other CEE post-socialist countries a short period of “setting up a perfect economic environment” the phase of active market institutions and democracy borrowing followed, under tough monitoring of the European Union, and the prospect of EU accession became here the locomotive of changes.

The European Union granted CEE countries material support and financial resources (through PHARE foundation, involvement in the European Bank of Reconstruction and Development activities) and began to gradually open its market for CEE goods (by introducing a special preferential regime, signing asymmetric association agreements, etc), at the 1993 session of the European Council in Copenhagen developed and adopted EU membership criteria for CEE applicant countries. The Copenhagen criteria envisaged the following items available/observed in candidate countries:

- stable institutions enabling democracy, rule of law, human rights and rights of national minorities;
- a functioning market economy capable of standing competition and coping with market forces in the country and the EU;
- readiness and ability to adjust to *acquis communautaire* related to EU membership; assent to the goals pursued by the Economic and Monetary Union.

In 1995 the Strategy on Preparation of the Associated Countries of Central and Eastern Europe for Integration into the Internal Market of the European Union was approved, it listed (790) legal acts for CEE countries’ entry into the EU common market and recommendations to the procedure of their accession. The Annex, more extensive than the principal part of the Strategy, analyzed ways of approximation to/harmonization of CEE countries’ legislation with the European law with reference to 23 economic branches and spheres of public life - beginning with capital movement and ending with consumers’ rights protection. The Annex contained recommendations on how to form administrative and technical structures enabling efficient law enforcement, directions and forms of EU technical aid provided to candidate countries with the aim to approximate their legislation to the legal system of the European Union.

The EU developed individual accession strategies for every candidate country, indicated individual priorities of every one of them, practical steps and timing of their execution. The program of preparation for EU membership of Hungary as a more advanced country 88 serious tasks were enumerated, the Czech Republic 98, Slovakia 98, the majority of other countries more than 100.

¹⁵ S.P.Glinkina. Privatizatsiya: kontseptsiya, realizatsiya, effektivnost (Privatization: Concept, Realization, Efficiency). M., Nauka, 2000; Y.K.Knyazev. Ekonomicheskiy fenomen Slovenii i ego uroki (The Slovenian Economic Phenomenon and Its Lessons). Naych. dokl. M., Epicon, 2000, 88 s.

Along with the partnership program every candidate country had to develop its National Program of EU Legislation Adoption, set the timing of tackling tasks and assign corresponding financial and administrative resources. In the development of the Program experts from all spheres involved and representatives of the European Commission took part.

Entry negotiations held exclusively on bilateral basis consisted of two stages:

1) analysis of the given country's conformity with the Copenhagen membership criteria and its progress in approximating national legislation to EU's *acquis communautaire*;

2) regarding conditions of CEE countries' accession, in particular, the chance of granting them transition periods (delays) in introducing EU norms.

Hence, the pre-accession period stimulated economic reforms in CEE countries. Formal borrowing of institutions (legal norms, in particular) was accompanied by a compulsory design of mechanisms of their application in these countries. As a result the prospect of EU membership has played the role of "external anchor" in their complex institutional transformations.

The obvious advantages for CEE countries of the path are: essentially mitigated probability of political opposition to reforms; cohesion of societies around the "European idea"; precise structuring of development programs; substantial financial aid; more transparency of decisions taken.¹⁶

Market players from new EU members enjoyed evident pluses: entry of their products to EU markets without customs and other restrictions; simplification of certification system; access to the European market of public procurement, financial market resources; opportunity to apply to European structural funds to finance and support projects (particularly for small and middle-sized businesses); access to EU programs of R&D support. We have to admit that the majority of advantages from acting on the common market were granted to CEE countries already on their pre-accession stage, from this point of view the status of full EU members does not change much in their status.¹⁷

We can frequently find the assertion in academic literature that one of the illnesses of Russia's transformation – in contrast to transformations in CEE – has been the predominance of political reasons over economic goals. Only partially can we share this position: a weaker political country-level component has been more than balanced by political causality of almost every step made by the EU.

¹⁶ See more in: S.P.Glinkina. Tsentralno-Vostochnaya Evropa na puti v Evrosoyuz (S.P.Glinkina. Central-Eastern Europe on the Way to the European Union). *Novaia i noveishaia istoriia*, 2007, N3.

¹⁷ See more in: Posledstviya rasshireniya Evropeiskogo Soyuz dlya ekonomiki Rossii (The Effect of EU Enlargement on Russia's Economy). Pod red. Glinkinoy S.P. M., NIS, 2004.

Political reasons dominated in offering financial and other aid to CEE countries, determining the start of negotiations on EU integration, adopting resolutions on membership conditions, etc.

Has transformation ended? Is transition of CEE countries - now members of the European Union - over? The answers depend only on the clarity of criteria.

As noted above, in academic literature the differing vision of transition essence by different economic schools presupposes variations in determining the finality criteria of transition. We take as unsatisfactory not only the mono-factor approach of Marxists and neoclassicals¹⁸ but also some approaches suggested in modern academic literature, i.e.:

- statistic approach: transition is over when the country attains its pre-reform GDP level; however, transitional process is not identical to crisis;
- formal institutional approach: transition is over when formation of the new institutional fundament is completed in general (A.Nesterenko¹⁹); but formally available institutions do not exclude that “a stationary transition economy” may emerge – a statement convincingly argued by R.Kapelyushnikov²⁰.

R.Kapelyushnikov, V.Tambovtsev and other researchers see the transitional character of the economic system in the predominance (hyperdevelopment) of informal institutions, weakness of law enforcement mechanisms²¹, which can be explained both by weakness of state power as such (accentuated by V.Mau as an aspect of by far not unimportant²²) and mismatch of formal and informal institutions - a point D.North advises to pay careful attention to.²³ While this mismatch continues a deep gap will exist between declarations and day-to-day economic practice. Referring to this most convincing transitionality criterion, some remarks can be made. First, we cannot imagine an economic system functioning exclu-

¹⁸ Persuasive criticism of this approach can be found in: Y.Y.Olsevich. Vliyanie khozaistvennykh reform v Rossii i KNR na ekonomicheskuyu mysl Zapada (Y.Y.Olsevich. The Impact of Economic Reforms in Russia and PRC on the Economic Thought of the West). M., INFRA-M, 2007, s. 226-228.

¹⁹ A.Nesterenko. Perekhodnyi period zakonchilsya. Chto dalshe? (Transition is Over. What's Next?) *Voprosy ekonomiki*, 2000, N6.

²⁰ R.Kapelyushnikov. Gde nachalo togo kontsa?.. (Where Is the Beginning of That End?..) *Voprosy ekonomiki*, 2001, N1.

²¹ V.L.Tambovtsev. O predmete teorii perekhodnoy ekonomiki. *Vestnik MGU*, Ser.6. Ekonomika, 1996, N3, s.15-22 (V.L.Tambovtsev. On the Subject of Transitional Economy Theory); R.Kapelyushnikov, op.cit.

²² V.Mau. Ekonomika i revolutsiya: uroki istorii (V.Mau. The Economy and Revolution: Lessons of History). *Voprosy ekonomiki*, 2001, N1.

²³ D.North. Institutions, Institutional Change and Economic Performance. Cambridge, Cambridge University Press, 1990, p.53.

sively on the basis of formalized rules, even Western developed market economies have “their informality”. Second, in several modern Asian cultures informal mechanisms of coercion to abiding rules turn out to be not less efficient than formalized tools, putting it differently: in these cultures informal institutions can really play a positive role.

As to the criteria of transitional period completion we cannot but take into account that transformation processes occur simultaneously at several interacting levels. Identifying these levels and determining their interconnection in an academic research makes transition multidimensional. With this in view, criteria of transformation process completion in post-communist countries may become more complex.

On the Multilevel Analysis of Transformation Processes

We share the stand of scholars who regard a purely country approach (reducing the analysis of research object to the limits of the nation-state) as one of deep-rooted stereotypes in perceiving socioeconomic transformations. “Questions like: ‘What is reformed?’ or ‘What is in the process of transformation?’ are even not posed, as a rule, since it goes without saying that the focus is on an individual state or its economic system”.²⁴ Within this conceptual framework relationships between the transforming system and the external environment boil down, as a rule, to two principal patterns: a closed national economy, or and a national economy combined with its foreign economic links. Although the second pattern broadens the space limits of transformation it does not at all exhaust the range of typologically significant options. O.Ananyin argues that “global processes as such and processes termed as sub-global (i.e. transformation processes started or initiated at country level but touching upon the very structure of global economic relations) remain out of the brackets. In other words, we mean nation-state level processes, which are not reduced to adjusting national economy to the world market but they have meaningful impact on this market and, in particular, on the place of the given economy in world economy”.²⁵ Finally, in the globalization era one cannot neglect the impact of global-level shifts on national transformations patterns, regionalization and integration processes as responses of nation-states to globalization challenges.

²⁴ O.I.Ananyin. *Struktura ekonomiko-teoreticheskogo znaniya* (O.I. Ananyin. *Structure of Economic-Theoretical Knowledge*). M., Nauka, 2005, s. 129.

²⁵ *Ibid.*, p.130.

We will venture to affirm that it is impossible to unveil the essence of post-communist transformations without a multilevel analysis of transformation processes. The methodology suggested for these aims implies insight into:

- country transformation patterns in post-socialist states in all their basic aspects: economic, socio-political, foreign economic (country-level analysis);
- (i) integration and disintegration processes going on in the three main areas of the post-communist world – the post-Soviet space; Central and South-East European countries; East and South-East Asian countries; (ii) the practice by principal world actors of forming “spaces in pursuit of own interests” by expanding influence on post-socialist countries (regional-level analysis);
- the impact of globalization and global-level shift in the correlation of forces in the world on country and regional-level transformations.

The country-level analysis is extremely significant and of interest, but, isolated from the analysis of regional and global transformations, can hardly help find an answer to the question: Why is a qualitative development of economy and society evident in some countries, and why do transformations produce extremely poor results in other countries?

In answering the question above one can risk to fall prisoner of research paradigms widely spread in the West, notably, those insisting on the speed of transformation reforms and openness to the external market being the recipe of successful transformation reforms in individual countries. Various indicators to demonstrate the depth of changes in post-communist states are actively projected. For example, the European Bank of Reconstruction and Development (EBRD) computes yearly the so called transition indicator (TI) to assess the degree of market orientation of a country. The measurement scale ranges from 1 to 4.5 where 1 represents a planned economy and 4.5 a fully functioning market economy. TI implies several elements, among them price and trade liberalization, government attitude to competition, type of corporate governance, privatization of small and big enterprises, liberalization of the banking and financial sectors.

Let us proceed from the indicator for countries leading and lagging in market transformations and compare their GDP in 2006 in comparable prices against 1990 GDP (as 100). The comparison of data shows that two of most backward CIS countries in terms of TI, Belarus and Uzbekistan, demonstrate GDP growth equal to the indicator of Hungary, one of transition leaders (more than by 140%). Armenia, Georgia, Kazakhstan, Kyrgyz Republic and Russia are in terms of TI on the level of Romania, Macedonia and Albania whereas GDP of the named countries fluctuates greatly against 1990 – from 62% in Georgia to 165% in Albania.²⁶

²⁶ Calculations are based on data taken from: World Economic Outlook, 2007, October/International Monetary Fund.

As we can see this high level of formalization leads to absurd conclusions. One gets the impression that these indicators often pursue a single goal – they serve as a proof for theoretical concepts not justified by practice. We remember the words of American economist D. Bazon: “Private property, competitive markets, and similar eighteenth-century baggage have been lost in this fast shuffle. They are no longer key concepts for understanding the economy, and are used today only to obscure what simple perception will disclose. The categories of appropriate comprehension are – technology, organization, power, politics ... The strength and purpose of the nation are in the hands of the few hundred bureaucracies which dominate the economy. These organizations and men are the stewards of the permanent technological revolution which *is* the economy.”²⁷

Talks about maximal liberalization, openness, rapid privatization, etc. get a new twist if looked at from the height of processes, which were under way on the global level after the Soviet Union was disbanded and a situation emerged, when the U.S. actually became the only global player, a unique “global power” with indefinite authorities, a changed sphere of competences and broad responsibilities.²⁸

The U.S., in this unique situation, offered its globalization model to the world, which principal implementation tool was propagation of the Washington consensus matrix, whose transformation recipes should be followed by about 70 economies of the world. The model envisaged construction of something similar to a global state with its specific emission and tax systems - the former as actual world reserve currency, the latter as a global tribute paid in some way by a significant number of states, for example, in the framework of permanent global debt system, redistributed further according to certain large-scale tasks set.²⁹ The project failed for several reasons, in the first place due to resistance offered by the strengthening and actively modernizing China and the European Union – the latter attempting to foster its status in the world by way of large-scale expansion and an unprecedented step – the introduction of European currency, substantially undermining the position of the dollar. The Asian financial crisis as a brilliant evidence proved that it is impossible, following the Washington consensus recipes, to construct an equilibrium world economy.

Since the start of the new century coincided with the return to power of the Republican Party in the U.S., the country’s political leadership applied a new

²⁷ D.T. Bazon. *The Paper Economy*. N.Y., Random House, 1963, p.357, 193.

²⁸ A. Neklessa. *Bitva za budushchee. Prishestvie postsovremennogo mira* (A. Neklessa. *The Battle for the Future. The Coming of Post-Modern World*). http://www.intelros.ru/2007/03/15/aleksandr_neklessa_bitva_za_budushhee_sovremennaja_kniga_peremen.html.

²⁹ A. Neklessa. *Antropotok v matritse geoekonomicheskogo universuma/Intervyu/Russkiy arhipelag* (A. Neklessa. *Antroflow in the Matrix of Geoeconomic Universe*). <http://www.archipelag.ru/geoeconomics/postindustrializm/version/antropotok>.

model, different in principle from the original one, of geoeconomic rearrangement of the world, in which framework a program of rearranging the world military-political (not financial-legal) infrastructure is moved to the forefront. As to the economic sphere, emphasis is shifted from digital economy development to control over global, primarily energy resources.

Thus, prospects of global arrangement of world order are multi-optional even from the point of view of the “global state”.

World economy has obviously converted into global economy. The economic and financial systems experience dramatic changes: a global market is in formation, a system of values based on financial reduction of existence introduced, where money - a new measure of all things – substitutes the sphere of economic operations by gradually forcing out the previous perception of economic practice to the periphery. The growth rates of financial transactions effected in the world exceed heavily those of trade operations, the turnover of daily currency exchange operations in the world already in mid-1990s made more than \$1 trillion.³⁰ A common financial and information space is emerging, “globalization of corporations” takes place.

Another globalization feature is the process of building a dynamic and at the same time hierarchically-structured system of links replacing the system of international relations, which existed but 15 to 20 years ago. The phenomenon has acquired the name of “world politics”, in its framework new emerging agents of power come to function, such as global power, international regulating bodies, informal centers of influence with an extremely high competence level, non-governmental transnational organizations. This entails de-formalization of authorities, a declining role of public politics and representative bodies; a trend to broaden the competence zone of informal decision-making procedures, strike verbal, consensus agreements instead of perfect contracts is manifested; a new generation of global links agents, which embody political and economic functions, make a name. A network culture phenomenon affirming itself both in forms of social organization and economic activity, comes to the surface.

The role of the nation-state is changing, its sovereignty is eroding to the benefit of both supranational and local structures. Moreover, by way of creating new economic and cultural regions covering several areas of states globalization is “pulling apart” state sovereignty.

Under conditions of globalization in the clash of two sources of power, the state and capital, the former gradually “gets rid of the burdens of statehood”³¹,

³⁰ A.Giddens. *Runaway World. How Globalization is Reshaping Our Lives*. N.Y., Routledge, 2000, p.22.

³¹ A.Neklessa. *Op.cit.*

power is transferred to the geoeconomic system of political-economic power centers. One cannot but notice that today the United States of America actually acquired a special status of a global regulating power as, practically, a “country-system”, whose boundaries do not coincide with administrative-political borders of national territory but are the zone of vital interests with a tendency to a global coverage. The European Union is a “country-system”, a political-economic power center, the same refers to Big China - Hong Kong, Macao, in the perspective Taiwan included, which is tied by thousand of bonds to her diaspora scattered around the whole world. New projects of country-systems loom up on the historic horizon.

With the disintegration of the Soviet Union and geopolitical constructions linked to her a patched space of “transitional economies” emerged, which, under conditions of existing countries-systems, is being gradually subdued by new geoeconomic power centers, it is at their cost that countries-systems extend their “habitat”. A vivid example is the eastern enlargement of the European Union, the European Neighborhood Policy implemented by the EU since 2003 and aimed at drawing a series of CIS countries into its orbit.

Research Objects Typology with Regard to Multilevel Transformations Analysis

The position of a post-communist country within the sphere of influence of a certain power center, or creation of an independent center impacts strongly on the choice of country/regional transformation model. With reference to the post-communist world, in line with this criterion we suggest the following typology:

China, a “country-civilization” expanding its area on the account of Hong Kong, Macao – in perspective – Taiwan; transformation for China does not presume a certain socioeconomic model to be attained: the correlation of plan and market, openness and protectionism, democracy and “coercive governance” have been and remain her tools for modernization and a stronger geoeconomic impact; the reform strategy is decidedly influenced by internal factors (social and demographic problems) as well as by “international specialization based on production factors cooperation” evolving in global economy (Zhang Youwen, Huang Renwei, 2006);

Central and East European post-socialist countries proclaiming “the return to Europe” through accession to the European Union as their most important task, which has demanded harmonization of the countries’ legislation and its adjustment to *acquis communautaire*, borrowing of European market and democracy

institutions securing to CEE countries the very chance to be present on the EU's common market;

and, finally, *the post-Soviet space* – a zone of tough competition between major geoeconomic power centers of the EU, U.S., China, and Russia (still playing a marked role in CIS countries). Unable, on the present stage, to independently initiate modernization impulses, these countries critically depend on regional and global-level links with the external world. Transformations in the region will be mainly shaped by the ongoing transformation on the regional level, i.e. the outcomes of every single country's inclusion into the area of gravity of a certain geoeconomic power center. Five post-Soviet states (Ukraine, Moldova, Georgia, Armenia and Azerbaijan) after being subject to the European Neighborhood Policy, declare they have chosen the European development vector, which will require (and is already a condition of ENP Action Plans signed with the EU) to reform the economy and legislation according to Euro-Atlantic rules and standards. In principle, the prospect of “raising” a strong power center (integrated by Russia, Kazakhstan and Belarus) attractive to several CIS participants and resulting from agreements to set up a customs union in the framework of the above three countries by 2011, remains likely. The solution of the task, however, critically depends on whether the new center can generate modernization drives in the region.³² In case the project fails a big group of post-Soviet states is very likely to be decidedly left on the periphery of world development.

Russia enjoys no definite status at present: she does not fit into the framework of a traditional nation-state because of her territorial scale and still available mighty nuclear potential - that is why the country cannot be “adjusted” by a single geoeconomic power center to the latter's benefit. In recent years the trend of the country leadership to regain Russia's status of “country-system” comes to be observed, the aim will require resources and power centralization, a quest for her place in the international division of production factors.

The principally varying positioning in the planetary system arranged by geoeconomic centers of gravity entails that similar in form economic processes going on in different groups of post-communist countries are filled with radically different content. We cite only one example. Much is being written in academic literature on the positive role of foreign investments in transforming the economic system of post-communist states. Statistics evidences major presence of foreign investors in all post-communist countries. In certain periods 20% of FDI were registered in CEE (Estonia 2005), 50% of GDP in the CIS countries (Azerbaijan

³² At present, Russia produces 2.6% of global GDP, her share in aggregate world export is 2.3%, in high-technology export 0.5%. The country takes the 62nd place in the World Economic Forum competitiveness rating (World Economic Outlook. 2007. October/International Monetary Fund, p. 209).

2003). Investments played an immense role in China too, in particular in creating export potential concentrated to 90% in five free economic zones, where 85% of all foreign investments were accumulated. But if in the first case we can speak of foreign investments as a tool to economically integrate CEE countries into EU's common market, in case of CIS countries it was the seizure by foreign capital of certain branches (sometimes individual enterprises) primarily connected with development of natural resources, in the case of modern China we should speak of foreign investments as a consequence of "the pull power of the country's production factors", which leads to a new situation: the world community is "pegged" to a country possessing this power.³³ The factual pegging of the global community to China is a kind of "new value" created thanks to "the gravity force of production factors".

As seen from the above, contrary to a wide spread view in economic science it was not the choice of a reform strategy – between "shock therapy" and gradualism – that was decisive for post-communist states in the course of transformation – in effect it was either a conscious and forced positioning within the sphere of modernization and political influence of a certain power center, or the existence without it, which, undoubtedly, does not negate the importance for post-communist countries to pave "optimal development paths" (V.Polterovich³⁴).

Let us return to the transition period completion criterion. For the post-communist period we can assume that stabilization of a post-communist state positioned on the orbit of the planetary system being arranged by a geoeconomic gravity center, or the country's independent formation of this system can be regarded as this criterion. This, however, does not exclude that even CEE countries, which have successfully completed their transition period as a result of EU accession, retain considerable specificity in both national economic performance and operation of political public institutions. This confirms the previously examined state-

³³ According to Chinese social researchers the term "gravity force of production factor" is not identical to the notion of "attracting foreign investments": the latter is an instrument of macroeconomic policy of the host state; in case of efficient implementation the policy is advantageous for the given country. The former notion, however, is a mechanism of resource allocation under economic globalization. The availability in a country of a powerful force to attract production factors impacts on the entire global economy (Yu Keping/Globalization and Autonomy in China/A Paper presented at the Fourth MCRI Globalization and Autonomy Team Meeting at the Munk Centre for International Studies, University of Toronto, 23-25 September 2005. http://www.globalautonomy.ca/global1/position.jsp?index=PP_Keping_ChinaGlobalization.xml .

³⁴ V.M.Polterovich. K rukovodstvu dlya reformatorov: nekotorye vyvody iz teorii ekonomicheskikh reform (V.M.Polterovich. Reformers' Guidance: Some Conclusions Made from the Theory of Economic Reforms). *Ekonomicheskaya nauka sovremennoy Rossii*, 2005, N1 (28), s. 7-24; V.M.Polterovich. Strategii institutsionalnykh reform. Perspektivnye traektorii (V.M.Polterovich. Strategies of Institutional Reforms. Perspective Paths). *Ekonomicheskie i matematicheskie metody*, 2006, t.42, Vyp.1.

ment about the uncertainty (multivariability) of the final point of post-communist transformations.

POSTKOMUNISTIČKE TRANSFORMACIJE: METODOLOGIJA VIŠERAZINSKE ANALIZE

Sažetak

Koncem 20. stoljeća događale su se sveobuhvatne simultane društvene transformacije na globalnom i regionalnom nivou, kao i na nivou pojedinih država. Posebno mjesto u tim procesima zauzimaju post-komunističke transformacije, analiza kojih se nalazi u fokusu mnogih ruskih i inozemnih znanstvenih radova. No, čini se da fenomen ipak nije u potpunosti shvaćen, štoviše, mogu se primijetiti rastući mitski elementi u procjeni tekućih događaja i procesa. Stoga je stvaranje metodologije za analizu post-komunističkih transformacija izuzetno važan znanstveni zadatak.