

2003

# Democratic Consolidation in Eastern Europe

Michael Rudy

*Eastern Illinois University*

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Democratic Consolidation

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in Eastern Europe

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(TITLE)

BY

Michael Rudy

**THESIS**

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
FOR THE DEGREE OF

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2003

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YEAR

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# **Democratic Consolidation in Eastern Europe**

Presented by Michael Rudy

2003

Political Science Department  
Eastern Illinois University

Master's Thesis  
Advised by Dr. David Carwell, Chair  
Dr. Ryan Hendrickson  
Dr. Andrew McNitt

## **Abstract**

This thesis examines democratic consolidation in five Eastern European countries. The Baltic States have consolidated their democratic regimes but Romania and Bulgaria have struggled to do so. I attempt to explain why this has happened. In chapter one, I introduce the topic and provide an overview for the next six chapters.

In the second chapter, I examine the literature that pertains to this topic. The literature focuses on several aspects of democratic consolidation. I examine how economic growth, privatization, foreign direct investment, modes of transition, violence, initial post-communist political contest winner, electoral laws, and the citizenship law all play an important role in democratic consolidation.

In the third chapter, I set up the research design. I use a most similar systems design to guide my study. I first establish the guidelines for a consolidated democracy and use these guidelines to test each country in the study. I find the Baltic States have successfully consolidated their democracies while Romania and Bulgaria have not yet consolidated their regimes.

In chapter four, I examine how privatization and foreign direct investment have played roles in the consolidation process. I first examine the economic situations in all five countries and then try to understand why the Baltic States have had considerably more economic success than the Balkan States. I find that rapid privatization has had a positive impact on their economic growth. I then argue that this growth has helped the Baltic States to consolidate their regimes while the stagnant economies in Romania and Bulgaria have hindered consolidation.

In chapter five, I demonstrate how transitional factors such as modes of transition, violence and initial post-communist political contest winner have affected democratic consolidation. I find that all three factors have affected consolidation

Chapter six demonstrates how electoral rules and the citizenship law affects democratic consolidation. I examine several aspects of the electoral rules such as which electoral system is employed, are any political parties outlawed, and whether thresholds are used. I find that a mixed proportional representation system exhibits the most desirable attributes. Also, I find that the citizenship law in Estonia and Latvia had a significantly negative impact on consolidation.

Finally, in chapter seven, I discuss how all of the factors combined have influenced each countries democratic consolidation efforts. There appears to be two interconnected sets of variables. First, the winner of the initial post-communist political contest affects privatization policy. Second, the mode of transition appears to have an impact on how the electoral rules will be set up. In the end, I find that there is not one variable that leads to democratic consolidation but several.

## Table of Contents

<u>Chapter</u>	<u>Title</u>	<u>Page</u>
1	Introduction: Democratic Consolidation	1
2	Review of the Literature	4
3	Methods	12
4	Explanatory Variable 1: Economic Conditions	26
5	Explanatory Variable 2: Transitional Factors	43
6	Explanatory Variable 3: Electoral Rules	54
7	Discussion of the Results	66
8	References	77



## Tables

<u>Table</u>	<u>Title</u>	<u>Page</u>
3.1	2003 score summary for countries	15
3.2	Freedom House ratings from 1997-2003	22
4.1	GDP per capita	27
4.2	Foreign Direct Investments	39
4.3	Foreign Direct Investments – per capita	39
4.4	Summery of Privatization Efforts	40
5.1	Summary of Factors of Transition	52
6.1	Summary of Electoral Factors	63

# Chapter 1

## Democratic Consolidation

### Introduction

In November 2002, seven Eastern European countries were invited to join NATO. This would have been unheard of thirteen years ago. Since the Cold War ended, growing integration between Eastern Europe and the West has had a significant impact on the new regimes. Yet this growing integration has not shown a consistent effect on all of the new regimes. Some transitions toward consolidating democracy in Eastern Europe have flourished while others have suffered. It is important to understand why these results have varied to such a degree.

Since the end of the cold war, most of the Eastern European states have attempted a democratic transition but the success has varied from country to country. The US and many other Western states are encouraging this movement toward democracy, among other reasons, because it is believed that democratic countries have better relations with each other than they do with authoritarian regimes. If this is true, it is important to know and understand what variables help foster democratic growth in these aspiring democracies. If these variables can be isolated, then it may be possible to facilitate movement toward more democratic governments. In this paper, I wish to examine this very concept. One major concern with this question is the vast number of possible variables. Therefore I am limiting this study to specific variables that can help influence future government policy. It would be valuable to know if certain historical and cultural specific variables can influence democratization in some manner but since, by their very nature, they are not controllable, and little if any policy can be created to use these

variables in a positive manner. Therefore, this study will only examine variables that be can be controlled.

In this study, I will compare the transitions toward democracy by the Baltic States of Estonia, Latvia and Lithuania with Romania and Bulgaria. I believe that these five countries present an interesting study because they have similar legacies but have experienced different results. The Baltic States have been the most progressive states that comprised the old Soviet Union, while Romania and Bulgaria have been some of the slowest liberalizing countries in Eastern Europe (Fontaine, 1996). It appears that the Baltic States have experienced more success in consolidating their democracies than Romania and Bulgaria. This appears unusual since the Baltic States, like all of the former Soviet Republics, had very strong ties with Russia. They were part of the Soviet Union while Romania and Bulgaria were able to have control over their own governments. This could indicate that Romania and Bulgaria should have had an easier time adjusting to the break up of the Soviet Union and possible closer ties to the West. Besides this one major difference, these counties do share many traits.

First, all five countries are a product of the Warsaw Pact, which was led by the Soviet Union. This impact that the Soviet system had on all its countries is a unique quality in itself. It created similar legacies for all countries involved. Second, all five are attempting to transition their governments from a communist regime to a more democratic government. It is also important to note that all five countries are already considered democratic. Yet the Baltic States have been considered by many to have consolidated their democratic regimes, while Romania and Bulgaria are still in process of consolidating their democracies. Finally, they all have major ethnic division in their

populations. In a way, this comparative study is examining the most successful countries in democratic consolidation from the former Soviet Union and its satellites and comparing it with two of the least successful. I wish to understand why this situation has occurred.

In my following chapters, I examine several variables in an attempt to understand why the Baltic States are more successful. In chapter two, I review the literature to familiarize the reader with the current research and debates in this area of study. In chapter three, I discuss the methodological approach of this paper but I also demonstrate that the Baltic States have had more success in consolidating their democracy. In chapter four, I examine how different levels of economic growth and how different approaches to privatization may have effected the situation. In chapter five, I examine the details of the transition itself. These details include the mode of transition, if the transition was violent, and whether the communist or opposition forces won the initial post-communist political contest. In chapter six, I demonstrate how certain institutional differences can have an impact on the consolidation efforts of each country. I examine both the electoral laws and citizenship laws. I also examine whether or not extremist parties such as communist, fascist, or ethnic based parties were outlawed. I conclude the study in chapter seven by discussing all of the implications that this data yields.

## **Chapter 2**

### **Review of the Literature**

#### **Introduction**

There are many scholars who have written on transitions to democracy. Yet, most of the studies focus on certain aspects that influence this process such as different paths toward democracy, important underlying factors that are necessary for democracy to develop, differing modes of transition from authoritarian rule to a democratic regime, the impact of institutional factors and important aspects of a country's social and political history that may affect its ability to become democratic. Due to the limited size and scope of this paper, only certain aspects of the transition can be studied. I want to examine aspects that can be controlled by these potential democracies. This being said, one major school in "consolidationology" will be beyond the scope of this paper. The historical legacies approach has an important place in the field but will not be examined in this study. Instead I examine three key areas of study that can be controlled for. These variables may be helpful to future countries that attempt to liberalize their regimes. Yet, it is important to note, as Rustow (1970, p.346) did, "the factors that keep a democracy stable may not be the ones that brought it into existence." Therefore, I examine this from the angle of how these three factors affect consolidation of the regime rather than the initial democratic transformation.

#### **Economic factors**

The first factor that I examine in this study involves the importance of economic development. Much of the work done on economic development has been done in the realm of Modernization Theory. The basic premise for Modernization Theory is that certain advancements in society lead to the creation of a democratic society. Lipset

(1959) was the first to address the importance of socioeconomic development on democratization. He concludes, "Economic development involving industrialization, urbanization, high educational standards, and a steady increase in the overall wealth of the society, is a basic condition sustaining democracy (Lipset, 1959, p. 86)." He maintains that socioeconomic development is necessary for the establishment and maintenance of a democratic political system. Further research in this area of study found a strong correlation between levels of economic development and consolidated democracy (Coleman, 1960; Coulter, 1975; Cutright, 1963; Cutright and Wiley, 1969; Smith, 1969; Dahl, 1998; and Huntington, 1991). Other studies found that an increase in economic output at the lower stages of economic development also leads to increases in the level of democracy (Neubauer, 1967; and Jackman, 1973). Yet despite all of this positive research Rustow (1970) makes a major point by claiming that correlation is not causation. This suggests that democratic development and economic development are connected but it has not been proven which causes the other. Arat (1988) finds that the key to all of this research is that economic development is a necessary but not a sufficient condition of democratic development. Other research in this area also finds that maintaining this economic development helps maintain the state's legitimacy and helps to consolidate the democracy (Linz and Stepan, 1978). Therefore, from this research we find that democratic development and economic development are somehow correlated but it is still inconclusive to which causes the other. Yet, it does seem apparent that economic progress can help consolidate a young democracy. Since economic development appears to be a significant factor in democratic development and

consolidation, it is important to understand how privatization affects democratic development.

Over the last fifteen years, a significant amount of research has been generated on privatization and how it affects aspiring democracies. One argument suggests that there are short-term tensions, which develop between economic and political liberalization. These scholars claim that opponents of economic liberalization could build coalitions against new democratic regimes (Nelson, 1989; Kurtz and Barnes, 2002). Some scholars suggest that the best course of action is to undemocratically implement privatization methods to solve this problem. They claim that it may circumvent the democratic process temporarily but it is a good risk since market economics are presumed to provide the best basis for democratic growth (Bunce, 1995; Williamson, 1994).

Yet, in recent studies, some scholars have argued that no circumvention of democracy is necessary in post communist countries, even for a brief period of time. These scholars claim that the post-communist countries are different and that initial democratic elections are likely to put economic liberals in power. After taking power, a honeymoon period would take place, giving the liberals enough time to complete the process without harming the democratic reforms (Bunce, 1995; de Melo, Denizer, and Gelb, 1996b; Diamond, 1995; Fish, 1998a; Fish, 1998b). They claim that this economic liberalization should provide a foundation for vibrant, independent, associational life. Bunce (1999) also claims that when new economic institutions are introduced quickly, it cuts sharply into the economic privileges of the communist elite. Yet others have suggested that privatization was not a positive influence in the consolidation of the democracies of post-communist countries (Kurtz and Barnes, 2002; Clark, 2000; Cui,

1997). No one study has shown irrefutable results to end this debate. Further research is necessary before this debate is concluded. Yet this does not complete our examination of the economic issue.

The study of foreign direct investment (FDI) into post-communist countries has been substantial. FDI has been increasingly seen as one of the most important ways to stimulate growth in an economy (Marsh, 2000; Clark, 2000). In a recent study, Laski (1998) found a positive relationship between FDI and the economic stabilization of the economy. If FDI investment is so important for economic growth and stability, then it is important to know what helps FDI growth in a country. From the literature, it appears that by far, the most influential factor in determining FDI inflow into a post-communist country is the general success and development of the privatization process (Beyer, 2002; Djarova, 1999; Economic Bulletin for Europe, 1994; Fabry and Zeghni, 2002; Lankes and Stern, 1998; Marsh, 2000; Meyer and Pind, 1999; Resmini, 2000; Schusselbauer, 1999; Melich, 2000).

### **Transitional factors**

While it is apparent that economic variables are important for democratic consolidation, economics alone does not appear to be the answer. Another area of research that I feel is important and that may affect democratic consolidation are key factors that took place at the time of transition. Some of these path dependent variables are the mode of transition from an authoritarian regime to a democratic one, whether the transition was violent, and whether the communists maintained power after the transition. These three factors at the time of transition may influence the consolidation efforts of these countries.



The amount of literature on the mode of transition from an authoritarian regime to a democratic one is significant. The modes of transition are usually distinguished by examining and categorizing the methods in which the incumbent regime is replaced by the opposition forces (Munck and Leff, 1997). Huntington (1991) discusses three distinct types of transitions: transitions from above (transformation/transaction/reform), from below (replacement/breakdown/rupture), and transition where both incumbent and opposition play major roles in transforming the system (transplacement/extrication). Transformation occurs when elites presently in power take charge and lead the transition process. Replacement is when the opposition groups take the lead in the transition. Huntington maintains that the transplacement method, which is when the government and opposition work together to change the system, seems to be the most beneficial for democratic consolidation. Munck and Leff (1997) come to a similar conclusion when they examine the mode of transition and elite competition.

Dahl (1998) argues that a disproportionately large number of consolidated democracies have come out of peaceful evolutions as opposed to violent revolutions. Huntington believes that any kind of violent regime change will have a negative effect on the future consolidation of the democracy. Karl and Schmitter (1991) follow a similar line of thinking when they suggest that the most successful transitions come about through a pact between the opposition and the present ruling regime in which the incumbent ruling party remains partly in control of political development for the political regime. Welsh (1994) also notes that how the bargaining between elites takes place is crucial. She claims that if there is an absence of or failure in bargaining efforts, then this may impede democratic consolidation efforts. Yet, in a recent study, Kurtz and Barnes

(2002) find that violence does not appear to be an important variable in consolidation efforts.

Several authors (Kurtz and Barnes, 2002; Fish, 1998b; Hanson, 1998; Welsh, 1994; Ishiyama, 1997) have noted the importance of the initial post-communist political contest. They argue its importance to the future of the regime is implicit since the group that wins the initial elections will determine the institutional rules under which future competition will take place. They suggest that if the opposition forces win the first contest, then conditions for the establishment of a consolidated democracy should be propitious. Yet, an initial victory by the communist successor parties would have negative effects on the consolidation efforts. Kurtz and Barnes (2002) find a statistically significant relationship that supports this argument.

### **Electoral rules**

It does appear that factors at the time of transition can play an important role in the consolidation efforts but there is one more issue that I wish to examine. This issue involves how certain aspects of the electoral system and rules governing the scope of participation can cause or solve major problems that threaten democratic consolidation. (Ishiyama, 1997) For this study that I wish to examine several aspects of the electoral system such the type (PR, first past the post, or mixed), whether certain kinds of parties are outlawed, effects of thresholds, and citizenship laws. Electoral laws are very important for not only can they help create and maintain political stability if used correctly, they are also much easier for politicians to manipulate. It is much easier to manipulate them than overhaul the entire political system (Santori, 1968). The electoral laws can have a major impact on the consolidation process when societies have major

ethnic cleavages. It can heighten or reduce ethnic conflict depending on how the system is organized (Duchacek, 1977; Horowitz, 1985). One of the strongest areas of debate is over which electoral rules are more apt to promote political stability in divided new democracies. There are two dimensions to this debate; one involves the scope of representation or the extent to which representation is commensurate with political divisions in society. The other area of debates involves the quality of representation (Nordlinger, 1968; Covell, 1985). The debate centers on whether expanded representation is beneficial or detrimental in ethnically divided states. One group contends that representing groups proportionally facilitates ethnic integration into the political system, thus creating conditions for inter-ethnic cooperation (Lijphart, 1974; Lijphart, 1977; Nordlinger, 1972; McRae, 1974; Daalder, 1971; Lorwin, 1971). This group favors representative structures like proportional representation (PR) electoral systems because they prevent the consistent denial of representation for major minority groups (Lijphart, 1985; Lijphart, 1986; Lakeman, 1974). They claim that majoritarian representative structures are inappropriate in ethnically divided societies because they exclude major minority groups, which can result in violence and democratic collapse (Lijphart, 1977).

Yet, critics argue that PR systems can lead to extremist parties or anti-system ethnic parties intent on the destruction of the democracy. They also claim that there is no reason to believe that such parties will moderate their demands once they receive proportional representation (Barry, 1975; Horowitz, 1985).

The other dimension of the debate examines the quality of the representation. Brass (1991) argues that the promotion of individual competition and an individually

based system of representation would diffuse ethnic conflict because it promotes creating issue based parties rather than ethnic ones. There may not be a clear consensus on which electoral system seems to promote democracy stability and consolidation in ethnically divided states but there is an agreement that they can and do affect the situation (Ishiyama, 1999; Ishiyama, 1996).

One way to create stability in this possibly volatile party system is to create legal thresholds. In a PR system, this is the percentage of the vote that the party must attain in order to receive representation. Any percentage below this and the party is denied a seat (Lijphart, 1994; Lijphart, 1999). Thresholds reduce the number of parties in system by weeding out the smaller parties (Lijphart, 1986). If there are a large number of parties in a system, it can be considered fractionalized. It is more difficult to maintain a fractionalized coalition government than one that has two or three parties involved (Rae, 1967; Lijphart, 1999). Therefore, thresholds can help create stability in the party system.

In regards to the citizenship law, several authors (Roeder, 1999; Cichock, 2002) have noted how too restrictive citizenship laws can have a negative effect on ethnic integration. These laws can lead to political instability due to disenfranchisement of ethnic minorities and may even threaten democratic consolidation.

It is apparent that several factors have an impact on the success on democratic consolidation. I use three major areas of research to study why consolidate takes hold in some countries and not in others. I selected these three areas because they are possible to control for.

## Chapter 3 Methods

### Introduction

This thesis will use a most similar systems design to guide the research. Prezeworski and Teune (1970) suggest that most similar system designs are useful because they help eliminate variables that the cases have in common. In this study, all five countries have similar legacies from a communist past, all five are attempting to transition their governments from a communist regime to a more democratic government, all have experienced some degree of success in democratizing, and all have major ethnic divisions in their populations. First, democracy will be defined for the confines of this paper and then the five countries will be measured to determine levels of democratic consolidation. As noted above, these five countries had many attributes in common when they began their transitions toward democracy, but have experienced varying degrees of success toward this goal. While all five countries have experienced success towards democratization, I try to explain why the Baltic States appear to have been more successful in consolidating their democracy than have the two Balkan States.

I use three explanatory variables when examining this situation. The first variables I examine involve economic factors such as overall well being of the economy, measured by GDP, speed of privatization and FDI. These variables help demonstrate how the condition of the economy can influence consolidation. In the second set of variables, I investigate influential factors that took place at the time of transition. These variables include mode of transition, violence, and which party had control immediately after the transition. This set of variables demonstrates the importance of transitional factors. The third variable I examine involves institutional concepts such as how the

electoral law and citizenship laws play a role in helping or hindering consolidation efforts. Different electoral rules can influence consolidation so these variables will also be examined.

Since a part of my argument claims that the Baltic States have consolidated their democratic regimes more quickly than Romania or Bulgaria, I must demonstrate this to be true. But before I do this, a working definition of democracy must first be realized.

### **Requirements for democracy**

I use several criteria to evaluate the democratic level of consolidation in each country. I use six political factors that Dahl (1998) claims large-scale consolidated democracies require and have added two other institutional requirements (control of the military and election legitimacy) to evaluate democratic levels of consolidation.

- *Elected officials*- representatives from the bodied politic that are elected by the citizens of that country to make government decisions.
- *Free, fair, and frequent elections*- elected officials are chosen frequently and fairly by the citizens of that country in which coercion is uncommon.
- *Freedom of expression*- citizens have the right to express themselves in any way without fear of punishment from the government.
- *Access to alternative sources of information*- citizens have the right to seek out information through any publication that is not under the control of the government.
- *Associational autonomy*- citizens have the right to gather and form independent groups, which the government has no control over.

- *Inclusive citizenship*- no adult permanently residing in the country and subject to its laws can be denied the rights that are afforded to every other citizen. Every citizen, including elected officials, is subject to rule of law.
- *Control over the military*- elected officials have full control over all military action.
- *Election legitimacy* – when a previously elected official is not reelected, then he/she must not try to retain power. Coup attempts are a reflection of a lack of election legitimacy.

If these eight criteria are met, then a country will be judged to have a consolidated democracy. All of these political institutions are necessary, if not sufficient, for a successful democracy.

### **Evaluating the five countries**

When evaluating these countries democratic consolidation process, much of the data was collected from the Freedom House website. This is a widely respected and credible judge of the democratization process. The democratic ratings for 2003 demonstrate that the Baltic States have had more success in consolidating their democratic governments than Bulgaria or Romania. Freedom House examines two major issues, democratization (DEM) and rule of law (ROL). The DEM score is calculated by taking the average of the electoral process (EP), civil society (CS), independent media (IM), and governance (GOV) scores. The ROL score is determined by averaging the constitutional, legislative, and judicial framework (CLJF) score with the corruption (CO) score.<sup>1</sup>

**Table 3.1-2003 score summary for countries**

Country	EP	CS	IM	GOV	DEM	CLJF	CO	ROL
<b>Bulgaria</b>	2.00	3.25	3.50	3.75	<b>3.13</b>	3.50	4.25	<b>3.88</b>
<b>Estonia</b>	1.75	2.00	1.75	2.25	<b>1.94</b>	1.75	2.50	<b>2.13</b>
<b>Latvia</b>	1.75	2.00	1.75	2.25	<b>1.94</b>	2.25	3.50	<b>2.88</b>
<b>Lithuania</b>	1.75	1.50	1.75	2.50	<b>1.88</b>	1.75	3.50	<b>2.63</b>
<b>Romania</b>	2.75	2.75	3.75	3.75	<b>3.25</b>	4.25	4.50	<b>4.38</b>

- Source- Freedom House-Nations in Transit 2003.

It is quite obvious that the Baltic States have a clear advantage in both areas of democratization and rule of law.

The 3.13 Dem rating for Bulgaria was generally understood to be caused by their problems with inexperienced local leaders, interest groups, and a lack of an independent media (Nations in Transit, 2001). Bulgaria has been successful in meeting many of criteria for a consolidated democracy such as election legitimacy, elected officials, free, fair, and frequent elections, and for the most part, inclusive citizenship and freedom of expression. Freedom House suggests that Bulgaria has no problems with control of the military, yet some residual civil-military relations problems do exist (Nelson, 2002). Yet they have not cause major problems involving democratic consolidation. Bulgaria has had some problems with meeting the requirements for inclusive citizenship. This has been that in the past, elected officials enjoyed many special privileges during the privatization process. Also, corrupt political officials have wielded political power to avoided prosecution (Munck and Leff, 1997). Reports of religious harassment, minority discrimination, and minority harassment by local police have also been a problem (Nations in Transit, 2001).



The problems with associational autonomy derive directly from the constitutional law that claims that citizens do not have a right to form parties based on ethnic, religious, or racial principals. Even though this law exists, a Bulgarian Turk party has been allowed to remain while the constitutional court has disbanned both Roma and Macedonian ethnic parties (Nations in Transit, 2001).

The other primary problem is that the Bulgarian government dominates the broadcast media. Most print media is in private hands but the government has constantly attempted (ineffectively) to dictate to the media. Other problems such as corruption, partisan clientelism, and judicial ineffectiveness have affected the rule of law in Bulgaria (Nations in Transit, 2001). This is why they received a 3.88 for ROL. Part of this problem starts with the interest groups. There is no legal regulation of them so corporativism and clientelism can heavily influence policy. Also, the court system has had major problems involving lack of judges, which has created a slow and ineffective judiciary. In 2002, Transparency International ranked Bulgaria 45<sup>th</sup> out of 105 countries in its corruption percentage index (Transparency International, 2002).<sup>2</sup> Corruption has been a problem in Bulgaria but it has begun to improve.

Romania has created successful political institutions in several areas. They have established successful political institutions in the areas of election legitimacy, elected officials, and some effectiveness in the other political institutions. I question the legitimacy of free, fair, frequent elections and also the legitimacy of freedom of expression because Romania has been known to use violence as a way of expressing their political beliefs (Roper, 2002). This violence is a form of coercion. This acceptance of using violence for political means started with the fall of the communist regime in 1989

and has been a common and accepted practice since then. Civilian control of the military has not been a problem but some problems still exist with the civil-military relationship (Nelson, 2002). Yet, like Bulgaria, they have not cause major problems involving democratic consolidation. Another problem in this area is the problem of a weak opposition. The opposition to the former communist party is weak and unorganized. Due to this weak opposition, the Romanian regime has materialized into a one-party dominant system. This severely weakens the democratic process in Romania.

Romania does a fairly good job of representing the minorities in their country but it has a problem with rule of law. International human rights associations have documented several detentions of citizens without warrants and beatings of detainees. Also, under the constitution, property rights are protected but not guaranteed (Nations in Transit, 2002). Freedom of religion is guaranteed in the Romanian constitution but the communist party confiscated some belongings of the Greek Catholic Church and these items have not yet been returned (Nations in Transit, 2002). Also, corruption is rampant in Romania. That is why their rule of law rate for 2003 is 4.38. In 2002, Transparency International ranked Romania 77<sup>th</sup> out of 105 countries in its corruption percentage index (Transparency International, 2002). “Corruption is probably the most significant political issue currently under active political debate (Nations in Transit, 2002, p. 324).”

Estonia also has some problems with corruption but its problems are in no way as significant as Romania’s corruption issues. In fact, Estonia is considered the least corrupt former Soviet/Eastern European country. They were ranked 29<sup>th</sup> out 105 countries in Transparency International’s 2002 Corruption Index, which is the best among Eastern European and former Soviet countries (Transparency International, 2002). Still they have

had some problems with corruption. Bribery of the local civil servants is fairly common but not nearly as bad as in most Eastern European countries. Also customs and border guards have been cited as being particularly vulnerable to corruption (Nations in Transit, 2002). There were also some concerns about corruption among high-level officials. One of the ways in which they have tried to counter this was by implementing several policies that increased the transparency of government spending, government activities, and the financial assets of the public officials. It seems that one of the biggest differences between Romania and Estonia on the issue of corruption is that Estonia is actively trying to reduce its corruption levels while the Romania government seems more apathetic to problem.

All of the other political institutions are all established in Estonia. The political system has been remarkably stable for the last ten years and a consensus among most of the political elites about democratic reform has allowed Estonia to implement some of the most extensive political and economic reform in the former Soviet Union (Nations in Transit, 2002). They have stable control over military, strong election legitimacy, meet the requirements for elected officials and free, fair and frequent elections. The government respects the basic freedoms of the press, speech, and organization. Estonia has a variety of independent media sources. In fact, there are so many privately owned daily newspapers that competition has driven many into financial difficulties. Estonia also has several privately owned radio and television stations. The state has very little control over the media and none of the newspapers or other media centers receive government subsidies (Nations in Transit, 2002). Finally, they have also done a very good job meeting the requirements of inclusive citizenship. All adult citizens of Estonia

have the right to run for political office and vote in elections. Noncitizens do not have the right to run for office in Estonia but after they have resided in the municipality for five years, they can vote in local elections (Nations in Transit, 2002). Estonia meets all the standards of a consolidated democracy and it has been more successful at this process than most former Soviet countries.

Latvia has had major success in consolidating its democracy, which is demonstrated by its 1.94 DEM score. It meets all eight requirements for a consolidated democracy and has a multi-party system that appears very stable. It is so stable that extremist parties have almost no influence on politics in Latvia. Another example of their stability is demonstrated by the lack of a single dominant political party (Nations in Transit, 2002). Political parties are well-established but center-right and center-left wing parties form coalitions in parliament since no one party dominates on either the right or left. Elections revolve around leaders and issues, not political parties, which are not very active until elections are close (Nations in Transit, 2002).

Like Estonia, freedom of the press is well established in Latvia. There are some state owned media outlets but the private section dominates the industry (Nations in Transit, 2002). The Constitution provides for freedom of religion and is generally respected but some minority religions, considered new religions, have faced problems regarding exemptions from military services.

One of the main issues that Latvia has recently addressed is the citizenship law. All non-ethnic Latvia citizens enjoy the same rights and privileges of ethnic Latvian citizens but over 20 percent of the population still remains noncitizens (Cichock, 2002). In recent years, the Latvian government has eased naturalization requirements but the

language law, apathy, a lack of information about the process, and mistrust of the government has been the main barriers of naturalization. There are seven major ethnic minorities in Latvia but the largest, by far, is the Russian minority (Cichock, 2002). The naturalization process meets all EU standards and is not discriminatory (Nations in Transit, 2002).

The only other major issue in Latvia is corruption. This is a major problem and is main reason why Latvia's ROL score is 2.88. Latvia has had a major problem with what the World Bank terms "state capture" (Nations in Transit, 2002). This is where laws created by the legislature and various ministries are created to benefit a narrow range of private sector groups and individuals. The phenomenon reduces the influence of ordinary citizens in day-to-day politics. The Latvian government has tried to address the corruption issue with several laws with some success. They were ranked 52<sup>nd</sup> out of 105 countries in Transparency International's 2002 Corruption Index, which is an improvement from last year (Transparency International, 2002).

Lithuania has also had major success in consolidating its democracy. The 1.88 DEM scores helps demonstrate this point. It is a very stable multi-party system. They meet all eight conditions for a consolidated democracy with only minor problems in inclusive citizenship (corruption) and *Associational autonomy* (religion). The vast majority of the mass media are privately owned and internet availability is steadily expanding (Nations in Transit, 2002). They easily met such requirements as free, fair, and frequent elections, elected officials, election legitimacy, freedom of expression, alternative sources of information, and control over the military. One problem has been some religious discrimination in Lithuania. The government recognizes nine major

religions as traditional. Only these religions and state-recognized religions (this is long and difficult process) are allowed to teach religion in state schools and buy land to build churches (Nations in Transit, 2002). These religions also receive financial benefits such as a reduction of certain taxes and reception of state subsidies.

There is also a problem with the transparency of government in Lithuania. Laws are often adopted without prior notice or public scrutiny and cabinet sessions take place behind closed doors. The Parliament is more open than the cabinet but it is not obligated to inform the public or the media of its work (Nations in Transit, 2002). This process has been combined with an outrageous number of laws and decrees from Parliament and several flaws in Lithuania's Constitution that attempted to provide a separation of executive and legislative powers (Nations in Transit, 2002; Vardys and Slaven, 1996). Besides some of these problems, which the government has been attempting to address, Lithuania has a thriving democracy.

There have been some issues involving corruption as well. In fact, corruption has been an increasing problem in Lithuania. The government has made some attempts to correct the problem but it has not been as aggressive as Estonia or Latvia. One of the biggest problems is bribery of civil servants, police officers, and custom officers. Much of the problem derives from the regulatory authority interpreting, applying, and enforcing regulations inconsistently. Many of the regulatory obligations are vaguely defined or changed frequently so this leaves this area open for major corruption (Nations in Transit, 2002). The 2.63 ROL score reinforces the significant corruption problem that Lithuania is facing. They were ranked 36<sup>th</sup> out 105 countries in Transparency International's 2002

Corruption Index, which is a slight improvement from last years ranking (Transparency International, 2002).

After examining the present state of these democracies, it is apparent that the Baltic States have had greater success in consolidated democracy while Bulgaria and Romania are still in the process of this. Yet, when evaluating these five countries, it is not only important to examine how democratic they are presently but to also examine them from a year to year basis to demonstrate the democratic progress that each state has made since the transition. This is important since I am arguing that the Baltic States have achieved this goal more quickly. To do this, I will use Freedom House country ratings for the democratization effort and rule of law scores in each country from 1997-2003.

**Table 3.2- Freedom House ratings from 1997-2003**

Country	1997	1998	1999-2000	2001	2002	2003
Bulgaria	3.90, na	3.55, na	3.31, 4.13	3.06, 4.13	3.00, 4.00	3.13, 3.88
Estonia	2.10, na	2.05, na	2.06, 2.63	2.00, 2.38	1.94, 2.13	1.94, 2.13
Latvia	2.15, na	2.15, na	2.06, 2.75	1.94, 2.75	1.94, 2.88	1.94, 2.88
Lithuania	2.15, na	1.95, na	2.00, 2.88	1.94, 2.75	1.88, 2.88	1.88, 2.63
Romania	3.95, na	3.85, na	3.19, 4.25	3.31, 4.38	3.31, 4.50	3.25, 4.38

-First score is DEM, second is ROL. Ex (DEM, ROL), na means not available  
 -source- Freedom House, Nations in Transit, 2003 and Nations in Transit, 2002

It is obvious that the Baltic States had a quick start toward democratization, which enabled them to consolidate their democracy more quickly than Romania or Bulgaria. If this is the case, then what allowed this to happen? What factors influenced this? I examine three important possibilities that could have influenced this difference.

The first of these variables I examine are the different economic situations that each country was in. More specifically, I examine how GDP growth tied with

privatization and FDI can affect the situation. As noted earlier, a strong economy and democratization are strongly correlated. If these variables had a major impact on the consolidation process, then I would expect the Baltic States to not only have a much higher GDP per-capita but to have also privatized much more quickly than Romania and Bulgaria. If the Baltic States did privatize more quickly, than I expect that they would also receive large increases in the amount of FDI invested in their countries. This would help democratic growth, which, in turn, would help democratic consolidation.

Since privatization of major industries is an important factor, it is essential to define privatization. "Privatization originally meant the sale or liquidation of productive assets owned by the state (Thomas, 1993, p.168)." When referring to post-Communist privatization, the concept has taken on several other usages such as: selling the business and leasing the land and fixed assets; leasing the business; sell, leasing, or giving away some or all of the assets in the enterprise to management or workers; retaining government ownership of a large minority interest; stripping away viable assets for sale or giveaway; giving to all adult, for no or nominal cost, vouchers that can be used to bid for shares of a public factory; hiring foreigners to run holding companies for citizen-owners; or even the sale of some factories to highest the bidder. Yet it hardly ever means liquidation of large industries (Thomas, 1993). The key is that the state devolves power of the industry/enterprise into the hands of private owners. FDI is defined as investors from outside the state purchasing an industry/enterprise or at the minimum a portion of it.

The second variable I investigate involves factors of the transition. I examine three possible contributing factors in this chapter. First, I examine the mode of transition defined by Huntington (1991). I expect that if a state uses the transplacement method to



change its regime type, then they should consolidate more quickly than others that use a different method. Second, I examine whether the transition was violent and expect a violent transition to hinder democratic growth. Finally, I examine the initial post-communist contest. If the former communist party gains power directly after the transition I expect this to have a negative effect on consolidation efforts. Since the group that wins the initial elections will determine the institutional rules under which future competition will take place, the initial winner will have extraordinary influence on creation of the new system. The literature suggests that if the opposition forces win the first contest, then conditions for the establishment of a consolidated democracy should be propitious. Yet, an initial victory by the communist successor parties would have negative effects on the consolidation efforts.

The final variable that I examine is the possible institutional differences in each country. This chapter will look at the different effects of electoral rules and laws. These institutions can help create stability for a blossoming democracy but they can also hinder its growth. Several authors have noted that the kind of electoral system can have an impact on the stability of a fledgling democracy. Much of the literature favors the PR system so I expect that PR systems will have positive impact on consolidation efforts. Since Barry (1975) and Horowitz (1985) mention that PR systems can create a situation in which extremist parties may develop I also expect that restrictions on communist and fascist anti-democratic parties will have a positive effect on consolidating these new regimes. These groups are anti-democratic and will try to bring down the regime so it would not be wise to allow them to operate in the system. Yet I expect the outlawing ethnic based parties to have a negative affect on consolidation. The reason why PR

systems are favored in ethnically divided societies is due to its ability to represent minorities. Outlawing ethnic based parties would eliminate this unique trait.

With regard to thresholds on PR systems, Rae (1967) and Lijphart (1999) noted how they can help bring stability to the party system which can have a positive impact on consolidation. I would expect that these restrictions would help consolidation.

Finally, I examine the citizenship laws. All five countries have significant proportions of ethnic minorities in their populations but this should only be a significant factor in Baltic States. Since the Baltic States are not only are transforming to democracy but are also recreating their own countries, citizenship to these new countries should have an impact on democratic consolidation. If these minorities are denied specific rights or if the standards to become a legal citizen are too difficult, then certain groups may not be represented in society. This would hurt a countries democratic credibility and would not enable it to fully consolidate the regime.

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<sup>1</sup> For a complete explanation of Freedom House rankings, go to *FreedomHouse.org*

<sup>2</sup> For a complete explanation of how Transparency International ranks its countries, go to [http://www.transparency.org/pressreleases\\_archive/2002/2002.08.28.cpi.en.html](http://www.transparency.org/pressreleases_archive/2002/2002.08.28.cpi.en.html)

## **Chapter 4**

### **Explanatory Variable 1**

### **Economic Conditions**

#### **Introduction**

One of the most widely studied variables for political transformation has been the importance of the economic condition of the state. Starting with modernization theory, most scholars find a strong correlation between strong economies and strong democratic values in those societies. No one study has shown whether a strong economy causes democracies to form or whether democracies create strong economies but none the less, there does appear to be a strong relationship between the two. Recently, a strong debate has occurred over the importance of privatization and whether it helps foster democratic growth. Some theorists maintain that rapid privatization helps foster democratic growth (Bunce, 1995; de Melo, Denizer, and Gelb, 1996b; Diamond, 1995; Fish, 1998a; Fish, 1998b) while others believe that it hinders it (Kurtz and Barnes, 2002; Clark, 2000; Cui, 1997). While both sides have valid arguments, I believe my study offers evidence in support of rapid privatization.

My main contentions are not only that rapid privatization would help stabilize an unstable economy, which by itself would create growth and legitimacy for the regime, but that it would also increase foreign direct investment (FDI) inflows. The increase in FDI would also inject important financial inflows into these economies. FDI has been shown to be increasingly important as a major way to stimulant growth (Marsh 2000). This means that FDI could help foster a time of strong economic growth in the region. Other scholars have found a positive relationship between FDI and the economic stabilization of the economy (Laski, 1998). These two factors of increased monetary

inflow and strengthening the economy would create GDP growth, and hence stability and legitimacy for the consolidating regime. I intend to demonstrate that the favorable economic choices made by the Baltic States enhanced their ability to consolidate their democracies.

I examine both the GDP rates of the five countries and their rates of privatization. I also examine FDI inflows to demonstrate that rapid privatization increases it. I expect that the Baltic States should have privatized faster, which in turn would help with GDP growth. This boost in GDP then helps promote legitimacy to the transforming democracies. Therefore, rapid privatization would induce growth and help the Baltic States consolidate their democracies more rapidly.

## **GDP**

**Table 4.1**  
**GDP per capita**

Country	1993	1994	1995	1996	1997	1998	1999	2000	2001
Estonia	1085	1530	2417	2980	3174	3617	3609	3509	3686
Latvia	827	1442	1779	2071	2293	2494	2799	3019	3249
Lithuania	715	1143	1623	2129	2588	2904	2882	3064	3249
Bulgaria	1280	1152	1563	1179	1230	1490	1513	1484	1619
Romania		1323	1564	1563	1565	1859	1563	1644	1743

After examining Table 4.1, it appears that the Baltic States presently have a stronger economy. A closer look reveals that the Baltic States actually had a weaker economy in 1993 but by 1996, all three Baltic States had made major gains in their

economies while Bulgaria's and Romania's economies either remained relatively stagnant or decreased. While the Baltic States have almost quadrupled their economies over the past ten years, Romania and Bulgaria have only recently started to show some signs of growth. The explanation for this difference may lie in diverging privatization policies.

### **Privatization Efforts and FDI inflows**

#### **Estonia**

The Estonian government is in the final stages of completing its privatization programs. Small-scale privatization actually started before Estonia was independent. It had its first private bank as early as December 1988. In early 1992, it adopted a pilot policy to privatize seven companies. Other major legislation followed such as: the 1991 Law on the Fundamental of Ownership Reform; the 1991 Land Reform Act; and the 1991 Law on Foreign Investment. Many of these laws address large-scale privatization of major industries, land reform, and FDI. By mid-June 1992, Estonia had introduced its new national currency, the Kroon, and in a three-day transition period, exchanged all bank accounts from the Ruble to the new currency (Pettai, 1996). In September 1993, the Estonian Privatization Agency (EPA) was established which administered the privatization process (Nations in Transit, 1998). Privatization of most enterprises was largely completed by mid 1996 (IMF, August 1999 CR/99/74). During the first four years, most of the small and medium scale industries were sold. Most large-scale industries were sold to strategic investors with the objective of promoting competition and productivity. At independence, Estonia had around 450 large state owned enterprises and by mid 1996, 430 of them had been privatized. Estonia has had the most FDI per

capita of the five countries. It was the first to take on rapid privatization and had the earliest major increase in FDI because of this.

Banking reform started early in Estonia and continued until mid 1998 when the banking industry was completely privatized. By late 1988, the first private bank was opened in Estonia. By the end of 1991, the number of banks in Estonia had grown to 24, 20 of which were privately owned. The number of banks continued to increase and by June 1992, 41 commercial banks were in operation (IMF, August 1999 CR/99/74). Yet in late 1992, insufficient banking legislation and the lack of professional skill and experience among managers lead to the insolvency of several major banks (Nations in Transit, 1998). A banking crisis ensued. The government reacted quickly by passing the Law on Credit Institutions and other strict policies to subdue the crisis. By 1994, the private banking sector had recovered. In 1998, the two largest state-owned banks were completely privatized by two Swedish banks (IMF, August 1999 CR/99/74).

The privatization of the energy sector has been slow when compared to other large sector privatization efforts. Many contracts are in the works but privatization of much of the energy sector has been fraught with political battles. Nevertheless, major agreements were struck over two power plants in August 2000, which supplies over 90 percent of the countries electricity (Nations in Transit, 2002).

Agricultural reform has been fairly successful with 95 percent of the farms privatized by 1996 (Nations in Transit, 1998). Yet, “the limited progress in land privatization has hampered structural change in the agricultural sector, where almost half of all agricultural land is still cultivated by largely unstructured farms. Only about 20 percent of all agricultural land is privately owned (IMF, August 1999 CR/99/74, p.10).”

This has not affected FDI or the economy very much since less than 4 percent of the GDP comes from the agricultural sector.

## **Latvia**

Latvian privatization is near complete. Major pieces of legislation that started the privatization process in Latvia include the 1990 Law on Agricultural Reform, the 1991 Law of Land Reform in Towns and Cities, and the 1992 Law on the Order for Privatization of Objects of the State and Municipal Property (Nations in Transit, 1998). These laws addressed major privatization issues such as agricultural reform, land reform, and privatization of industries. In 1994, the Latvian Privatization Agency was established to handle the entire privatization process due to poor privatization in the first three years (IMF, August 2000, CR/99/77). It was not given full control until late 1995, but it had an immediate impact. By early 2000, over 95 percent of state owned enterprises had been privatized and almost all small and medium enterprises were entirely in private hands (IMF, August 2000, CR/99/77). Latvia is having problems in continuing the privatization in the telecommunications industry due to a long-term monopoly agreement that took place in the early 1990s. An agreement is in the works to reduce this time so that further privatization of the telecommunications industry will take place in early 2003 (Nations in Transit, 2002). Latvia had the second most FDI per capita, was the second to privatize and had the second to have a major increase in FDI.

Banking reform took place in 1995 due to a major banking crisis. The banking sector was one of the first major industries to be completely privatized, which was completed by 1997. The crisis took place in 1995 when the largest bank in Latvia, Banka

Baltija, as well as many other smaller banks collapsed. This was due to risky lending practices, unsustainable deposit interest payments, fraud, insider-trading, and inadequate banking laws and regulations (Nations in Transit, 1998). The Bank of Latvia (BoL), the central bank, took immediate steps to solve the problem. It tightened restrictions and performed more than 100 on-site inspections. The Latvian banking system has met EU standards since 1998. Foreign banks are not restricted in any way pertaining to establishing branches, subsidiaries, or representative offices in Latvia (Repse, 2000).

There has been less success in attempts to privatize many large state-owned energy enterprises. The energy industry was liberalized under the 1998 Law on the Energy sector (IMF, August 1999, CR/99/77). It regulates the production, purchase, and distribution of various types of energy, the licensing and functioning of companies, and the supply of energy to consumers. It also integrates Latvia's energy industry into the international market. These steps were taken to attract FDI into the energy sector, but little has been done to privatize many of the large industries.

Privatization with regards to agriculture has been successful. 58,000 farms have been established and most of the remaining collective farms have been converted into joint stock companies (Nations in Transit, 1998). Most of the privatization in this sector has been the result of early efforts and was completed by 1996.

## **Lithuania**

Lithuanian privatization is presently in its second phase, which calls for privatization of major industries. The first phase started in 1991 when the Lithuanian parliament passed several major laws such as the Law on Initial Privatization of State Property, the Law on Privatization of the Property of Agricultural Enterprise, and the



Law on Privatization of Housing (Nations in Transit, 1998). These laws created a legal framework to initiate privatization through a voucher program. These laws addressed the privatization of housing, agriculture, and small businesses. The second phase started in 1995 but was delayed until 1997 due to legal disputes. This was mainly due to lack of transparency in the privatization process (Nations in Transit, 1998; IMF, September 1999, CR/99/96). In 1997, a new law replaced the 1995 privatization law, major changes were mainly procedural. Major privatization efforts started taking place in the middle of 1998, when the sale of large enterprises in the energy, telecommunications, and transport sectors were undertaken. The sale of the shipping company LISCO in April 2001 was the real start of privatization of strategic enterprises (IMF, August 1999, CR/99/73; Freedom House, 2002). Lithuania was the third country to induce rapid privatization, third in FDI per capita, and third to have a major increase in FDI inflows.

Banking reform has been necessary several times since independence. The Bank of Lithuania (BoL) was founded in 1990 to become the central bank of the new state. By 1994, 28 banks operated in Lithuania, yet many of these acted as lending agencies for only a few enterprises (Enoch, Gulde, and Hardly, 2002). Later that year many banks were having problems complying with state capital requirements. The situation started to become serious and forced 14 smaller banks into bankruptcy proceedings. By late 1995, the situation developed into an all out crisis and only 12 banks survived (IMF, September 1999, CR/99/96). An inspection of the Innovation Bank, the largest private bank in Lithuania, revealed major insolvency problems, which accelerated the situation (Enoch, Gulde, and Hardly, 2002). Further inspections revealed a similar situation in the entire Lithuanian banking system. Depositors reacted rapidly by shifting their deposit to state-

controlled banks since their deposits were fully guaranteed in these institutions. This exacerbated the banking crisis since this caused liquidity shortages in relatively solid private banks. Many of these problems were initially caused by bad government policies.

In September 1996, the government reformed the banking structure so that this problem could not happen again. Several private banks' licenses were revoked and liquidation procedures were initiated. This also caused a delay in privatization of the Agricultural Bank and the State Savings Bank by several years, which were finally privatized in 2001. These two banks dominated the market by controlling 45 percent of the total assets of the commercial banking system in Lithuania until they were privatized. The two largest private banks (Vilnius Bank and Hermis Bank) controlled about 40 percent of the total assets; FDI played key roles in these banks (IMF, September 1999, CR/99/96).

The energy sector is very important in Lithuania. Lithuania exports energy to neighboring states since its production capacity is more than three times the peak demand. After independence, major reforms took place to increase competition, reduce its overuse, and liberalize retail oil prices (IMF, September 1999, CR/99/96). By the end of 2001, 80 percent of the industry is owned by the state. Plans to privatize many of these enterprises are in the works but it appears that the state will play a major role in the industry for many years to come (Nations in Transit, 2002).

The first phase of privatization reformed much of the agricultural sector. Most of the 1,000 state farms and collectives were dissolved and privatized as well as their assets. Lithuania followed a policy of restitution with the objective of returning all property that had been confiscated during the Soviet period to previous owners (IMF,

September 1999, CR/99/96). This slow process of land restitution has hampered the process of consolidating many of the small farms which would further the development of an agricultural land market. There is a limit on the amount of land that an individual may own and agricultural land cannot be purchased by foreign or domestic legal enterprises.

## **Bulgaria**

Economic reform in Bulgaria has lagged behind most other European countries but it is now in the middle of major privatization. The process started in 1992 with the adoption of the Transformation and Privatization of State-Owned and Municipal Enterprise Law. This legislation introduced several methods of privatization such as open-tenders, auctions, management buyouts, and negotiations with potential buyers (Nations in Transit, 1998). Even though this legislation was introduced in 1992, the actual privatization process began slowly. Only small-scale privatization took place in the areas of trade, tourism and food processing (IMF, April 1999, CR/99/26). The real process of privatization started in late 1996. The government reoriented its priorities toward the privatization of large-scale industry and it also used vouchers to help privatize small industry. Still, this phase of privatization (late 1996- mid 1997) mainly transferred ownership of small enterprises or small stakes in large ones to private hands. It did not have a major effect on the privatization of large industry. The second wave of mass privatization started in early 1999, and by 2001, most small-scale enterprises and a significant portion of large-enterprises had been privatized (Nations in Transit, 2002). Major privatization deals that have been struck in 2001 are Hemus Air (the country's second largest airline), various industrial complexes, hotels, restaurants, and two

coalmines. However, there are numerous large-scale enterprises that still have not been privatized. Bulgaria started to privatize major industry a little early than Romania and has seen a steady increase of FDI enter its country. It did not take a rapid privatization policy but after 1996, it continued to make attempts to privatize its major industries.

Bank reform has finally been addressed in Bulgaria and after the banking crisis in 1996 was dealt with, growth in FDI began to occur. In spite of some early structural changes, major problems existed in the banking system in 1996. Some of the problems were high degrees of concentration, in which five banks (four state owned, one private) controlled 60 percent of the total assets, most banks remained sectorally/regionally oriented, which left several highly exposed to vulnerable state enterprises, and state controlled banks remained dominant (Enoch, Gulde, and Hardly, 2002). Furthermore, many of the recent regulations enacted for the reason of creating a stable banking sector were not enforced. This was all combined with a rapid increase in nonperforming loans (mostly in state-owned banks), which exceeded 60 percent in some banks. Only 5 out the 20 privately owned banks reported negative worth but the state-owned banks dominated the system. Yet, when the crisis hit, many of them became insolvent like most of the state-owned banks. Liquidity shortages and solvency problems created a major banking crisis in 1996. After several failures to fix the problems, the crisis was finally resolved by wide-range restructuring of the banking sector. The government bailing out the remaining state banks initially accomplished this. This helped restore confidence in banking system but soon after, the whole system was on the brink of collapse. Hyperinflation ensued. The turning point took place in 1997 when a new government set

up a currency board (Enoch, Gulde, and Hardy, 2002). This was the major factor that helped stabilize the banking situation in Bulgaria.

Presently, larger banks based in the EU own most of the banks in Bulgaria. The banking sector is generating significant profit and its newfound stability has been a major reason why FDI has come into Bulgaria (Nations in Transit, 2002).

Bulgaria's energy sector is a key to future economic growth, yet this area remained mostly untouched in any privatization effort until 1998. It has several major industries that have potential such as NEK (electricity), Bulgargas (gas), oil refining industries and coal mining industries (IMF, April 1999, SCR/99/26). Most of these industries had relative monopolies, were losing money and have not been subjected to market forces until 2001, all which discouraged FDI. Some investment has been injected into these industries but most major energy plants remain state-controlled.

Agricultural reform has been more successful and privatization occurred more quickly. Yet until 1997, agricultural privatization and land restitution were still major issues. Bulgaria has a major comparative advantage in agriculture when compared to the rest of Europe so it is significant that this issue was not dealt with early on. The problems in this area have had a major negative effect on the growth of the Bulgarian economy. The first wave of privatization addressed most of these issues and by the end of 1998, only a third of the grain storage capacity remained in state hands and the other agricultural sectors were completely privatized such as the wine and brewing enterprises, edible oil, and sugar sectors (IMF, April 1999, CR/99/26). Land restitution was accelerated and has made significant progress.

## **Romania**

Romanian privatization has made major progress over the last four years but it still lags behind most CEE countries. The 1991 Privatization Law established the State Ownership Fund (SOF), which granted 70 percent ownership of 6,400 enterprises to SOF. The law also established five Private Ownership Funds (POF) in which the POFs received the other 30 percent ownership in these companies (Nations in Transit, 1998). The job of the POFs was to freely distribute shares in these enterprises to all adult Romania citizens. After restructuring the POFs and increasing the amount that they were able to distribute (which amounted to only 45 percent of the enterprises), most small enterprises that were scheduled to be privatized were completed by the end of 1996. A second wave of privatization has taken place. By the end of 2001, a total of 7,485 state companies had been privatized (Nations in Transit, 2002). Yet, major privatization still needs to take place in several major industries such as the Banca Comerciala Romana (BCR), ALRO Slatina, and ALPROM Slatina. Romania has lagged behind the other four countries in its privatization efforts and it is last in FDI per capita. Romania took an important step in 1997 with its aggressive privatization policies but failed to continue the trend. Major privatized did not start again until mid 2001. Its inconsistent policies in privatization have left its economy stagnant and in disarray.

Only recently has the banking industry been privatized. In the end of 2001, the state-owned banks still controlled 44 percent of the total assets. The largest bank, Banca Comerciala Romana (BCR), is to have 51 percent of its shares privatized in 2002 (Nations in Transit, 2002). In 1991, Romania established a two-tier banking system. Growth in both state-owned and private banks developed after the creation of this system

(IMF, January, 2001 CR/01/16). In 1996, 33 banks were operating in Romania, five were entirely state-owned, ten were mixed, ten were private, and eight were branches from foreign banks (Nations in Transit, 1998). Despite the large number of banks, the state dominated over 70 percent of the financial activity. To make the situation even worse, two major private banks, Credit Bank and Dacia Felix Bank, failed. No FDI bailed out these banks and they were liquidated in the next year. The closing of Bancorex (a major state-owned bank) in 2000 helped increase Romania banking stability and tipped the balance of the percent of assets to the private banks (IMF, January, 2001 CR/01/16).

Only recently has there been major reform in the energy industry and little privatization has been accomplished in this industry (Nations in Transit, 1998; Nations in Transit, 2002). The EU has worked with Romania to set up a plan to help privatize the industry. By 2004, 25-30 percent of the thermal power production units should be privatized. Also, the state-owned PETROM has been listed on the stock exchange to help put some shares into private hands.

Agricultural privatization has been fairly successful. By 1998, over 83 percent of the farmland was in private hands. The state does still control large agricultural intermediaries and national distribution and storage companies. It also dominates the livestock farming (Nations in Transit, 1998).

Tables 4.2,4.3 and 4.4 summarizes all five countries FDI inflows and privatization processes.

## **Conclusions**

After examining all of the data and comparing it with the speed of democratization of all five countries, several conclusions can be reached. First,

**Table 4.2****Foreign Direct Investments (net inflows recorded in the balance of payments)**

Country	1989-92	1993	1994	1995	1996	1997	1998	1999	1989-1999
Estonia	58	156	212	199	111	130	574	222	1662
Latvia	43	50	279	245	379	515	303	331	2140
Lithuania	52	30	31	72	152	328	921	478	2064
Bulgaria	42	40	105	98	138	507	537	806	2273
Romania	77	87	341	417	415	1267	2079	949	5632

**Table 4.3****Foreign Direct Investments – per capita (net inflows recorded in the balance of payments divided by population)**

Country	1989-92	1993	1994	1995	1996	1997	1998	1999	1989-1999
Estonia	41	111	151	142	79	93	410	159	1187
Latvia	18	21	116	102	158	215	126	138	892
Lithuania	14	8	8	19	41	87	249	129	558
Bulgaria	5	5	13	12	17	63	66	100	281
Romania	3	4	15	19	19	57	93	42	251

Source: *EBRD Transition Report, 2000, UNCTAD World Investment Report 1999*. Note: FDI inflows in million US\$

Source: *Freedom House Nations in Transition, 2002*. Note: Population year was 2002, used for all years.



**Table 4.4**  
**Summary of Privatization Efforts**

<b>Country</b>	<b>Privatization Level</b>	<b>Banking Sector</b>	<b>Energy Sector</b>	<b>Agricultural Sector</b>
<b>Estonia</b> - year	Completed 1998	Completed 1998	Majority Private 2002	Completed 1998
<b>Latvia</b> - year	Mostly Privatized 2002	Completed 1999	State-Dominated 2002	Completed 1996
<b>Lithuania</b> - year	Mostly Privatized 2002	Completed 2001	State-Dominated 2002	Completed 1995
<b>Bulgaria</b> - year	Partially Privatized 2002	Completed 2001	State-Controlled 2002	Completed 1999
<b>Romania</b> - year	Partially Privatized 2002	Majority Private 2002	State-Controlled 2002	Completed 1999

Source: *Freedom House Nations in Transition, 2002.*, *Freedom House Nations in Transition, 1998.*, *IMF*, country reports cited in reference section. Note: Completed means that around 90 percent of the privatization has been completed, State-dominate means that some privatization has been done but the state owns the majority of the assets in the industry, State-Controlled means that very little or no privatization has been in this industry.

privatization and major increases in FDI are related. This means that privatization may have a positive effect on the economy by inducing increased levels of outside investment into the country. Second, the levels of GDP and DEM scores seem to be related. The Baltic States have very similar DEM scores as well as GDP levels. This is also true in both of the Balkan countries studied. Therefore, if privatization has a positive effect on GDP levels and GDP levels and democracy are related than transition countries economic policies can have an effect on the speed of democratic consolidation.

One point that can be argued is that privatization does have both a positive and negative impact upon democratization. Estonia is a perfect example of how rapid privatization can help democratization. Many scholars suggest that this is how it should be done. Yet, the other two Baltic States did not follow this exact plan of rapid privatization and are still doing well. It may be that privatization has a negative short-range impact (for about a year) but a positive medium and long-range impact. The only case that does not illustrate this is Estonia and that may well be due to their rapid privatization process, which was almost completed by the end of 1996. Therefore we can conclude that unless rapid privatization is initiated very early in the transition process, it will have a negative short-term effect but positive medium and long-range effects.

The three cases that best demonstrate my point about the negative short-range effects are the three slowest privatizing countries, which were Lithuania, Bulgaria, and Romania. All three experienced a slow down or a set back in DEM scores within a year of major privatization efforts. Yet, after this set back, DEM scores then began to decrease again. Yet, Romania and Bulgaria have seen their rapid improvements in DEM scores come to stand still. I attribute this to slow increased FDI and GDP growth, which

was what helped the Baltic States consolidate their democracies. The policies of gradual privatization or “start and stop” privatization have hindered growth in both Romania and Bulgaria.

Rapid privatization in the Baltic States created an important environment for economic growth, which is also illustrated by GDP growth patterns in Table1. In 1993, the Baltic States had lower levels of GDP per capita than both Romania and Bulgaria but after 1996 all three of the Baltic States’ GDPs had far surpassed both Balkan States’ GDPs. This economic growth was fed by privatization, which demonstrates how privatization may help create a stronger economy in these countries. Therefore, my conclusions are that the Baltic States policies to privatize their economies in rapid fashion have helped feed economy growth, which in turn help their democratic consolidation efforts.

## **Chapter 5**

### **Explanatory Variable 2**

### **Transitional Factors**

#### **Introduction**

The way in which the transition to democracy took place can influence the speed of consolidated. The factors that this thesis examines are the modes of transition, whether violence played a role in the transition process, and the initial post-communist political contest winner. Huntington (1991) discusses three distinct types of transitions: transitions from above (transformation/transaction/reform); from below (replacement/breakdown/rupture); and transition where both incumbent and opposition play major roles in transforming the system (transplacement/extrication). Several authors (Huntington, 1991; Munck and Leff, 1997; Karl and Schmitter, 1991; Welsh, 1994) maintain that the transplacement method seems to be the most beneficial for democratic consolidation. I then suspect that countries using the transplacement will show signs of greater consolidation. Dahl (1998) notes that violent transition appear to have a negative affect on the future of the regime. From this, I assume that violent transitions will hurt consolidation. Finally, several authors (Kurtz and Barnes, 2002; Fish, 1998b; Hanson, 1998; Welsh, 1994; Ishiyama, 1997) have noted the importance of the initial post-communist political contest. I expect that if the former communists take power, than consolidation will also be slowed.

## **Estonia**

All three Baltic States not only had to transform their government from an authoritarian to a democratic one but they also had to attain independence from the Soviet Union. With glasnost and perestroika, many liberalizing movements took place and eventually the Estonian Popular Front (PFE) was organized in April 1989 (Pettai, 1996). This led to a more than two-year struggle with the Soviet Union for independence. On August 19, 1991, while an attempted coup was taking place in Moscow, Estonia declared independence (Pettai, 1996). The key to understanding Estonia's transition from communist to democratic is that the leader of the PRE, Edgar Savisaar, was a reformist ex-communist (Raun, 1997). Savisaar was left-wing moderate and leader of the Supreme Council, the official legislature of Estonia, from April 1990- January 1992. He and the Supreme Council worked with the Congress of Estonia, the opposition legislature, to create the Estonian Constitution. Each group sent representatives to the Constitutional Assembly, which began deliberations in September 2001. On June 28, 1992, the new Estonian Constitution was approved by referendum with an overwhelming 91.2 percent voting yes (Raun, 1997). The first elections brought a coalition of moderate and right wing reformers to power.

This method of transition would be considered transplacement. Both communist and opposition forces worked together to achieve independence and create the new Estonian Constitution. Bargaining or joint action took place between both the former communists and the opposition in most transitional decisions. This process of bargaining has continued in Estonia and has helped consolidate the democratic regime. It is also

important to note that the opposition forces won the initial post-communist political contest. Violence was absent in the transition process.

## **Latvia**

The independent movement was also strong in Latvia. The Popular Front of Latvia (LTF) formed and championed the movement for an independent Latvia. In December 1989, the Latvian Supreme Soviet decided to end the communist party's monopoly on political power (Dreifelds, 1996). The new Supreme Council, formerly the Latvian Supreme Soviet, was elected in March 1990 in which two-thirds belonged to the LFT. This led the way to a declaration of intent for an independent Republic of Latvia in May 1990. Little progress was being made in attempts to bargain with the Soviet Union for Latvian independence so Latvia did as Estonia did and declared independence from the Soviet Union on August 21, 1991 (Dreifelds, 1996). The coup attempt in Moscow was the key to success. Thus, Latvia became independent.

The transition process was filled with bargaining between the Supreme Council and an opposition group called the Latvian's Citizens' Committee. The Supreme Council and the opposition fought over constitutional rules and laws. They argued against several issues in the constitution that the Supreme Council created. They claimed that even though the Supreme Council was freely elected, the communist led Supreme Soviet established the rules of the game (Dreifelds, 1996). They claimed that the parliamentary body was illegitimate and therefore the Constitution was as well. This led to the creation of a separate parliamentary faction called Satversme. Bargaining between the two groups took place and the end results was the re-instatement of the 1922 Latvian Constitution

(Plakans, 1997). The first Latvian Saeima (parliamentary) elections took place on June 5-6, 1993. The result was the election of a coalition government composed of two parties. It was composed of a centrist party and a right wing party. Latvia's Way dominated the coalition and was the centrist party and the Latvian Agrarian Union was the right wing party in the coalition (Plakans, 1997).

The Latvian method of transition also would appear to be transplacement. Major bargaining took place between the opposition and the former communists. The key to this bargaining is that the opposition did not allow the former communists to set up the rules of the game. The opposition did not accept the Supreme Councils constitution. It, instead, worked with the Supreme Council so that both parties could work out their constitutional differences. It is also important to note that some former communists came to power vis-à-vis, the Latvia's Way Party, but most political elites in power were of the opposition party. No violence was involved in the transition process.

## **Lithuania**

Like the other two Baltic States, independence was the first goal and the democratic transition was second. The Lithuanian Reconstruction Movement, which later became known as Sajudis, was a council composed equally of communist party members and non-members. In October 1988, Vytautas Landsbergis, a non-communist, was elected chairman of Sajudis (Vardys and Slaven, 1996). In December 1989, the Lithuanian Communist Party seceded from the Communist Party of the Soviet Union (CPSU) and gave up its monopoly on power. In March 1990, the communist won only 23 out of 141 seats in the Supreme Soviet and Landsbergis became the new chairman

(Vardys and Slaven, 1996). On the same day, the newly elected government proclaimed independence from the Soviet Union on the grounds that the incorporation of Lithuania into the Soviet Union was not legal. Moscow did not accept the legality of Lithuanian independence and attempted to remove Landsbergis from power in a coup (Krickus, 1997). The coup failed and in the end Lithuania became an independent nation in August 1991 during the failed coup attempt in Moscow.

After two years of conflict and frustration, the Lithuanian Constitution was approved in a referendum on October 25, 1992 (Krickus, 1997). The new system of government became operational in February 2003 with the election of the former communist party, now named the Lithuanian Democratic Labor Party (LDLP).

Like in the previous two cases, Lithuania's method of transition would appear to be transplacement as well. The former communists and many members from Sajudis, especially Landsbergis, worked together to achieve independence and create the Lithuanian Constitution. It is important to note that former communists won the initial post communist elections. Yet, they did not come into power until February 1993, which did not give them an opportunity to create the institutional system. The constitution was already ratified before they took power. No violence was involved in the transition to democracy.

## **Bulgaria**

Unlike the Baltic States' transitions, Bulgaria's transition toward democracy took place from above. The opposition to the ruling communists in Bulgaria was weak and unorganized. Yet, when the initial collapse of the Soviet Union took place 1989, younger



communist leaders saw their opportunity to take power (Munck and Leff, 1997). Tudor Zhivkov was the leader of communist party in Bulgaria but he lost support from inside Bulgaria and now Moscow (Crampton, 1997). A Turkish revolt combined with a staggering 344,000 Turks emigrating from Bulgaria inflicted major damage upon the Bulgarian economy. This weakened Zhivkov's already questionable legitimacy. This new policy of Soviet nonintervention shifted the internal balance of power in the communist party in Bulgaria. Petur Mladenov, the Minister of Foreign Affairs, was the head of the opposition group that was challenging Zhivkov's power. These younger leaders consulted with Gorbachev in November 1989 before displacing the top leadership of the communist party in the infamous palace coup. Mladenov was now in charge (Crampton, 1997).

The impact of the revolution from above on the consolidation efforts is quite obvious today. The leaders of the Bulgarian Communist Party (BCP) met with leaders of the Union of Democratic Forces (UDF), a coalition of fourteen non-communist political groups, and representatives of the Turkish minority (Crampton, 1997). They all agreed to end the communist regime and set up a democratic government. The BCP discussed with UDF how the changes would take place but Mladenov and BCP were still in charge of the country. The leaders set up a majoritarian electoral system in the initial post-communist political competition in June 1990 (Munck and Leff, 1997). The combination of fast elections and a majoritarian electoral system benefited the better-organized party. This led to the election of the Bulgarian Socialist Party, which was the formerly the BCP (Goldman, 1999). With this election, the former communists created the Bulgarian Constitution of 1991 and set up the rules for competition in the new regime. This

Constitution was largely democratic but contained language potentially restrictive of freedom of speech and minority organization (Munck and Leff, 1997). These rules set by the former communist party have led to several undemocratic norms in the Bulgarian government. Post-transitional politics in Bulgaria have been marked by violations of democratic procedures. Some of these violations include canceled or invalidated local elections, reports of electoral manipulation and fraud, conflict with the media, and jailing of key journalists (Munck and Leff, 1997).

The implications from this demonstrate how a mode of transition from above, or transformation, can impair democratic consolidation and growth. This revolution from above has spawned a pattern of elite interaction that is largely unacceptable to democracy values. This has ultimately slowed the consolidation effort in Bulgaria. It also demonstrates that how detrimental a former communist victory in the initial post-communist political contest winner can be for democratic consolidation. Violence was not involved in the transformation of the system.

## **Romania**

Like Bulgaria, the initial collapse of the Soviet Union, which took place in November 1989, had an impact on the legitimacy of the Romanian communist regime. Yet, circumstances were different in Romania. Ceausescu, the general secretary of the Communist Party in Romania, refused to step down which led to the most violent transition in Eastern Europe (Roper, 2000; Goldman, 1999). In November 1989, Ceausescu was re-elected general secretary and at the same time denounced events taking place in other Eastern European countries. This, plus the fact that Ceausescu was the

center of public life, centered all the frustration and discontent toward him. This situation eventually led to the December 17<sup>th</sup> revolution, which led to the death of Ceausescu and his family on Christmas day (Roper, 2000).

There has been a strong debate about whether this was a true revolution or just a coup. Yet, several authors maintain that some form of popular uprising was necessary to remove Ceausescu from power (Verdery and Klingman, 1992). Others argue that a coup succeeded in hijacking the revolution, which eventually placed the former communists back in power (Pilon, 1992). The importance of this violent revolution is stressed by its impact on the democratic transition process. For many Romanians, the events of December 1989 was a coup, not a revolution, and the violence was not deemed necessary. The lesson from this is that violence, necessary or not, can be an essential tool in which to resolve conflict (Roper, 2000). One demonstration of this is the unnecessary and savage use of force against demonstrators in 1991 (Goldman, 1999). This belief that violence can and should be used to help solve problems has hindered democratic growth in Romania and may continue to do so unless leaders react to civil unrest in a more appropriate manner.

The National Salvation Front (FSN), which was initially used by Ceausescu to help put down the revolutionary movements, was the group that eventually displaced him from power. After his death, the FSN, composed mostly of former communists, used the revolution to garner popular support in the first post-communist election in May 1990 (Roper, 2000). They organized and won the initial elections in 1990 and the leadership of this party maintained control of the Romanian government until 1996. The FSN's success was attributed to the lack of opposition, manipulation of the mass media, and its

prominent role in the December Revolution (Roper, 2000). They also made it very difficult for opposite parties to organize. Opposition parties could not get office equipment or space (Goldman, 1999). This was not a problem for the former communist FSN party. Also, several opposition politicians complained of harassment by security forces. Since these former communist leaders maintained power for six years, they were instrumental in establishing the rules and norms of the political system and they were the key authors of the 1991 Romanian Constitution.

The major implication from this transition is that violence does appear to have a negative effect on democratic consolidation efforts. A closer look at the situation does give credence to the argument that this revolution played out more like a coup or transition from above. The FSN used the riots by the people to help them overthrow Ceausescu. They were opportunists. These former communists used the potential rupture of system or transition from below to their advantage and transformed the system in a manner which benefited themselves. After this, they had more power than any other contending party. They were more organized, held early elections, and used their role as revolutionaries in the December revolution as a way to win the initial elections. This led to a very similar situation that took place in Bulgaria and had similar results. The communists set up the system and were very slow to reform. Violence, corruption and other non-democratic means are seen as normal ways to achieve political ends. This demonstrates how important transitional factors can affect future consolidation efforts.

## **Conclusions**

This section examined three major factors of the transition process. First, when examining the mode of transition, it gives credence to argument that transplacement helps

consolidation efforts. All three Baltic States transferred from a communist system to a democratic one by means of transplacement. These are also more successfully consolidated democracies. Bulgaria and Romania, which have been less successful at consolidating their democracies, transformed through different methods. It is clear that Bulgaria transformed from above and it appears that this method has affected their consolidation efforts. Romania is a different case. Scholars disagree which method of transformation Romania used. It actually appears to be a combination of transformation from below, the riots, and above, communist party dominance after the revolts. Yet, the result is the same as Bulgaria's, which is that Communists consolidated power to create the new regime.

**Table 5.1 - Summary of Factors of Transition**

Country	Mode of Transition	Violence	Victor in Initial Election
Estonia	Transplacement	No	Right Wing Party
Latvia	Transplacement	No	Centrist Party
Lithuania	Transplacement	No	Former Communist Party
Bulgaria	Transformation	No	Former Communist Party
Romania	Rupture and Transformation	Yes	Former Communist Party

Even though no other state in this study went through a violent transition, the case of Romania does demonstrate how detrimental the use of violence can be to a fledgling democracy. It is obvious that violence has had a negative effect on the consolidation

efforts of Romania. The use of violence to solve political problems such as protests has demonstrated this very fact.

The initial post-communist political contest winner has also seemed to be a significant factor. The key issue is that if the former communists gain initial power, they may set up constitutional situations that are less than fully democratic. This then would affect consolidation efforts. This seemed to be true in all but one case. Lithuania saw the former communists return to power after the initial election. Yet it did not effect the construction of the constitution since the initial elections took place after the constitution was ratified.

Finally, there does seem to be some logical relationship between the mode of transition and the initial post-communist political contest winner. Yet this relationship may not be as strong as logic deems. The transition from above in both cases of Romania and Bulgaria aided the former communists in the initial election. Yet in the Baltic scenario in which all three transitions were transplacements, three different results occurred. In Estonia, a coalition of three right wing opposition parties gained power. In Latvia, a centrist party won the most seats. In Lithuania, a left wing party dominated the initial elections. This is a surprising result. It is possible that the Baltic States are outliers in this case but the results are significant enough to warrant further research. Also, it is important to note that the initial post-communist political contest winner obviously has a significant impact on privatization. This relationship will be examined in chapter seven.

## **Chapter 6**

### **Explanatory Variable 3**

### **Electoral Rules**

#### **Introduction**

The type of electoral system employed by a country has major ramifications upon how politics will work in that system. The kind of system becomes even more important when trying to establish a democratic regime. Ishiyama (1997) claims that the kind of electoral system chosen can promote or detract from the viability and the legitimacy of a new regime. Certain rules can prevent extreme fragmentation of the party system, hence allowing the emergence of a stable government. Other rules can affect how minorities participate in the new regime, which can have either positive or negative effects on the legitimacy of the regime. This is important in this study since all five countries have significant populations of ethnic minorities. All of these issues can affect the consolidation process.

With this in mind, it is important to understand how each country's electoral rules have influenced the democratic consolidation process. Much of the literature favors PR (Proportional Representation) systems for consolidating new ethnically divided democratic regimes (Lijphart, 1974; Lijphart, 1977; Nordlinger, 1972; McRae, 1974; Daalder, 1971; Lorwin, 1971). Therefore, I will examine each country's electoral rules. Since Barry (1975) and Horowitz (1985) and Brass (1991) all mention that PR systems can create a situation in which extremist parties can develop and become an antidemocratic force, I also expect that restrictions on communist, fascist, will have a positive effect on consolidating these new regimes. Yet, since the argument for a PR system is to allow minorities a voice in the political system, I would expect that

outlawing ethnic based parties would have a negative effect on consolidation. If the electoral system does not allow them to participate in government, then they have no vested interest in retaining the government. They would then be more inclined to see to the destruction of this regime than support it. Therefore, outlawing ethnic based parties should have a negative impact on consolidation. Finally, thresholds should help stabilize the party system. I expect them to have a positive impact on consolidation.

Citizenship laws are an important issue for ethnic integration into the political system. These laws can be very important when establishing legitimacy with minorities. Yet, this issue should not have a profound effect on Romania or Bulgaria. Both were satellite countries of the Soviet Union as opposed to the Baltic States who did not have national borders or citizens. Therefore, unless Romania or Bulgaria made changes to their citizenship laws, this should only affect the Baltic States since these laws are important when setting up a country as opposed to only changing type of government.

## **Estonia**

The leader of the PRE, Edgar Savisaar, a reformist ex-communist, won election to the Supreme Council in March 1990 (Raun, 1997). He and the Supreme Council worked with the Congress of Estonia, the opposition legislature, to create the Estonian Constitution. Initial elections before Estonian independence had a different form of electoral system than they presently do. The initial electoral system resulted from an uneasy compromise between the former communists and the opposition. In the end, the result for the initial election was an STV, which effectively was a non-list PR system (Ishiyama, 1997). Yet after independence and with the approval of the new Estonian



Constitution, a new electoral system was created. The new system is very similar to the German additional member system.

It is a complicated system that is based on the PR list system but allows for individual candidates to run for election. A vote for a candidate counts for a vote for that individual and for his/her party. It allows Estonians to vote for candidates rather than just the party label or program. The individual candidate will only be elected when their votes surpassed the simple quota (this varies from election to election). If they do not surpass the quota, then they have a chance to gain a seat through the pure PR method if seats remain (Ishiyama, 1999). The system also has two kinds of thresholds to prevent party system fragmentation. A party can gain seats through the PR method if the party captures at least five percent of the national vote or if it has at least three candidates elected by simple quota (Ishiyama, 1999).

The implications from this system are that it promotes individual competition and circumvents Brass's argument against PR systems in ethnically divided societies. Brass (1991) suggests that first-past the post systems are better in ethnically divided societies because they promote individual conflict rather than group conflict. He claims that this diffuses ethnic conflict by taking the focus off of group divisions and reverting it to the individual. This should help ethnic consolidation in Estonia.

This system also has thresholds, which should help contain party fragmentation and create a stable party system. No parties are outlawed, yet they must meet certain size requirements. This is to limit the number of parties in system (Nations in Transit, 1998). The system does not outlaw ethnic based parties but it does make them inherently weaker since catch all parties would have greater success in the system. This system should have

a positive effect on ethnic integration into the system since it does allow ethnic minorities to participate politically, yet it discourages them from forming parties strictly around ethnicity. Therefore, societal cleavages should not form around ethnic lines.

Estonia has been one of the more successful countries when it comes to privatization and overall democratization, but it has had its share of problems with ethnic strife. This has mainly been due to the citizenship law and its large ethnic Russian population. Ethnic Estonians comprise about sixty-one percent of the population while ethnic Russians represent about a little above thirty percent (Pettai, 1996). In November 1991, Estonia reinstated its 1938 citizenship law. This meant that any individuals who were citizens before June 1940 or any decedents of former Estonian citizens were granted full citizenship (Raun, 1996). The non-citizens had to go through a three-year naturalization process (starting March 1990), which required for non-citizens to demonstrate a modest level of competence in the Estonian language. These restrictions slowed the consolidation of the new regime by excluding a large minority of residents in Estonia. The language requirement is not overly difficult but it is still a barrier for many non-citizens.

## **Latvia**

In December 1989, the Latvian Supreme Soviet decided to end the communist party's monopoly on political power (Dreifelds, 1996). The new Supreme Council, formerly the Latvian Supreme Soviet, was elected in March 1990 in which two-thirds belonged to the LFT. The initial electoral system used in March 1990 was a Soviet style winner-take-all system. But a new system was already being discussed for an

independent Latvia. Bargaining between the opposition and the Supreme Council took place, which resulted in the re-instatement of the 1922 Latvian Constitution with only minor changes to the 1922 electoral system (Plakans, 1997). The present electoral system resembles a traditional PR system. It uses party lists and four percent thresholds (Dreifelds, 1996a). One resulting change was the lowering of eligible voting age from twenty-one to eighteen. There had also been some restrictions placed on eligibility for election. This includes anyone who was active in the Communist Party of the Soviet Union (CPSU) or any other pro-Soviet organization after January 13, 1991. This affected 13 candidates in the 1995 elections (Ishiyama, 1999). Communist, fascist, and other parties that are anti-constitutional were outlawed.

Ethnic discontent has also proven to be a problem in Latvia. The primary reason for this discontent has been attributed to the restrictive citizenship law. This coupled with a very divided ethnic population created problems for the consolidation of the regime and the Latvian government. Ethnic Latvians comprise about fifty-two percent of the population while ethnic Russians represent a little less than thirty percent (Cichock, 2002). Other groups such as Belorussians, Ukrainians, Poles, and Lithuanians each represented between one and four percent of the population. On October 15, 1991 the controversial citizenship law was adopted. Any people who could prove residence or had at least one parent with Latvian citizenship before Soviet occupation in 1940 were granted automatic citizenship. The initial guidelines for naturalization were the knowledge of spoken Latvian, residence in Latvia for sixteen years and renouncement of citizenship in any other country (Dreifelds, 1996a).

The requirement for the spoken language loomed large since most Russians had never bothered to learn the language. It was rarely spoken before Latvian independence in most large cities since minorities dominated urban Latvia. This was never signed into law because of the heavy opposition to the harsh language requirements. A watered down version was signed into law in 1994 (adopted constitutional in 1998) but the language requirement still created problems for many ethnic Russians (Cichock, 2002). These harsh citizenship laws have created a rift between ethnic Russians and Latvians. Only recently have many of the ethnic Russians attained the skill at speaking Latvian to attain citizenship. A large percentage of ethnic Russian have not become Latvian citizens. This causes problems for democratic consolidation.

## **Lithuania**

In March 1990, the communists won 23 out 141 seats in the Supreme Soviet. Its initial electoral system, like Latvia, was a Soviet style winner-take-all system. After two years of conflict and frustration, the Lithuanian Constitution was approved in a referendum on October 25, 1992 and the new system of government became operational in February 2003 (Vardys and Slaven, 1996).

The new electoral system is similar to the French semi-presidential system. The executive consists of both a president and prime minister with a cabinet known as the Council of Ministers. Both the president, who is elected popularly, and the prime minister, who is appointed by the president and approved by the Seimas (parliament), have significant political power. Seventy seats are elected from party lists on the basis of PR and seventy-one are elected through winner-take-all single member district elections.

There is a four percent threshold that a party must surpass to gain seats through PR (Vardys and Slaven, 1996). An exception is made for ethnic minority groups who do not have to surpass the 4 percent threshold. This system gives an advantage for minority participation and should promote ethnic consolidation.

Out of the three Baltic States, Lithuania has had the least amount of trouble with ethnic conflict. This is most likely due to its relaxed citizenship laws and significantly smaller percent of minorities. In 1989, the Lithuanian government passed the present day citizenship law. The biggest part of the law that helped with ethnic consolidation was that it contained the “zero option.” This allowed for persons who had lived and worked in Lithuania to become citizens within two years (Krickus, 1997). Ethnic Lithuanians comprise about eighty percent of the population. Ethnic Russians represent a little over eight percent and the Poles account for seven percent of the population. These liberal citizenship laws and the conviction that certain parties do represent their political interests have been the key factors in Lithuania’s successful integration of its minorities (Krickus, 1997). No political parties are outlawed.

## **Bulgaria**

After the palace coup, the BCP had full control over the future of Bulgaria. The leaders of the BCP met with leaders of the UDF and representatives of the Turkish minority. The leaders set up a majoritarian electoral system in the initial post-communist political competition in June 1990. The combination of fast elections and a majoritarian electoral system benefited a better-organized party. The BSP won the initial post communist elections and wrote the new Bulgarian Constitution. The BSP set up a PR

system with a four percent threshold. The position of president was ceremonial and had no real power.

In regard to ethnic minorities, there is a law that claims that citizens do not have a right to form parties based on ethnic, religious, or racial principals. The population of Bulgaria is comprised mostly of ethnic Bulgarians but there are significant minority groups. Ethnic Bulgarians comprise eighty-six percent of the population while the Turkish population consists of about nine percent, the Roma consist of about four percent, and the Ethnic Macedonian populations is less than one percent. Even though this law exists, the original Bulgarian Turk party has been allowed to remain while the constitutional court has disbanded both Roma and Macedonian ethnic parties (Nations in Transit, 2001).

## **Romania**

After Ceausescu's death, the FSN, composed mostly of former communists assumed provisional power. They called for elections to take place in May 1990 for the purpose of creating a new Romania government. This new governments primary responsibility was to create the new Romanian Constitution. The system established a bicameral parliamentary system with prime minister and president. The electoral system was a closed party listed PR system with no thresholds (Roper, 2000). The government also established a powerful president that was elected by the people. The winner had to receive an absolute majority or a run-off election would take place between the top two candidates. An overwhelming seventy-three parties participated in the election. The

FSN dominated the election by winning sixty-eight percent of the seats and Iliescu, the provisional president, dominated the presidential election by receiving over eighty-five percent of the vote (Roper, 2000).

With the FSN's overwhelming victory, they dominated the drafting committee for the creation of the Romania constitution. The new constitution established a semi-presidential regime, which put a vast amount of power in the hands of the president. The parliament was elected through a closed party list PR system with a three percent threshold (Roper, 2000). The installment of the threshold has had a positive effect on stabilizing the party system. After the 1992 elections, this reduced the number of parties in the parliament from eighteen to nine.

When compared to the other four countries, ethnic minorities exert significantly less influence in the political sphere. Ethnic Romanians comprise eighty-eight percent of the population, while ethnic Hungarians consist of about nine percent and Ethnic Germans and Roma consists of about one percent each. Communist, fascist, totalitarian, and extremist parties are outlawed but ethnic parties are not (Nations in Transit, 1998).

## **Conclusion**

All five countries have important minority groups and all five have chosen some variation of a PR system and all five countries seem to be consolidating their ethnic minorities. Yet, different rules in these various systems have effected ethnic consolidation. All PR systems appear to have a positive affect on consolidation but mixed systems seem to be the best choice. Mixed system, those in which seats are elected through PR and winner-take-all, appear to have a strong positive impact on ethnic

### Summary of Electoral Factors

Country	Type of System And Threshold levels	Levels of Ethnic Diversity	Parties Outlawed	Restrictive Citizenship Laws
Estonia	Complex PR 5 percent threshold	High	none	yes
Latvia	Traditional PR 4 percent threshold	High	anti constitutional or extremist	yes
Lithuania	Mixed 4 percent threshold	Medium	none	no
Bulgaria	Traditional PR 4 percent threshold	Low	ethnic/religious	does not apply
Romania	Closed party List PR 3 percent threshold	Low	anti constitutional or extremist	does not apply



consolidation. These allow minorities to participate but discourage strong ethnic based parties from appearing. Parties grow around issues not ethnic differences.

Latvia, and to a lesser extent, Estonia, have had some problems establishing legitimacy with their ethnic minorities. It is not surprising since these two countries both have larger ethnic minority groups when compared to the other three. This could be part of the problem but the restrictive citizenship law appears to be real culprit. Latvia had a very strict language requirement for its naturalization process, which created major problems with ethnic Russians. This law certainly slowed the democratic consolidation process since many of the ethnic Russians could not vote since they were not citizens. It also did not help create much legitimacy for the new regime among the ethnic Russians.

Estonia had less of a problem with this since their language requirement was less restrictive. This too has slowed the consolidation effort in Estonia but the effect has been less damaging to the legitimacy of the Estonian government than the Latvian government. The other factor that may have helped the Estonian government retain some of its legitimacy was its more complex electoral system. The Estonian electoral system promotes individual competition instead of group competition. Group competition can form around ethnic lines but the Estonian system not only encourages individual competition but creates incentives for parties to mass based.

Unsurprisingly, the outlawing of extremist parties had a positive impact on democratic consolidation, yet the outlawing of ethnic based parties has hurt democratic consolidation. The outlawing of ethnic parties in Bulgaria has had a negative impact since the government is viewed as not treating all ethnic groups equally. While Bulgaria has experienced problems with its ethnic minorities, Romania has some success in integrating

its non-ethnic Romanians. The Romanian system has allowed the creation of several ethnic/nationalist-based parties, which has no rules against their creation. The low three percent thresholds as opposed to higher four or five percent thresholds employed in the other four countries have also facilitated this growth in ethnic parties. These parties have little influence in the government but do create opportunity for ethnic minorities to have representation in government. This has created legitimacy for government among ethnic minorities.

The creation of thresholds has been a stabilizing factor in all five countries. The low threshold may help representation for ethnic based parties but it has had a negative effect on the creation of a stable party system. Several more parties exist in Romania than in any other of the countries study. Estonia's electoral system has created the most stable party system. These factors have had an impact on democratic consolidation process for both creating a stable party system and ethnic integration. Yet, it does not seem that these factors have had a comparative impact since all five countries have employed some form of a PR system. It seems that citizenship laws have had the largest impact in the comparative perspective. Lithuania's relaxed citizenship law helped with the consolidation process while Estonia's and Latvia's had negative effect.

## **Chapter 7**

### **Discussion of Results**

#### **Introduction**

After investigating possible variables, it appears that several factors have influenced democratic consolidation. It appears that all three variables had a significant impact in consolidation efforts. Chapter four demonstrates how rapid privatization, which was quickly transformed into economic growth, appears to have helped the Baltic States generate legitimacy for the new regime. Coincidentally, the Balkan States have seen little economic growth and less democratic consolidation.

It was demonstrated in chapter five how factors at the time of transition such as mode of transition, violence, and winner of the initial post-communist political contest may play important roles in consolidation. All three Baltic States' mode of transition was through transplacement, while the Balkan States' method was transformation. A violent transition appears to have had a negative influence on Romanian politics. Finally, the winner of the initial post-communist political contest appears also to have played a fundamental role on consolidation. Both in Romania and Bulgaria former communists were elected to power in the initial post-communist political contest while two of the three Baltic States elected a coalition of opposition groups. Lithuania appears to be an outlier in the case since many former communists gained power during the first post communist election, but it is important to note the opposition to the former communists played an instrumental role in creating the Lithuanian Constitution.

With regards to the electoral process, the PR system seems to have aided all five countries in consolidation. Thresholds appear to have generated some stability in the party system. The real problems lie with ethnic conflict generated by the citizenship law

and the outlawing of ethnic based parties. The restrictive citizenship laws appear to have slowed Latvian and Estonian consolidation of the ethnic Russian minority. Contrary to these two, Lithuania's relaxed citizenship law has generated ethnic stability in its country. Bulgaria's outlawing of ethnic based parties has caused problems for the regime. Protests over the disbandment of several ethnic based parties have occurred.

All of these factors seem to have some relevance when examining the consolidation process. Also, there seems to be some interplay between factors. Yet some factors appear to be more influential in a specific case. Therefore, I will examine this interplay between factors by examining all three factors in each country. I will examine factors unique to each country but two themes that will be examined are how the mode of transition influenced the creation of the constitution and how the winner of the initial post-communist political contest influenced the speed of privatization.

## **Estonia**

Estonia's overall democratic consolidation appears to be very successful, only trumped by its even stronger economic success. There have been some problems with consolidating the ethnic Russian minority but this has presented only minor problems for the new regime. In fact, Kolsto (2002) reveals that almost two-thirds of the ethnic Russian population feel that they have a better opportunity for economic development in Estonia than in Russia. It can be argued that this economic growth has helped consolidate the ethnic Russian minority.

The winner of the initial post-communist political contest appears to have influenced the speed of privatization. In September 1992, the first elections brought a

coalition of three right wing parties to power. This strong coalition **faced many** problems due to inexperience but nevertheless was united on the rapid privatization policy. The bold economic reforms that were set in place under the first independent government have endured despite several governmental changes (Raun, 1997). It can be argued that these aggressive free market policies were the result of the strong right wing coalition. Out of the five countries studied, Estonia privatized the fastest. Therefore, it is important to note how the initial post-communist contest can affect economic policy. It is also important to note that corruption has been minimal in Estonia. This has helped to legitimize the regime.

It appears that Estonia's mode of transition was transplacement. This method of bargaining between the Supreme Council and the Congress of Estonia, the opposition legislature, helped create the Estonian Constitution. This allowed for both former communists and reformers to have an impact on the creation of the constitution. This limited both communists and reformers abilities to create radical policies that could negatively influence the potential Estonian democracy. No political parties were outlawed and the creation of the electoral laws seems to bode well for consolidation.

## **Latvia**

Like Estonia, Latvia has experienced success in consolidating its new democratic regime. Latvia has had success in the matters of economic growth and stabilization yet not as substantial as Estonia. The restrictive citizenship law and slower growth rates appear to be two factors that have made the consolidation of the ethnic Russian minority more difficult in Latvia. Consolidation of the ethnic Russians has progressed in Latvia

and further integration appears to be on the horizon, as more ethnic Russians become citizens.

The first Latvian Saeima (parliamentary) elections took place on June 5-6, 1993. The result was the election of a coalition government composed of two parties. It was composed of a centrist party and a right wing party. The winner of the initial post-communist political contest also appears to have influenced the speed of privatization. The coalition of these two parties sought to privatize quickly, yet not at the same rate of speed as the Estonian government. Latvia was the second fastest to privatize its economy. Even though Latvia privatized very quickly, corruption has been a problem. These high levels of corruption do not necessarily damage the legitimacy of the regime but they do not help it either. Yet, the high levels of corruption that Latvia has demonstrated are cause for concern. It can be argued that this shows that government officials have not completely adapted to the new democratic system. Improvement in the area has been slow but lowering the levels of corruption should have a positive impact on the continuing consolidation of the Latvian regime.

The Latvian method of transition also would appear to be transplacement. The transition process was filled with bargaining between the Supreme Council and an opposition group called the Latvian's Citizens' Committee over the new Latvian Constitution. Bargaining between the two groups took place and the end results was the re-instatement of the 1922 Latvian Constitution (Plakans, 1997). One of the key issues in the bargaining process was the outlawing of communist, fascist, and other parties that are anti-constitutional. The outlawing of ethnic parties appears to a negative (Latvia does not do this) but the outlawing of anti-constitutional parties appears to have a slight stabilizing

effect on the party system. Unlike some other former communist countries constitutions, the basic tenants of the Latvian Constitution are democratic. Like Estonia, the citizenship law has caused problems with the ethnic Russians.

## **Lithuania**

Like the previous two Baltic States, Lithuania has successfully consolidated its democratic government. When compared to the other two, economic growth and reform was slightly retarded by less ambitious privatization schemes. Even though rapid privatization of the economy was instituted slower than the other two Baltic States, recent economic growth and stabilization have taken place. Unlike the other Baltic States, Lithuania has had no real problem with ethnic strife. This may be attributed to Lithuania's relaxed citizenship law. The biggest part of the law that has helped with ethnic consolidation was that it contained the "zero option." This allowed for persons who had lived and worked in Lithuania to become citizens within two years (Krickus, 1997).

The winner of the initial post-communist political contest appears to have influenced the speed of privatization. In February 2003, the election of the former communist party appears to have taken a toll on the speed of privatization in Lithuania. Unlike the two previous Baltic States, which elected right wing and/or centrists parties into power, the Lithuanian people elected a left-wing party into power. With former communists in power, rapid privatization did not occur. Major privatization efforts did not start until after the former communists left power. Also, corruption has been a major problem in Lithuania. Until very recently, very little positive ground was being made

dealing with the high levels of corruption. Recent **progress has been encouraging** but more progress needs to be made to continue democratic **consolidation**.

Like in the previous two cases, Lithuania's method of **transition** would appear to be transplacement as well. The former communists and many members from Sajudis, especially Landsbergis, worked together to create the Lithuanian Constitution. No political parties are outlawed and ethnic based parties are encouraged to **work** within the political system. This appears to demonstrate a good understanding of minority rights and democratic values.

## **Bulgaria**

Bulgaria has had some successes in consolidating its democratic regime but several problems exist that need to be addressed before Bulgaria's democracy can be truly considered consolidated. Some of these problems consist of a lack of an independent media, inconsistencies in the rule of law, and ethnic strife. Major problems in corruption also loom large for Bulgaria but this does not appear to be as serious as other issues mentioned. Some of the problems that can be attributed to a lack of an independent media can be derived from slow privatization in this area. Inconsistencies in the rule of law and ethnic strife appear to problems with the constitution or corruption. This Constitution was largely democratic but contained language potentially restrictive of freedom of speech and minority organization (Munck and Leff, 1997).

Once again, the winner of the initial post-communist political contest appears to have influenced the speed of privatization. The former communist party won the initial post-communist political contest. Privatization was not priority for the left wing party. It



can be argued that since the former communists won the initial political contest, privatization suffered. Even when a weak coalition of non-communists won the second election, the former communists still had significant political influence (Crampton, 1997). The coalition could never enact significant privatization policies due to differences in economic priorities. The power of the former communists was strong in Bulgaria and it appears that privatization suffered. With slow and inconsistent privatization, the economic situation has suffered. Corruption has also been a problem in Bulgaria. This has been that in the past, elected officials enjoyed many special privileges during the privatization process. Also, corrupt political officials have wielded political power to avoid prosecution (Munck and Leff, 1997). These rules set by the former communist party have lead to several undemocratic norms in the Bulgarian government. All of these issues appear to have had a negative affect on democratic consolidation.

Bulgaria's mode of transition appears to take place from above, or transformation. This revolution from above has spawned a pattern of elite interaction that is unacceptable to democracy values. This has ultimately slowed the consolidation effort in Bulgaria. The former communists in Bulgaria were instrumental in the creation of the constitution and many of these rules set by the former communist party have lead to several undemocratic norms in the Bulgarian government. As mentioned before, the constitution contained language potentially restrictive of freedom of speech and minority organization. Also, with regards to the problems with ethnic strife, there is a law that claims that citizens do not have a right to form parties based on ethnic, religious, or racial principals. Despite this law a Bulgarian Turk party has been allowed to remain in the political system while other ethnic parties have been disbanded. The mode of transition

allowed for the former communists to dominate the constitutional process. This in turn appears to have had a negative impact on the democratic values instilled in the constitution.

## **Romania**

Like Bulgaria, Romania has had some success in consolidating its democratic regime but several problems exist that need to be addressed before Romania's democracy can be considered consolidated. One pressing matter for Romanian democratic consolidation is that violence is seen as an acceptable way of expressing political beliefs. Another problem in Romania involves the weak opposition to the former communists. The Romanian regime has materialized into a one-party dominant system. Another major problem in Romania has to do with rampant political corruption. The severity of it may hurt the legitimacy of the regime. "Corruption is probably the most significant political issue currently under active political debate (Nations in Transit, 2002, p. 324)." Ethnic conflict has not been a significant problem in Romania.

The former communists in Romania organized and won the initial elections in 1990 and the leadership of this party maintained control of the Romanian government until 1996. It appears that this had a significant impact on the speed of privatization. The former communists controlled the government in Romanian politics for the first six years and continue to use force after they lost the 1996 election. When compared to the other four countries, Romania has been the slowest to privatize its major industries. It appears that the winner of the initial election has a significant impact on the privatization process.

Corruption has been such a problem in Romania that it affects the legitimacy of the regime. For Romania to continue to consolidate its regime, this issue must be addressed.

There is still a debate over Romania's mode of transition. It appears that the former communists used the rupture of system as a tool and hijacked the revolution. They used the violent revolution as tool for their coup d'ete. After this, they had more power than any other contending party. This led to a very similar situation that took place in Bulgaria and had similar results. The communists set up the system and were very slow to reform. Violence, corruption and other non-democratic means are seen as normal ways to achieve political ends. The mode of transition allowed the former communists an extreme amount of influence in the Romanian Constitution. The Romania Constitution grants a wide range of powers to the president. This may have a negative effect on consolidation since checks and balances between the executive and legislative branches appear to be unstable. Further, it created acceptable norms for violence to solve political problems. This type of transitions appears to have a negative affect on democratic consolidation.

## **Conclusion**

After examining these three variables it does appear that economic conditions, transitional factors and electoral rules do influence democratic consolidation. Further investigation demonstrates a strong correlation between the winner of the initial post-communist political contest and the speed of privatization. In Estonia, a coalition of three right wing parties led to rapid privatization. In Latvia, the result was the election of a

coalition government composed of two parties. It was composed of a centrist party and a right wing party. The speed of privatization was not as fast as Estonia but was still significantly quicker than Lithuania, Bulgaria, and Romania who elected left wing, former communist leaders into power. It can be argued that Lithuania privatized faster than both Balkan States since many of the former communists that were elected were reformists. Bulgaria has had slightly more success in privatizing its regime than Romania since the opposition to the former communists is stronger.

The mode of transition also appears to have a significant impact on consolidation. It appears that it has a direct impact on the creation of the new political “rules of the game” by which the political leaders play. Bargaining in the Baltic States created a solid foundation for democratic growth. Political manipulation and corruption were established earlier in both Balkan States as an accepted way to work within the new system. In Romania, the use of violence during the transition has also set a precedent for the new regime, which has been detrimental to the consolidation effort.

As I briefly demonstrated in this chapter, many of these variables show signs of possible inter-connectedness. Two examples of this appear to be the winner of the initial post-communist contest and speed of privatization and the other example involves the mode of transition and constitutional rules. By no means do these two examples encompass the full range of interconnected variables, yet they do illustrate how these variables may influence one another. To examine this interplay between variables is beyond the scope of this paper but the correlations between these variables in this case study demonstrates the need for future research in these areas.

Understanding what facilitates democratic consolidation is of significant importance in the world today. Not only do democracies appear to have better relations with one another but they also bring economic growth and stability. With this in mind, it is important to understand how these aspiring nations can consolidate their regimes. It appears that economic factors, transitional factors, and electoral rules can all influence how quickly and thoroughly a regime consolidates.

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