

One Way or Multiple Paths: For a Comparative Sociology of East European Capitalism¹

David Stark
Columbia University

László Bruszt
Central European University

ONE WAY?

While we were writing our book, *Postsocialist Pathways*, during the mid-1990s, a friend in Budapest told us about a board game he had played as a child during the socialist period. Prior to the Second World War, Hungarians had played Monopoly, which they knew as *Kapitaly*. But the competitive game of capitalism was banned by communist authorities, who substituted another board game, *Gazdálkodj Okosan!* or “Economize Wisely.” In this goulash communist version of political correctness the goal was to get a job, open a savings account, and acquire and furnish an apartment. Our friend was too young to have had a *Kapitaly* board, but his older cousins from another part of the country knew the banned game and taught him the basic rules. You did not need to be a nine-year-old dissident to see that Monopoly was the more exciting game. And so they turned over the socialist board game, drew out the *Kapitaly* playing field from Start to Boardwalk on the reverse side, and began to play Monopoly—using the cards and pieces from Economize Wisely. But with the rules only intermittently regulated by the older cousins, the bricolaged game developed its own dynamics, stimulated by the cards and pieces from the “other side.” Why, for example, be satisfied with simple houses and hotels when you could have furniture as well? And under what configurations of play would a Prize of Socialist Labor be grounds for releasing you from or sending you to jail?

The notion of playing capitalism with noncapitalist pieces strikes us as an apt metaphor for the postsocialist condition. The political upheavals of 1989 in Eastern Europe and 1991 in Russia turned the world upside

¹ Direct correspondence to David Stark, Department of Sociology, Columbia University, 1180 Amsterdam Avenue, New York, New York 10027.

down. Assuming that they were “starting from scratch,” Western advisors from the International Monetary Fund (IMF) and university-based institutes issued instructions for new “rules of the game.” But the ruins of communism were not a tabula rasa, and so the new hybrid game was played with institutions cobbled together partly from remnants of the past that, by limiting some moves and facilitating other strategies, gave rise to a bricolage of multiple social logics. If from these coexisting and overlapping principles they are building a distinctively postsocialist capitalism, they share with all modern societies a common feature that the social fabric is woven with multiple, discrepant systems of value (Stark 1996, p. 995; 2000).

Neoliberals, whose free market doctrines guide the IMF, would not be fond of this metaphor. For them, the fall of communism is nothing more or less than the triumph of the market. Capitalism has a single logic, pervasive now around the globe and increasingly throughout every sphere of society. The notion that the citizens of poorer countries might seek to chart distinctive paths to development is folly at best. There is no viable Third Way, much less a fourth or fifth, but only a single path, one best way.

Michael Burawoy’s review essay suggests that he would also not be fond of this metaphor and that the basis of his discomfort shares much with his neoliberal counterparts. Like the neoliberals, Burawoy’s capitalism is a “single order” (p. 3), and his statement that “plural origins easily dissolve into a singular world capitalism” (p. 27) could easily have been written for an IMF position paper. Where neoliberals know the one best way, Burawoy knows that to step to the market is to be locked into a one-lane, one-way street to degradation, for with them he shares the view that multiple paths are a delusion. No less confident that he knows the “underlying reality” (p. 22), he similarly dismisses efforts to understand the shape and dynamics of political institutions as just so much noise—mere “superstructure” in his technical parlance—when even divergences across cases can be explained as “the result of common underlying economic processes” (p. 23). Whereas the neoliberals argue that there is no alternative, Burawoy claims that there is an alternative—but only one, socialism. Not, of course, the failed “actually existing socialism” but some never-existing socialism, a transcendental “external position” (p. 13) outside history.

We wrote *Postsocialist Pathways*, in part, as a critique of neoliberal orthodoxy just at the height of its ascendancy in academic and policy circles. We argued that neoliberalism was a poor guide to policy because its rejection of diverse types of capitalism threatened to shut the door to social exploration almost immediately after it had been opened. Our task was to develop middle-range concepts capable of translating this social experimentation, of understanding its problems and prospects, and of charting diversity in the patterns of interacting political and economic institutions across the countries of East Central Europe. Given the sim-

ilarities between neoliberal orthodoxy and Burawoy's Marxist orthodoxy, we are not surprised that he argues that these efforts were theoretically misplaced and politically misguided.

NOTHING'S CHANGED?

Because Burawoy's starting premises are so different from ours, we will address his specific criticisms only after outlining two major areas of disagreement.

How do we carry out the comparative analysis of capitalism after the fall of socialism? For decades, capitalism was defined vis-à-vis socialism and vice versa. Their systematic comparison enriched our understanding of both. But the world has changed, and the demise of socialism poses a challenge for comparative institutional analysis. Burawoy thinks otherwise. He insists on comparing a nonexistent socialism with a unitary model of capitalism, arguing that it is only with a standpoint outside capitalism that one can gain analytic leverage to understand its dynamics.

By contrast, we study actually existing capitalisms. As sociologists with a disciplinary disposition to exploit variance, we see real analytic leverage in taking the diversity of capitalisms as an object of study and comparing *capitalisms* vis-à-vis each other. Taking experiences with economic and political liberalization in East Asia and Latin America as the comparative backdrop, we identified the distinctive starting point of the East European transformations as the simultaneous extension of property rights and citizenship rights. That is, what sets the postsocialist transformations apart is that they created a class of property holders at the same time that they extended political rights to the propertyless. To study whether and how these dynamics were leading to a distinctively East European variant of capitalism, we undertook the task of explaining variation *within* Eastern Europe.

What is a critical sociology of capitalism after the fall of socialism? For decades, capitalism was criticized from the standpoint of socialism, and Marxism (in one variant or another) was synonymous with critical sociology. The economic failures and authoritarian features of real socialism, together with criticisms of capitalism from the standpoints of race, gender, sexuality, the ecology, and other perspectives, broke that monopoly. The demise of socialism offers an opportunity for critical engagement released from the old dichotomies. Burawoy thinks otherwise. Before, during, and after socialism, nothing has changed: he insists that the standpoint of class, as defined by Marxist criteria, is the only way to do critical sociology. Marxists, too, can play Monopoly.

We did not pose the question of a critical sociology in our book, but it would seem that if "critical sociology" is to mean anything, it must be critical of any a priori efforts to foreclose discussion about what, who, and how to be critical. We are equally critical of all the "sciences of the not yet" (as labeled in our book) whether they be the designer capitalism

of the neoliberal vanguard or the imagined socialism of the neo-Marxist vanguard. Whereas each of these understands science as confirming certainties about received truths, we understand science as research that yields uncertainties by investigating how social actors explore possibilities (see Latour 1998). The central problem for postsocialist societies is not how to enact the “best” policy but how to develop institutions that are capable of learning—a problem ruled out by ideologues left or right because they already know the answers and the questions. A critical task for sociology is to examine how configurations of political, economic, and social institutions vary in their capacity to facilitate or inhibit decentralized learning and social reflexivity.

FROM THE REVENGE OF THE PAST TO PATH DEPENDENCY

Turning to specific criticisms, Burawoy argues that our attention to the period of the breakup of communism in which political and economic institutions were reconstructed is “too arbitrary a starting point” (p. 15). It certainly must be if, as he urges, the task is one of “recognizing the debilitating constraints of historical past and global present” (p. 28). But we started from a different premise, recognizing that history is the product of social actors. Burawoy’s notions of “the revenge of the past” (p. 20) was precisely the kind of fatalism that we argued against in *Postsocialist Pathways*. Just as we did not assume that the political actors we were studying were condemned to blindly follow the recipes, formulas, and therapies of their uninformed Western advisors, neither did we assume that they were condemned to follow an involutory trajectory determined by the overwhelming weight of the past. Instead, we chose to follow the actors, observing what they did in the face of extraordinary uncertainties and documenting the patterns of conflict and alliance that reshaped institutions.

We found the concept of path dependence useful not because it signaled a generalized “history matters” but because it forced us to be rigorous about identifying critical junctures in which the temporality and sequencing of particular *events* are consequential (Abbott 1995; Sewell 1996). But we were also concerned that a narrow reading of path dependence along the now-famous QWERTY keyboard model would overstate contingency by assuming that political change occurs on a blank slate (see Thelen [1999] for a useful discussion). In our view, innovations, especially organizational and institutional innovations, are not *de novo* but occur in the context of an array of resources. As we indicated in *Postsocialist Pathways*, “Actors who seek to introduce change require resources to overcome obstacles to change. This exploitation of existing institutionalized resources is a principal component of the paradox that even instances of transformation are marked by path dependence” (p. 83). In our view, path dependency is a theory neither of determinacy nor indeter-

minacy but a method for grasping the recombinant character of social innovation (Stark 1996).

Given our goal of tracing the path through which postsocialist political and economic institutions evolved, it seems far from arbitrary that we chose the period of breakup and reconstruction as a “starting point.” But if that period occupies a strategic place in our analysis, it is not the case, as Burawoy implies, that we ruled out any discussion of institutions and events prior to 1989. To the contrary, our detailed discussion of Hungarian developments steps back into the era of János Kádár to understand just why it was that compromise seemed inevitable to the actors at hand while confrontation seemed inevitable in Poland. Only by doing so could we grasp just how remarkable it was that Poland became the case of compromise whereas Hungary was that of confrontation. To do so, part of our analysis of eventful alliances and conflicts turned on the contentious meanings of “1956”—not because it was the “revenge of the past” but precisely because the actors whom we were interviewing were using stylized reconstructions of 1956 to model the events of 1989 as they were taking place. Similarly, our comparative account of changes in property regimes in Germany, Hungary, and the Czech Republic demonstrated how the differing patterns of network properties were shaped by institutional patterns in the pre-1989 period. In this we were methodical—in the sense of *method* as well as rigor and detail. Ruling out references to a generalized past, our method specified that we could invoke historical events or existing institutions only if we demonstrated how they were being used as resources during the period of reconstruction. Thus, contrary to Burawoy’s assertion (p. 15), path dependency in our usage is not *past* dependency—because it is not from a generalized (and hence ahistorical, because uneventful) “past” that actors reenact, recognize, redefine, and recombine resources.

FROM DEPENDENCY THEORY TO DEMOCRATIC THEORY

Burawoy’s second major objection is that, in analyzing plural forms of capitalism, we place too much emphasis on “superstructural manifestations” such as “political democracy” (p. 6). Whereas the neoliberals hold that economic issues have a prepolitical status that should not be exposed to political deliberations, Burawoy says that political institutions do not matter. Insertion into the singular world capitalism is the road to underdevelopment. Combining his notion of revenge of the past with dependency theory of the 1970s (“the debilitating constraints of historical past and global present”), Burawoy creates a new kind of theoretical hybrid: the past *dependista*.

But the stakes are serious. Burawoy is arguing that the kinds of structures and processes central to our book—the presence or absence of democratic accountability, their distinctive forms, and their interactions with economic institutions—are ephemeral. They evaporate in the grand

scheme of things where the laws of history rule. And to think that we were so audacious to give them equal status with that hard logic of the underlying reality!

Do democratic institutions matter? Burawoy asks for evidence. Perhaps the best place to start is with the concluding paragraph of his review essay. Unlike capitalism, which had the opportunity to contain (or export) its barbaric tendencies, Burawoy writes, "socialism did not have such a chance—for world historic reasons rather than internal limits—to refashion itself before it was overrun" (p. 30). But, after registering the almost poignant desperation in this passage (socialism *would have had* a radiant future), we have to ask: What explains the difference? Why was socialism unable to be remade while capitalisms flourish? Burawoy's explanation, "world historic reasons," evokes the same logic of globalization that he shares with the neoliberals, and his claim that capitalism managed to "handle its contradictions by reconstituting itself" would not be surprising to any economist with faith in self-correcting markets.

There is another explanation. It involves the robustness of the very institutions that Burawoy dismisses: Unlike the economic institutions of capitalism, socialism never coexisted with the political institutions of democracy. Capitalism (market competition, the profit motive, capital accumulation, private property in productive assets, choose your descriptors) did not reconstitute itself. Its barbaric tendencies were contained by democratic constraints (Streeck 1997). Capitalisms (emphatically in the plural) thrive not simply because decentralized markets are more self-correcting than centralized hierarchies but also because the clash of the incongruous logics of market and democracy repeatedly yields new vitality. Socialism failed, in part, because it lacked diversity of organizations; capitalisms adapted because democratic institutions facilitated the organization of diversity. It was not the single logic of the market that triumphed but the heterogeneity of organizing principles.

Do democratic institutions matter in postsocialism? For some time, the prevalent view has been that strong, unconstrained, insulated, political executives are more likely to produce effective economic reforms. We argued, by contrast, that institutional constraints on political executives could be enabling, and we referred to this process as extended accountability. In addition to the vertical accountability of elections, we emphasized horizontal accountability within the state: reformers who were constrained by coalition partners, parliaments, and courts would be more likely to adopt moderate policies. Accountability would be further extended when reform politicians had to take into account broad societal interests as represented by trade unions and other associations. Extended accountability extends the time horizon of reformers (because they must anticipate and take into account *ex ante* the social impacts of reform policies); and it extends the time horizon of the citizenry (because welfare measures and other institutional safeguards make it more likely that they will extend credibility to reform politicians). On the basis of our East

Central European comparative case studies, we concluded that accountability and authority were not in trade-off: institutionally constrained executives were more capable of carrying out sustained reform.²

But why be concerned about accountability when immiseration is widespread throughout the region? Postsocialism has produced impoverishment, but it has not done so uniformly. During the decade, some societies have lost 60% of their national wealth with inequalities reaching Latin American levels; others have dramatically reversed course. Accountability matters because its variation shapes these differences. Our case study findings were preliminary, but a recent study (EBRD 1999), drawing on surveys of 24 postsocialist countries in Eastern Europe and the former Soviet Union, indicates that the concept of extended accountability is robust. With variables corresponding to our concepts, it finds an inverse correlation between the power of political executives and progress in economic reforms. Level of democracy, coalition governments, and the degree of political competition are all positively correlated with economic reforms (EBRD 1999, pp. 104–13). Moreover, inequality has increased far more rapidly in countries that have less accountable political executives. From 1988 to 1994, for example, the percentage change in the Gini coefficient (a standard measure of inequality) was 10% in reforming Hungary but almost 100% in Russia (EBRD 1999, p. 111; Hellman 1998). If you are interested in patterns of poverty and inequality, attention to political institutions is not misplaced.

CONCLUSION

How is postsocialism a laboratory? Burawoy makes it clear that he sees postsocialism as a laboratory to test *existing* theories, and he is emphatic that the theoretical terrain is well mapped. In fact, it was already mapped almost a century ago—for his only named places are Marx, Weber, and Durkheim. Yes, it is the 21st century, yet only “classical” social theorists need apply.³

But the social transformations after the fall of communism are so momentous that they are unlikely to leave existing theories intact for simple

² Because Burawoy ignores our discussion of extended accountability, his caricature of how we might compare Hungary and Russia is entirely misleading (see Bruszt [in press] for a brief treatment of the Russian case).

³ Lucky for us that we exhibited some Durkheimian influence or we would not even merit the inapt “neoclassical” label! While we do not deny this Durkheimian influence (e.g., the importance of deliberative associations and the enabling features of constraints), if we must trace intellectual roots to the turn of the previous century, we probably share more with Weber and the American pragmatists. Like them, we adopt not an ethics of absolutes and ultimate ends but an ethics of responsibility in which actions are judged by their consequences (hence the importance of accountability in our analysis). For similar recombinations, see especially the work of the new French pragmatists such as Bruno Latour, Luc Boltanski, and Laurent Thevenot.

testing. Postsocialism is a laboratory—for developing *new* concepts and new theories.⁴ Instead of a game in which my Durkheim trumps your Weber or my Marx trumps your Durkheim, we need new hybrids, with theoretical combinations not limited to the trinity. In our work *extended accountability*, for example, combines Peter Evans's (1995) concept of extended embeddedness and Guillermo O'Donnell's (1994) horizontal accountability. Similarly, we bring ideas from property rights theory together with network analysis in arguing that the structure of property has *network properties* in which the unit of property (as holdings) is a network with varying network analytic features (topology, connectivity, density, extensivity, etc.). And we draw on organizational ecology and complexity theory in arguing that adaptability is a function of the *organization of diversity*, a capacity to interweave diverse evaluative principles.

Within the firm as well as within the polity, the challenge of postsocialism is the coordination of heterogeneous interests where public and private are mixed, the boundaries of firms are blurred, and legitimating principles are not bound to discrete domains. These are the problems of transforming economies—no less for sectors of market volatility and rapid technological change in the developed West than in the inchoate social orders of Eastern Europe and the former Soviet Union.

If the successful Hungarian manager must be as skilled in the language of debt forgiveness as in the language of negotiating with a prospective multinational partner, the CEO of a start-up firm in biotechnology might well survive only if she is as adept at writing grant proposals to federal agencies as she is in making the pitch to prospective venture capitalists. We need not travel to Eastern Europe to encounter difficulties in assessing the value of firms, when debates about the principles for evaluating “new economy” stocks fill the front pages of our newspapers. For problems of horizontal accountability we can study processes of lateral accountability in the emerging collaborative structures of American firms large and small. We are not strangers to the problems of parsing public and private, for we need look no further than the complex proprietary arrangements between private firms and public universities in the fields of computer science, biotechnology, new media, and engineering. And the search for a mutually comprehensible language across the cultures of science, politics, and business in the human genome project offers no less acute problems of public and private accountability. Postsocialism is a laboratory—not a place where we run experiments, but a site where social experimentation produces lessons applicable for our own challenges in this epoch of organizational transformation.

⁴ Too much of the work in our discipline is policing boundaries and adjudicating claims. In the field of economic sociology, e.g., we would trade five articles that adjudicate between rational choice, institutionalist, and organizational ecology (name your camps) for a good article that draws from different theories and methods to develop fresh conceptualizations of emerging problems.

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