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EASTERN EUROPE, LATIN AMERICA AND COMPARATIVE POLITICS

Genaro Arriagada
Legislative Advisory Program
Santiago, Chile

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Commentary
by:

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EASTERN EUROPE, LATIN AMERICA AND COMPARATIVE POLITICS[1]

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I. THE 1950s: TOWARD SOCIALISM (The Marxist Perspective)

Because of its revolutionary nature, Marxism-Leninism has been most closely associated with the problem of the radical transformation of society, especially the transition from feudalism to capitalism and from capitalism to socialism. In bourgeois revolutions, the capitalist productive systems matured within the traditional society, developed and grew stronger, and eventually came to dominance. The change in the relations of production (infrastructure) preceded the modification in feudalism's political superstructure. The bourgeois class obtained control over the economy long before a decision was made to destroy the feudal state and substitute it with a bourgeois one. When the bourgeoisie took political power, the economy was already overwhelmingly capitalist, as were the prevailing economic concepts and societal values. In addition, feudalism appeared moribund at a moment when capitalist relations of production were on the rise.

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As a result, the transition from feudalism to capitalism was not a process in which these two forms of economic organization confronted each other in a struggle for hegemony. Over a period of two centuries, the capitalist modes of production gradually escalated, evolving out of the obsolete feudal order (Hilton 1978). The transition to socialism, on the other hand, is perceived as an essentially political process. Although this was not Marx's initial view, it was--in practical terms--the theoretical basis for "Soviet Marxism." This philosophy was also fundamentally adopted by the countries of Eastern Europe as they launched their transitions to socialism beginning in 1949. Here, the attainment of political power was understood to precede the transformation of the relations of production. The proletariat first comes to power, destroys the bourgeois state and establishes its class-based dictatorship, and then goes on to transform capitalist relations of production into socialist ones. Socialism is the consequence of the "conscious and deliberate actions of the dictatorship of the proletariat, that is to say, of the new State, to serve as the architect of socialist construction" (Lange 1965).

The transition from one system to another must weather various maladjustments. These maladjustments may be between the economic apparatus and the political order, among different structures of the political system, among the different modes of production that coexist in the new economic system (for instance, feudal modes of production in the bosom of a capitalist economy), between the old legal system and the new political or economic order, between traditional cultural values and those introduced by the new economic order, or between the old ways of

organizing the work force and those dictated by the new forms of production.

In the transition from feudalism to capitalism these imbalances are minimal. Better put, these changes are carried out over such a long period of time that the accommodation between one system and the other develops gradually, almost imperceptibly. The control over political power by the bourgeoisie is the culmination of earlier developments. At the moment of its undoing, the feudal political order is little more than a corpse. On the other hand, the transition from capitalism to socialism--in the tangible construction of "real socialism," although not in Marx's theoretical version--is characterized by the magnitude of its maladjustments and the efforts to resolve them as quickly as possible. The political artifices that impel the socialist enterprise assume the enormity of these problems and resolve that they are to be solved through the conquest of absolute political power. This, in turn, is the essential requirement for destroying the old political and economic system and constructing a new one that emerges as a conscious and deliberate action of the new power.

Absolute power "means conquering the ability to control, uncompromisingly, the organized and systematic violence of one class over another, in this case, the proletariat over the bourgeoisie. This is demonstrated in the destruction of the old state apparatus and the creation of a new one with a different class content" (Ramos 1972). Bourgeois dictatorship is based on the ownership and administration of the means of

production. Its "material foundation" is the ownership of land, industries, banks, and foreign and domestic trade.

Nevertheless, this radical economic change must go hand in hand with a modification in the organizational framework; that is to say, in judicial, political, and ideological institutions. Regarding the destruction of the state apparatus, it is necessary to eliminate the "means of repression: the permanent army and police; as well as the institutionality and legality which it engenders" (ibid.). This task must be undertaken simultaneously with the emergence of the new socialist order. Thus, the transition to socialism is defined as "the moment at which efforts to destroy the old system coincide with efforts to create the basis for a new one....Naturally, so long as the problem of power is not resolved, the destructive aspect takes precedence" (ibid.).

Within this setting, economic policy is considered a tool in the political struggle. During the transition period, this policy must not seek to resolve a set of technical difficulties, but rather address the matter of power, thereby ensuring the success of the socialist revolution. Lange finds that economic policy achieves this by confronting two tasks of tremendous importance. First, change is introduced that eliminates the economic bases of the old exploitative classes. "This means that there is a need to eliminate the economic bases in countries where feudal elements still exist through land reform. It is necessary to expropriate large capitalist properties: big banks, large-scale industry and means of transportation." Second, "the power of the new state...must undertake several measures aimed at satisfying the aspirations of its allies in the working class. At the

same time it must also neutralize the middle classes which do not support the socialist revolution" (Lange 1965). Time is an essential factor. A government must resolve whether to introduce socialism "in one fell swoop or abandon it forever...the slightest doubt, hesitation, or indecision will cause unavoidable economic disaster" (ibid.).

Lange rejects the idea of gradualism: "An economic system based on private enterprise and on the private ownership of the means of production can only function so long as pledges are respected regarding private property and the income derived from those holdings and transactions" (Lange 1966). A revolutionary government questions these fundamental truths and, like it or not, its seizure of power suffices for the capitalist economy to cease to function. The capitalists, threatened at their base, will resist immediately, leading to capital flight, paralyzing of investments, the movement of financial resources into speculative activities, if not directly into sabotage. Neither administrative measures nor government supervision will be able to prevent this. During the first eight months of Bolshevik power in Russia, the Soviet government "sought honorably to avoid a speedy and absolute socialization of industry. The result was an economic collapse" (ibid.).

Nonetheless, Lange believes that this drastic policy of statism must be compatible with the maintenance of the alliance of the working class with the small bourgeoisie and sectors of the middle class. An inflexible nationalization policy that does not recognize its limits may galvanize the small, medium, and large bourgeoisie into a united, anti-socialist front. Such a policy may even work to the opposition's advantage, winning over

important sectors of the peasants among whom the hope for land ownership is high. For this reason, "to complement its steadfast policy of rapid socialization, socialist governments must unequivocally declare that property and enterprises not explicitly included among the socialization measures will remain in private hands and must guarantee its protection" (ibid.). Additionally, the economic policy implemented in the transition to socialism must heed the demands of the proletariat and ensure a leading role for them in the overseeing the process. Naturally, it is possible--even prior to the establishment of socialist production mechanisms--to assign the task of vigilance over and control of the productive process to the working class.

The ensuing stages correspond to the organization and financing of the productive system. It will be necessary to reach an adjustment among the different economic sectors, since within any determined mode of production, several types of relations of production exist. Thus, in capitalist modes of production it is possible to find elements of both feudalism and socialism. Similarly, within socialist forms of production, capitalist elements will continue to survive for some time. The idea is to ensure that the majority of the economy corresponds to a socialist system, in which socialist elements predominate and determine the course of economic policy. In other words, "it is important that the capitalist sectors be unable to utilize their private capitalist property in the means of production to oppose the policies of the new state power" (Lange 1965).

One element that can contribute significantly toward strengthening the political power of the forces behind the transition to socialism is a

rapid and aggressive policy of income redistribution. Here again, the time factor is crucial. These are essentially short-term policies whose impact, when they expire, is reflected in a rise in prices, a drop in wages, salaries and buying power, and the outbreak of shortages. By the time these policies have run their course, the socialist system must be consolidated (as in Cuba in 1962). Otherwise, the people will tend to abandon those leading the transition to socialism, or will adopt forms of behavior that will cause serious obstacles to the process (as in Chile in 1972). In this regard, Paul Sweezy made a remarkable comment to the Chilean socialists in 1971. After recognizing the advancements toward the rapid improvement in "popular consumption," he warned of an impending economic crisis: "Cuba overcame this difficult phase in spite of the bourgeois opposition thanks to the existence and loyalty of the Rebel Army. The bourgeoisie, instead of revolting, went to Miami. The Chilean case is different" (Sweezy 1972).

Socialism is essentially constructed by the state. In a few exceptional cases, the state's approach to productive elements (businessmen, peasants), political actors (nonsocialist parties), and civil society (independent trade unions, communications media, private educational systems) is to coopt them; more often, it seeks to repress and abolish them. The theory behind this massive change, while deficient as a social science and a pattern of economic thought, was nonetheless a clear political action plan. "Its effectiveness"--as Dahrendorf wrote--"remained largely confined to the destruction of the old authoritarian regime (or to the weak democratic experiments that were attempted in Central and Eastern Europe after World War II). This was accomplished with utter ruthlessness"

(Dahrendorf 1990). In economics, on the other hand, socialism proved to be ineffective.

II. 1989: TOWARD DEMOCRACY AND THE FREE MARKET ECONOMY (The Search for an Analytical Framework)

The collapse of the Communist regimes in 1989 hurtled the countries of Central and Eastern Europe into their second massive and radical change in forty-five years.

The magnitude of this transformation is enormous. The economic reform is radical, since it attempts to go from a system of state control of the means of production to an economy based on private property, from centralized planning to the marketplace, and from a closed economy to one open to international trade. Economic reforms have been introduced at a time when the political order is not well defined; constitutions are being revised; and party systems are rapidly growing, on the basis of organizations that all too often have the same goals as the parties--they seek power and run in elections--but lack the organic structures and procedures characteristic of political parties.

The social setting in which the economic reform is being carried out is not clear either. Just as the Eastern European countries suddenly discovered democracy, to the surprise of all political analysts, today they are uncovering--in a no less dramatic fashion--their own civil societies. Voluntary organizations independent of government, driven by citizen's groups to champion particular interests, whether they be religious

(churches), economic (trade unions, businessmen or professional associations), cultural (high schools and private universities), or independent communications media, are proliferating. When considering the risks and possibilities for economic reform in Eastern Europe, the existence of a powerful and emerging civil society in the region's key countries (Poland, Czechoslovakia, Hungary, East Germany) must not be forgotten, especially considering that studies on political change in recent years stress the development of a civil society opposed to the state as having led to the collapse of those political regimes (Keane 1988; Ash 1990; and Skilling 1989).

Further, these political, economic, and social changes were taking place concurrently with a redefinition, first, of these nations' roles in European and world security, and second, of the relationship between armies and governments. On this same note, changes in the military and the concept of security in Eastern Europe have been analyzed, until now, only from the perspective of the relations between the two superpowers or within the framework of the two large alliances (NATO and the Warsaw Pact). While this perspective is valid, it does not consider the subject of relations between military apparatuses and their respective governments.

The transition from the current socialist systems to others based on pluralist democracy, private enterprise, the market, and a strong civil society has just one great similarity with the transition to socialism in the 1950s, and that is that both processes gained decisive importance when the forces pressuring for change achieved political power. Yet this is where the similarities end. The political changes today bring neither

pressure nor repression, but the emergence of the most varied demands and platforms, based on a pluralist civil society (trade unions, churches, business associations, human rights groups, ecologists, etc.), which are protected within a politically liberal judicial and institutional framework. The construction of the new political, economic, and social order will be conducted in an environment of multipartisanship, electoral competition, and the alternation of power.

As a Russian writer once noted, the construction of socialism in Eastern Europe in the early 1950s had been like turning an aquarium into fish soup. This meant the state-sponsored destruction of civil society, private enterprise, and all forms of initiative, and the creation on this flattened land of an inefficient, bureaucratic, and despotic regime. Today, on the other hand, the task is to turn fish soup back into an aquarium. In less brutal terms, the questions become how to breathe life into a paralyzed economic system in which for the last forty years entrepreneurial endeavors have been destroyed; how to create a work ethic where the social contract for forty years has been "they [the government] pretend to pay us and we [the workers] pretend to work"; how to revitalize a state whose nerves are a sclerotic and paralyzed bureaucracy?

There has been a distinct lack of studies on the political systems and social structures of Eastern Europe. This can be attributed to the fact that these countries were considered part of an empire and, therefore, attention was concentrated on the study of the imperial power and not on its subordinates. Furthermore, none of the Western powers had developed a

national interest in the countries of Eastern Europe (with the exception of West Germany for its counterpart to the East). In addition, the studies and strategies utilized to date in viewing the process of change in Eastern Europe have been based on a serious political miscalculation which has given way to a conceptual error. This mistake has been to consider the reforms in Eastern Europe and the USSR itself as part of a political process which began twenty or more years ago (in some countries) and which has undergone quantitative but not qualitative variations. The economic reform processes which took place in Eastern Europe through mid-to-late 1989, as well as those currently underway there, are such disparate phenomena that they cannot be placed in the same analytical category. A brief reference to China and the Soviet Union is useful to illustrate this point.

China is still the example of an economic reform conducted without modifying the structures of the political system. Colin Bradford, in a paper for the World Bank, has described the situation saying that "in China, economic reform has had primacy over political reform. In fact, the management of the economic reform process has been extremely careful to avoid having economic reform disrupt control of the political process. Hence, economic reform is subordinate to the exigencies of politics in China, as has been brutally evident from June 1989 onward" (Bradford 1989).

The process in the Soviet Union initially sought to achieve the same attributes: an economic reform whose dynamism and extent could be adequately controlled by the political powers and whose quintessence was to avoid altering the fundamental elements of the political system. The

concept of "perfecting the system" has been a constant feature since Khrushchev. Even Gorbachev's first proposals, which placed an emphasis on his two main goals--increasing the growth rate and bettering discipline in the work force, particularly through a campaign against alcoholism--fit within this framework. The idea of a "revolution from above" assumes that the political powers have complete control over the process and that they are able to set limitations on it. Nonetheless, it is clear that this economic reform transcends previously known constraints and carries with it the burdens of the political system in its entirety. Over a period of two to three years, the economic reforms act as the detonator for a process that surpasses and nourishes it, conferring an entirely different disposition upon the political system. From this moment on, economic reform is only a part of the global process that absorbs all of the political system's diverse components and purposes, including the international environment.

When compared with China and the Soviet Union, Eastern Europe is interesting. There had been a long-term effort to conduct economic reform without introducing any modifications into the political system. With the suppression of the revolution of 1956, the Hungarians learned with bloodshed that the political order was immutable; that led them to focus on economic reform. But in 1989, economic reform was conducted under conditions which Easton once called "the complete destruction and evaporation of a political system" (Easton 1965). Society modified, quickly and radically, the structures and methodology used in administering the political system's obligations. It was no longer just a change in the economic system, but rather the alteration of the entire political system, and inevitably, the modification of the productive apparatus and the form

in which this apparatus is managed. The economic reform was implemented concurrently with the destruction of the old political, social, and cultural system. This error--not noticing the "evaporation" of the political system (whose surprising dynamism, to say the least, was not foreseen)--has affected the validity of the writings on the process of economic reform in Eastern Europe produced through the end of 1989.

In fact, over the last few years there has been a growing interest in the economic problems of such countries as Poland and Hungary, but this concern did not extend to the political problems of the economic reform, because these were considered resolved. The literature in existence as of 1989 considered that these societies were subjected to the strong control of a political apparatus that was as capable of pushing for economic change--or postponing it indefinitely--as it was able to regulate it. The key working hypotheses, as much among American authors as Eastern Europeans--either in favor of or against the Communist system--were (1) that the economic reform would be a long-term, evolutionary, and gradual process; and (2) that it would be conducted under the direction of the Communist states and the monopoly of the Communist party (Bukowsky and Cichok 1987; Feher and Heller 1987; Révész 1990; Gabrisch 1989). The essence of these opinions can be summarized in the recommendation made by Lincoln Gordon that "Western policymakers...forego expectations of imminent formal revision and settle in for a long haul of evolutionary change, punctuated by periodical crises that may speed change or reverse it for a while" (Gordon 1987).

A functional analysis of political systems offers a better understanding of the process of change in Eastern Europe. This theory has been utilized in studies of comparative politics among different political systems in different countries; this has led to comparative studies between, for example, the United States and the Soviet Union, France, Germany, and Mexico. This theory, which has been so useful in comparing the political systems of a variety of countries, also lends the greatest understanding to the changes occurring within a given country when a nation is in the process--to put it bluntly--of going from a political order similar to that of the Soviet Union to one similar to that of France.

In essence, the functionalist theory holds that, in general terms, the varied political systems satisfy the same functions. However, these functions are carried out by different structures, which makes a totalitarian system different from a democratic one; a presidential democracy different from a parliamentary democracy; a corporativist system of interest representation different from a liberal system; and so on. Change in a given society occurs when certain structures that cease to fulfill certain functions are replaced, either drastically or gradually, by new structures that emerge, competing or clashing with those already in existence. An exhaustive analysis of the topic is beyond the bounds of this study. What is important is to suggest the validity and usefulness of the functionalist theory for political systems in order to describe, identify, and organize the principal political problems facing Eastern Europe today. There are enormous advantages offered by this theoretical instrument in the comparative study of the process of change in a variety of regions, and, more specifically, in comparing Eastern Europe and South America.

In an analysis of this nature, functions and structures are differentiated. Although the functions of a political system are the same in all types of regimes, they present a distinct set of characteristics and complexities. With regard to some of these functions, the modifications in political structure that the reforms in Eastern Europe bring to light are based on the concept that responsibility for a given function in a socialist society will fall to a different political structure than in a non-socialist society. The changes in the features and intricacies of political functions, as well as the modifications in organic political structures, create serious maladjustments within the entire political system that, unlike those arising in the transition from capitalism to socialism, cannot be resolved through repression or forceful domination.

In analyzing a political order, a distinction is frequently made between those functions that are related to the formulation of the basic elements of the political system, and those which are directly associated with policy making and implementation. Among the former, three functions are commonly recognized: socialization, which refers to the conception, development, and dissemination of the values that are essential for society to function; recruitment, the fashion in which a system selects, promotes, or dismisses the personnel responsible for political and governmental functions, and the political elite in particular; and communication, the flow of information from the political powers to society and vice versa.

The policymaking process is essentially comprised of five phases. The political process is initiated as a result of the articulation of interests--demands that may be extensive or specific, concrete or latent, and endorsements that may be generalized, aimed at the entire political system, or focused on specific demands--of individuals or groups with the intent that they should be satisfied by the political system. Once the demands have been articulated, the political system needs to prioritize the multiplicity of interests--which are varied and often contradictory--in such a fashion as to make them compatible in ventures that will have broad political backing. This is the phase of interest aggregation. The political system is then ready to enter into policymaking; that is to say, the approval of a given policy that has the authoritative backing of the system. This is followed by policy implementation, during which the approved policy is executed. If the policy is challenged or violated, the system must apply it coercively, in an adjudication of policies.

These functions are channeled through predetermined structures. However, the relationship between structures and functions is complex and not always analogous. In some cases, one structure may be responsible for two or more functions. In general, the less developed a political system, the greater the confusion of roles, in the sense that many structures tend to perform two or more functions simultaneously. Depending on the system, political structures are often responsible for divergent or even radically different functions. The focus proposed here enables us to observe the process of change within given societies in Eastern Europe in terms of functions, structures and adjustments. In addition, it provides us with an analytical framework that permits us to organize the

overwhelming and constantly changing information. Furthermore, it enables us to enrich the study and analyses of the region's complex problems using comparisons with other countries whose political systems present or have presented similar problems--whether successfully overcome or not.

The political aspects of economic reform, at least in the broad fashion in which it is occurring in Eastern Europe, have not been studied in depth. This makes studies of comparative politics all the more necessary and valuable. For example, some recent literature has addressed the political aspects and limitations of the structural adjustment policies implemented in Latin America, and to a lesser degree, in Africa and Asia (Kahler 1986; Nelson 1990; Sachs 1990; Whitehead 1989). These works can provide useful perspectives and categories of analysis for the study of the economic transformation in Eastern Europe. The difficulty in using this analytical tool is that it requires that one be well aware of the nature of politics in the disparate countries and regions in question. For example, the task of forming a coalition to support the economic reform process differs dramatically depending on the level of articulation of interests that exists in each society. To a similar or greater degree, the existence or lack of a political party system capable of adequately fulfilling the function of the aggregation of interests will greatly influence such a coalition.

Obviously, if the radical and massive changes that we are addressing mean that the political system will have to develop an entirely new way of confronting the functions of articulation, aggregation, socialization, and so on, and furthermore, that it will have to create new structures to fulfill

these functions, then we are clearly talking about a transformation that will take an extended period of time. Overthrowing a government can take just days. But how long does it take to construct a stable political system? How long does it take to change an economy?

"Shock policies" can be introduced to reduce sharp monetary disequilibriums, but there is no "shock treatment" to create an entrepreneurial class where one has not existed in four decades, nor to inculcate values within the population that lead to a work ethic and to the emergence of a significant capacity for individual initiative. A constitution can be written and electoral laws can be reformed in a relatively short period of time, but the road to building a workable political party system can take decades. In some countries of South America, a primary obstacle to development has been the lack of a party system, despite the existence of constitutions and electoral laws. This is the case in Brazil, among others. It is also true in Central and Eastern Europe. Moreover, in some cases, a tremendously important party is rooted in the contradiction of simultaneously being a trade union, a party, and a movement. This is the case of Peronism as well as Solidarity.

Clearly, the depth of the political and economic reform in Eastern Europe is unique. Nonetheless, there are experiences to be compared and studied. There is little in the macroeconomic management of the United States, France, or Germany that could be of interest to Eastern Europe (except for general principles), but what might be of interest to a finance minister, in the midst of Polish or Hungarian inflation, are the reasons for the failure of the Cruzado Plan in Sarney's Brazil or the Austral Plan in

Alfonsín's Argentina. In the last fifteen years, the countries of South America have implemented a multiplicity of structural adjustment policies. This region of the world is familiar with inflation and hyperinflation. The South American nations have experienced everything from the most savage liberalism to the most irresponsible populism. In dealing with large foreign debt, South America shares the problems of Poland, Hungary, and Bulgaria, but may well have greater experience in finding solutions. The region is also experienced in one thing South Americans hope not to share with Eastern Europe: an intimate familiarity with the comings and goings of the military from their barracks to the presidential palace and vice versa.

This is not to suggest that the inevitable destiny--or even the most probable one--of Eastern Europe is to drown itself in the difficulties that have characterized South America. But it is essential to take the time to conduct comparative studies of the political, social, and economic problems that have more than a few traits in common in both cases. In contrast to Western Europe, South America is clearly no model for Eastern and Central Europeans. But the road to development is long and intricate, and there is more to be learned from practical experience than from models. South America has been a great political and social laboratory where experiments have been conducted--resulting in mostly failures and only a few successes--involving the most disparate projects, and a broad array of policies. Familiarity with these experiences could be beneficial to Eastern and Central Europeans.

III. FORMULATING DEMANDS: WHO DOES IT? AND WHAT DO THEY WANT?

The articulation of interests means the existence of organized, or unorganized, groups that exercise a role within the political system by representing the demands of their constituencies and seeking satisfactory responses. The number of these groups, their variety, mechanisms, and degree of influence, will depend on the type of political system. For the purposes of this description, it is important to distinguish at least three types of groups: (1) non-associative, which as a general rule lack organization, act intermittently, and whose underpinnings are race, religion, or social class; (2) institutional, such as the armed forces, different levels of bureaucracy, cliques or factions of legislators or political leaders, etc; and (3) associative or voluntary, such as trade unions, employer's associations, or civic organizations.

In a Communist system, the monopoly over the articulation of interests belongs to the party, while all other groups are repressed. A clear example is the repression of non-associative groups such as nationalities or churches. Individual demands are repudiated, for they are the egotistical demands of people incapable of appreciating the historic interests of the proletariat. Therefore, there is no room for genuine associative groups. The Communist system and the party do stimulate the formation of certain types of associations (trade unions, youth groups, etc.). However, these groups are dependent on the state and the party and do not engage in articulation of interests but rather in education or socialization--in the best of cases--or repression in others. Institutional

groups, to the degree that Stalinism gave way to a greater political opening in Eastern European societies, came to carry increased weight, especially those whose upper echelons--in addition to having been recruited from the highest levels of the Communist party--represented the corporative interests of the assorted bureaucracies: the military; the leadership of the different republics; administrators of state companies; etc.

The transition from a Communist system to a democratic one means the rapid rise of an enormous variety of non-associative and associative groups--prior to the disbanding of institutional groups--which represent divergent interests and place strong demands on the political system. Specifically, a government that aspires to change the system will encounter its first and most serious difficulties among non-associative groups, such as nationalities, whose incursion into politics can have serious disruptive effects on the system, not only because of the universality of the demands, but also because of their strong emotional, and even irrational, features. In addition, these groups may have the effect of generating--to their benefit or detriment--groups of supporters or detractors that may at times be characterized by chauvinism, nationalism, authoritarianism and in more than a few cases, anti-Semitism. Problems will also arise with institutional groups, such as the bureaucracy, the leadership of state companies or the armed forces--which as a result of their recruitment system, are linked to the Communist party and whose fundamental interests are, in general, in opposition to economic and political reform.

New governments must rapidly change or neutralize the existing structures for the articulation of interests. By definition, it is impossible to

alter non-associative groups in the short or medium term. Nonetheless, their demands can be tempered through the creation of specific policies and institutional or associative groups that cross various nationalities horizontally; obviously, things are different when two people of different national extraction share, for example, a common religion and are members of the same professional organization. In this regard, the political parties or party alliances which have influence among different nationalities can play a fundamental role.

The creation of new institutional groups--universities, new divisions in the bureaucracy--or the reform of the old ones, is a key to the success of the reform process. The rapid growth of associative groups, such as business associations, merchants, intellectual groups, writers, students, and trade unions is also very important.

Nationalities

It is important to note here that in the Soviet Union the greatest risks to the process of change have come, thus far, from the escalation of political demands by nationalities. An example of a different type, which is nonetheless illuminating, is the transition to democracy in Spain. Franco's policy was one of harsh repression of nationalities, particularly Basques and Catalans. The downfall of the authoritarian regime brought with it a surge in the debate over autonomy--even in regions where it had not previously existed--leading some conservatives to predict the disintegration of the Spanish state.

Countries with a greater national heterogeneity may tend to undergo greater difficulties in their reform processes. The obstacles to change in the Soviet Union and China were pointed out by Bialer at the beginning of Gorbachev's administration (Bialer 1987). He argued, essentially, that if reforming the economy meant decentralization, success would be easier to achieve in China--with lower political stakes--than in the USSR. First, China is ethnically homogeneous--with the exception of small national minorities that do not represent more than 4 percent of the overall population. The USSR is composed of over one hundred nationalities, where ethnic Russians represent barely 51 percent of the total population; Second, China is not an empire. The USSR, however, is an empire that dominated six Eastern European countries with a population of one hundred million (excluding the Baltic republics); decentralization would exacerbate the struggles between nationalities and revive independence movements in Czechoslovakia, Poland, or East Germany.

As the dilapidated Communist order began to disintegrate in Eastern Europe, old nationality issues and even border conflicts have emerged as political problems. In Bulgaria, the principal problem is the Turkish minority, is estimated at between 850,000 and 1,500,000 people. This group has been subjected to intense discrimination, particularly under the Communist government that sought to force their assimilation by repressive means. Bulgaria is also home to a quarter of a million gypsies and a similar number of Macedonians, the latter a product of border agreements made at the end of the nineteenth century which turned over an important part of Macedonia to Bulgaria (Treaty of San Estefano).

Czechoslovakia is a country of two nations: the majority of the population is Czech (65 percent), while the minority (30 percent) is Slovak. There is also a Hungarian minority of approximately 600,000, representing 4 percent of the population. The relationship between Czechs and Slovaks has not been easy, even under the Communist regime. The Slovak minority in the provinces of Moravia and Bohemia aspires to some type of federalism, while the Czechs prefer a unitary state. The recent tensions resulting from Slovak demands that the country's name be hyphenated (Czecho-Slovakia), aggravated by the Czech parliamentarians' rejection of this proposal, is indicative of this phenomenon. As President Havel said in a letter read to the Federal Assembly in February of this year, "all of us know that this hyphen, which seems ridiculous, superfluous, and ugly to all Czechs, is more than just a hyphen. It in fact symbolizes decades, perhaps even centuries, of Slovak history" (Havel 1990). Resentment is also characteristic of the relationship with Germany, as a result of the expulsion of 3,500,000 ethnic Germans from the Sudeten following World War II.

Hungary presents a special case, marked by the fact that at least one third of its natives reside outside the country in Slovakia, Bulgaria, northern Yugoslavia and particularly, Transylvania (Romania). The 1.6 to 2.5-million Hungarian population in Romania is the most important ethnic minority in Eastern Europe, and their rights, specifically the struggle for control over Transylvania, have been and continue to be points of contention between the two states. In addition, the most important racial minority in Hungary is the gypsies, whose number is difficult to establish, yet for whom the most reliable statistics indicate approximately 700,000 to 800,000 souls.

Poland does not have a nationalities problem within its borders, but it does have a border conflict with Germany. As a result of the 1945 Potsdam accords, Poland's western boundary was set along the Oder and Neisse rivers. This meant the expulsion of hundreds of thousands of Germans and the occupation and repopulation of the vast territory by Poles. The downfall of the Communist regimes in both countries, as well as German reunification, have led to uncertainty in Poland regarding future efforts by the Germans to reclaim those lands.

Yugoslavia is clearly the most vulnerable of the Eastern European nations to this type of problem. The Yugoslavs say they have one state, two alphabets, three religions, four languages, five nationalities, six republics, and seven neighboring states.

Churches

Churches are another type of non-associative group of tremendous political importance for the reform movement in Eastern Europe. Throughout the Communist regimes, the churches--including orthodox establishments--were the object of harsh persecution and injurious treatment. The worst conflict was with the Roman Catholic Church, which is overwhelmingly dominant in Poland and represents the majority in Hungary and Czechoslovakia. The persecution, incarceration, and exile of Catholic priests in these three countries was frequent. This also occurred with Protestant ministers in Hungary and especially in the Slovak provinces where Protestantism is strongest.

Communist policy toward the churches sought to substantially curtail religious activity, submitting the churches to a Committee on Religious Affairs that forced priests and ministers to swear their loyalty to the state, authorized church authorities to assume their posts, and controlled their dismissal or transfer. The Communist apparatus also sought to create parallel religious organizations--both Catholic and Protestant--which circumscribed the power and dignity of the legitimate church hierarchy. Orthodox churches of other nationalities were placed under the protection and patronage of the Russian Orthodox Church, which was in turn under Soviet control. Within this framework, for example, the Communist regime managed to sustain a good relationship with the Bulgarian Orthodox Church.

Obviously, the onset of a new democratic political order, offers--in comparison with its predecessor--an enormous number of rights and benefits to the churches--legal recognition of churches; the right freely to appoint, dismiss, and terminate priests and the hierarchy; the right of parents to educate their children in the schools of their choice; the right of those children to receive religious instruction in public or private schools; an end to the discrimination against believers in the bureaucracy, universities, and armed forces; the right to create nongovernmental cultural or charity organizations or to establish convents; the right of priests and ministers to conduct religious services in military barracks, hospitals, prisons, etc.

All of this has meant that the emerging democratic regimes have found strong support in the churches, particularly among the Roman Catholic and Protestant faiths. The events in Hungary, Czechoslovakia, and Poland bear testimony to this. The churches, unlike the nationalities, are not playing a potentially destabilizing role in the reform process, but are rather a source of stability and strong support.

The political importance of the churches during the transition will greatly depend on the degree of commitment that they had to the struggle against the old regime. In this regard, one can draw a comparison between the Catholic churches of Chile and Poland--with their enormous activity in defense of human rights--and those of Czechoslovakia and Argentina, both characterized by their complacency vis-à-vis their respective forms of government--Communist and military, respectively.

To the degree that a party system begins to take root and democracy is consolidated, the opinion of the churches takes on a lesser importance within society. Furthermore, the religious institutions themselves drift away from the political arena to concentrate more on fundamentally moral and religious matters.

Bureaucracies

It is difficult to overstate the power of governmental bureaucracies in Communist countries. The objectives and behavior of these state bodies present high levels of stability. Their opposition to government policy when it exists--as is clearly the case in the Eastern European societies--is

effective, concealed, and difficult to impute. By definition, the economic reforms in Eastern Europe have as one of their fundamental objectives the curtailment of the state's power. The clash between reformers and the bureaucracy inherited from the Communist regime may be described in terms of what Miles Kahler has called--in observing the consequences of the structural adjustment policies implemented in Latin America and Africa--the "orthodox paradox," that is to say "the attempt to use the agencies and personnel of the state to diminish or dismantle their own power" (Kahler 1986).

The Armed Forces

The armed forces represent another institutional group that is key to the transition process. In Latin America, this political actor has been the foremost contributor to instability in the process of transition to democracy. In 1990, there was no news of military pressure being put on the political system in Eastern Europe. This must be taken as an auspicious sign, but in no case should it be construed as reason to presume that the problem of civilian control over the military has been successfully resolved.

On the contrary, in this area there are a number of elements which arouse interest and for which studies in comparative politics are important. First, as much in Latin America as in Eastern Europe, there has been a tendency--especially at the inception of transitions to democracy--to establish the autonomy of the armed forces within the State. In the Chilean case, the effort by the Army in the negotiations surrounding the

transfer of power to the new democratic government can be described as an effort to create a military state within a democratic state. This phenomenon is pronounced in Nicaragua and Guatemala as well.

This tendency toward autonomy among the armed forces within the new democracies is also exceedingly common in the countries of Eastern Europe. In Czechoslovakia, at the beginning of 1990--despite the inauguration of the first cabinet with a minority of Communist ministers (Marian Calfa's cabinet)--the position of Minister of Defense continued to be occupied by Miroslav Vacek, a lieutenant general and a member of the Communist party. In Poland, generals Florian Siwicki and Czeslaw Kiszezack, ministers of Defense and Internal Affairs under martial law and members of the Communist party, retain the same positions in the Solidarity government. In other cases, the civilian overseeing the transition may seek an alliance with the military in hopes of obtaining support in exchange for a share of political power. This was the case in Brazil, under Sarney, where six of the twenty-six cabinet posts were filled by military men. The events of early 1991 in the Soviet Union appear to point in the same direction, and thus it would not be odd to see developments of this nature in Yugoslavia or some other country in Eastern Europe or the Baltics in the near future.

In any case, the path toward the resolution of the question of civilian control over the military apparatus in Eastern Europe appears to be sinuous. Naturally, the circumstances in these two regions are different, but from the perspective of the veritable consolidation of democracy and policy development, comparative studies may be useful. Other elements

must be taken into consideration. First, the armed forces of the Communist countries are highly indoctrinated in the official ideology of the state (Marxism-Leninism) and access to the highest military posts is limited to party members. Thus, it is reasonable to expect a certain distance between military officers, high-ranking commanders, and the new political regime with its efforts to dismantle the Communist political and economic order.

Second, a mitigating influence on the circumstances just described, the armed forces of the Communist countries--no less than their colleagues in the United States and Western Europe--have received intense instruction aimed at ensuring respect for the principle of civilian control. The condemnation and rejection of political deliberation and of any effort to challenge or debate the decisions of the state's political authorities is one of the essential traits of all Communist systems. In this sense, the new democracies in Eastern Europe may benefit from the inheritance of the authoritarian regime. This phenomenon is akin to that of Spain's nascent democracy in 1975 in which the bulwark of the obsolete Franquista government was the principle of civilian control and the rejection of military participation in politics, as is also the case in the so-called popular democracies.

The collapse of the Iron Curtain, the process of disintegration of the Warsaw Pact, as well as integration projects between East and West are all elements that have subjected the Eastern European armed forces to a crisis of both ideology and "mission." Not only has Communist ideology failed, but what was considered their principal objective for the last forty years--arresting the advance of American and Western imperialism--has

evaporated. This crisis, in turn, is expressed in the trend toward disarmament and demilitarization. Also, the countries of Eastern Europe have a high percentage of soldiers per inhabitant, higher than that of Latin America and Western Europe. Obviously, such armies represent bureaucracies whose primary interests must be taken into consideration by any government.

Trade Unions

All transitions to democracy involve a rapid growth in the activities of trade unions. While these may have played an important role in bringing down the old regime, they may also create difficulties for the emerging democracy, affecting the economy and reinforcing conservative trends opposed to change. In Communist regimes, the trade unions are under the direct control of the party; therefore, pressure by trade unions for raises or increases in social spending simply do not exist. Obviously, the democratization process begun in Eastern Europe has meant greater leeway in the creation of trade unions that are independent of the state and that are therefore capable of articulating demands within the political system.

Seen in the short term, the economic policy reforms in Eastern Europe inevitably clash with the immediate needs of the trade unions. First, there will be sharp rises in prices without matching adjustments in salaries; second, unemployment will arise in countries where the greatest achievement has been the attainment of full employment; third, markets are opened up, creating job instability; fourth, there are reductions in

housing, urban transportation, and health subsidies from which workers benefit; and fifth, the economic stimulation policy will inevitably create greater social stratification in societies long instructed in egalitarianism. At the same time, privatizations will create class differences.

The existence of trade unions independent of the state may be equally irritating in establishing an orthodox socialist system as in implementing a free market and privatization-oriented policy. In other words, trade union demands are compatible with the bid for political democracy but not necessarily for economic liberalism. The experience of Solidarity in this respect is enlightening, since the orientation of its economic policy was significantly different from the ideas of privatization and economic liberalization. It was only in 1981, with the routing of the union and the declaration of martial law, that a metamorphosis took place. Solidarity entered into a period where it scrutinized everything, "and when everything began to be questioned, what soon became the focus of especially tough criticism was Solidarity's fundamental leftism....By 1984 the view that Solidarity had lost because it was too left-wing had become virtually the new common sense of the opposition" (Ost 1989). As a result of this process, Solidarity and Walesa himself were transformed into the great proponents of an economic reform toward the free market. As Ost says, "just as the Sandinistas can now impose austerity on the Nicaraguan population, since they have long monopolized the pro-worker label of the left, so Walesa hinted that Solidarity could help introduce a necessary austerity in Poland" (Ost 1989).

But the political opening has had an additional effect in the area of trade unions, which may pose more than a few obstacles to the reform process. When Solidarity took office, the "yellow unions"--created through the state to defend the Communist regime--began to adopt a completely independent and antagonistic trade union policy not mollified by considerations for the stability of the new democratic political system or the necessary contribution that labor must make to the reform process. Therefore, at the time of the round-table negotiations, while Solidarity advocated the need to move toward a market economy, the National Federation of Trade Unions (OPZZ) demanded that a new apartment be given to each family that needed one before they would discuss the topic of whether to implement a free market or not; when Solidarity proposed an 80 percent salary readjustment, the OPZZ inflexibly demanded a 100 percent increase.

The problem is significant because the principal union in Poland is not Solidarity but OPZZ, which has at least double the number of affiliated workers. Furthermore, as Solidarity has grown committed to the reform policies--with their unavoidable costs in terms of worker dismissals and the reduction in purchasing power--members of OPZZ have been stimulated not to withdraw from the organization and, in fact, have supported it actively.

A union movement with these characteristics can easily be used as the "infantry" for populist politics that, based on demands for immediate relief of shortages and misery, stimulates the breakdown of the macroeconomic equilibrium and thus reinforces inflationary pressures. In

addition, the pro-government Solidarity is challenged at its base by a workers' organization that uses an openly demagogic rhetoric to compete. The articulation of interests then begins to be incompatible with the aggregation of interests, which would appear to be the key to Solidarity's travail. In theory, the greatest impediment to a successful democratic transition is the existence of profound apprehensions among the parties that head up the transition process and the labor movement. This was the case in Argentina, under the leadership of President Alfonsín, who faced his staunchest opposition from the Peronist labor leaders who called nine general strikes during the first three years of his administration.

IV. PUTTING ORDER IN THE POLITICAL PARTIES SYSTEM

Although the political system is activated by a variety of interests, it must put this multiplicity of interests into a concrete program or project. During this stage, there must be an entity that prioritizes demands, sets a time frame, combines some interests and eliminates others. This is a role of political parties, which serve a variety of functions within the political system, from socializing the citizenry and recruiting the elite to serving as channels of communication between the government and its citizens. However, their principal role is in the aggregation of interests.

In Communist systems, the constitution and other laws ensure the Communist party a complete monopoly over the representation of society. This monopoly was not altered by the fact that, in the majority of the nations of Eastern Europe, a variation of the one-party system--the forced coalition--was established under the hegemony of the Communist party.

This meant that the system accepted the existence of two or more "front" parties--including non-Marxists, farmers, Christians, etc.--that were assigned a minority representation in parliament and were thereby forced into a coalition. Among these parties, committed to the preservation of the system, there are no competitive elections.

The downfall of the Communist regimes in Eastern Europe meant the instantaneous advent of a large number of parties, often thirty or forty, in nations throughout the region. This is not unlike what took place in the Southern Cone of South America (Argentina, Chile), or Southern Europe (Spain, Portugal), at the end of extended authoritarian regimes where dozens, or even over a hundred, political organizations emerged precipitously. Obviously, no democracy can function with such a large number of parties. Therefore, one of the most important objectives in establishing an effective democratic order is a reduction in this type of political grouping. Yet, the adequate functioning of a party system is not just a matter of numbers. It is a problem of clarity in both platforms and ideologies. Democracy cannot function where political groups are incapable of sustaining coherent and stable policies. Nor can it succeed where there is polarization or where antisystem parties--those that oppose the democratic system--are particularly strong.

There is nothing more difficult in a political system than establishing a party system that merits the name. In fact, once it has been established, it is very difficult to revise. It is ingenuous to believe that an intelligently constructed electoral law is sufficient to ensure that a party system will be born. "The electoral system is unable to create new parties if the social

forces do not press for them, just as, on the other hand, it is unable to impede their appearance....It is not possible to directly modify a party system as one reforms a Constitution. But despite all this, it is possible to influence the evolution of a party system through institutional reforms" (Duvergner 1965). One of the grave political limitations that the reform process in Eastern Europe must face is the continuing lack of adequately sturdy party systems. It is, of course, impossible for this to occur in such a short period of time; this inevitability not withstanding, it is clear that this deficiency limits the maintenance and formulation of coherent policies.

A superficial observation of Eastern Europe shows electoral campaigns, elections, references to the names of internationally known organizations. In many respects, it appears similar to Western Europe. Yet, the party systems in the countries of Eastern Europe are in the process of constant agitation. Once again, Latin America is a laboratory for interesting experiences--both successes and failures--in the challenges to constituting a political party system. Brazil, for example, is a continually weak democracy, more from the extraordinary weakness of its political party system than from threats by the military.

Before indicating some of the options and hurdles facing the party structures in Eastern Europe in the near future, the outline below gives a tally of some of their current features. Naturally, the volatile and constantly changing circumstances will subject this resume to continual revision.

1. A Western-style political spectrum within the framework of extremely fragmented parties. One of the most positive elements in the process of establishing party systems in Eastern Europe is that these countries tend to reproduce most of the "families" of parties in Western Europe. This makes it possible for the nascent parties to adapt experiences, forms of organization and management, platforms, and the bitter doctrinaire discussions from their counterparts in Western Europe and even Latin America. Naturally, these similarities set the stage for action by the political party internationals in the Eastern-bloc countries, where they have provided technical and financial assistance.

Yet, this positive aspect clashes with the extreme fragmentation of groups within each "family" of parties, as in Czechoslovakia, Hungary, and Bulgaria:

a. Social democratic parties are ideologically inclined to accept the ideas and platforms of European social democracy or members of the Social Democratic International. In Czechoslovakia, the Social Democratic party of Czechoslovakia, the Social Democratic party of Slovakia, and the party of Democratic Socialism (also of Slovakia) are of this nature. The Czechoslovak Socialist party could even be included in this group. It was a satellite of the Communist party from 1948 to 1989, and distanced itself from the Communists with the beginning of the "opening." In Hungary, the Social Democratic party of Hungary has petitioned for admittance into the Social Democratic International. In Bulgaria, there are the Social Democratic party, which is a member of the Union of Democratic Forces,

and the New Social Democratic party, affiliated with the Political Opposition bloc.

b. Christian Democratic parties declare their affinity with the Christian Democratic International or are based on Christian values. In Czechoslovakia, the People's party and the Christian Democratic party, both in the Czech republic, and the Christian Democratic movement in Slovakia, fit this definition. Three other parties--which participated within the communist regime but became disaffected in the wake of the 1989 "opening"--also claim a similar inspiration: the Slovak party of Freedom; the Democratic party (formerly the party of Renewal); and the Czechoslovak People's party. In Hungary, at least two groups fit the mold: the Hungarian Democratic Forum and the Christian Democratic People's party.

c. Liberal parties declare their support for political and economic liberalism and may eventually join the Liberal International. They are, in Czechoslovakia, the Czechoslovak Democratic Initiative, the All-People's Democratic party, and the Liberal Democratic party; in Hungary, the Alliance of Free Democrats; and in Bulgaria, the Liberal Democratic party, which is a member of the Political Opposition bloc.

d. Ecological parties in Czechoslovakia are the Czechoslovak Green party, the party of the Green Alternative, and the party for the Trend of the Third Millennium; in Hungary, the Bajcsy-Zsilinszky Society; and in Bulgaria, the Eco-Glasnost Association and the Green Party of Bulgaria, both of which are members of the Union of Democratic Forces.

2. Citizen's organizations that share common purposes with political parties. The "families" of Western-style political parties do not reflect the entire political spectrum in Eastern Europe. In addition to the parties, there is a cluster of civil society-based organizations, which are for the most part linked to the defense of human rights or intellectual or student associations. These groups have neither the structures, platforms, nor ideological characteristics of political parties but behave as if they did. These groups are considered extremely attractive and command a certain moral respect within their countries because, in many cases, they were the first to rise up in opposition to the Communist regimes. In Hungary, organizations such as the Alliance of Young Democrats, composed of youth between 16 and 35 years of age, most of whom are university students; and the Hungarian Democratic Forum, which is tremendously attractive among intellectuals and the mass of voters, fit within this definition. In Bulgaria, organizations of this nature include the Independent Society for the Protection of Human Rights, which since 1987 has been very active in the defense of the Turkish minority; the Club in Support of Glasnost and Perestroika, composed primarily of professors and sociologists; and the Federation of Independent Student Societies. All of these groups belong to the Union of Democratic Forces. In Czechoslovakia, these organizations include Civic Forum and Public Against Violence, which are, respectively, the most important parties in the Czech and Slovak republics.

If the existence of counterparts to the large party internationals is beneficial for the construction of a party system in terms of format, the persistence of this type of organization certainly is not. The difficulties

that these classist parties present is obvious: they have the same characteristics of interest groups and lack the reasons for assembly that are the essential function that parties must fulfill in an efficient system. The events of 1990-91, which occurred following the drafting of this paper, have served to confirm this observation, as much in terms of the divisions within Solidarity as those that took place in early 1991 in the Civic Forum and Public Against Violence in Czechoslovakia.

3. Farmers' and class-based parties. More than parties, these are interest groups or organizations that represent workers and businessmen. In this category it is worth noting some traditional parties linked to landowners--in Czechoslovakia, the Czechoslovak Agrarian party and Free Peasant party; in Hungary, the Independent Smallholders party, which is also Christian-based; the Hungarian People's party, a centrist populist party, and the Agrarian Federation, associated with the leaders of the agricultural cooperatives and opposed to the Smallholders party; in Bulgaria, the Bulgarian Agrarian National Union, which beginning in 1948 formed part of the "kept opposition," recognized by the Communist regime and therefore until 1989 a satellite of the Communist party. A rupture in this party gave rise to the Nikola Petkov Club, named for the leader of the Bulgarian Agrarian People's Union (BANU) hanged by the Communists in 1948, a member of the Union of Democratic Forces.

More recent, and perhaps more attractive than the above-mentioned parties, are those related workers and businessmen who have surfaced in clear opposition to the Communist system. In Hungary, both the Democratic League of Independent Trade Unions and the Entrepreneurs

party have appeared, while in Bulgaria, the Independent Federation of Labor (Podkrepa) was born.

4. The Communist parties. As a result of the crisis in the Communist regimes, the fates of this type of party have differed greatly from country to country. In Poland, the Polish United Worker's party (PUWP), following the electoral defeat of 1989, divided into two groups, Social Democracy of the Republic of Poland and the Social Democratic Union. Despite the name changes and subdivisions, the situation of the Communist party appears to have reached a terminal crisis, especially when one considers that the PUWP stated prior to the crisis of 1989 that it had about two million members, while in July of 1990 the Social Democratic Union declared that it had five thousand members and Social Democracy of the Republic of Poland, stated last August that it had sixty thousand affiliates.

The situation in Czechoslovakia, on the other hand, has been much more favorable for the Communists. During the elections last June, the party emerged as the third most important, following the Civic Forum and Public Against Violence, and ranked above the alliance of Christian Democrats. The Czech Communist party is the only one of the six like-minded parties that has not changed its name since the events of 1989. The number of affiliates prior to the revolution was 1,720,000, dropping last September 5--according to the party's own information--to 760,000 members.

In Hungary, the kismet of the Communist party is more complex than its counterpart in Czechoslovakia, but less critical than that of Polish

communism. In October of 1989, the Hungarian Communists divided into the Hungarian Socialist Worker's party (HSWP) and the Hungarian Socialist party (HSP). The number of registered members dropped from 740,000 prior to the division to 80,000 for the HSWP and 62,000 for the HSP, according to official statistics provided by both parties in March of last year. During the elections of March-April 1990, the HSP obtained thirty-three seats in the three hundred eighty-six-member National Assembly and the HSWP obtained none.

Of all of the parties mentioned here, the most fortunate has been the Bulgarian Communist party. It changed its name to the Bulgarian Socialist party, but inherited all of the assets and holdings of its predecessor, as well as almost the entirety of its former leaders. The BSP obtained a resounding electoral victory in June of 1990, reaching an absolute majority--two hundred eleven seats--in the four hundred-member National Assembly. According to the organization's official statistics, its membership fell off slightly, from 984,000 members in January of 1990 to 861,000 in July of that year.

This information suggests that in several countries of Central and Eastern Europe, the development of democracy has included, within the party system, the participation of important Communist parties, and in the Bulgarian case, the involvement of a strong Communist force. In Czechoslovakia, the situation of the Communist party is far from despondent. Similarly, in Hungary, the HSP obtained 8.5 percent of the vote and the HSWP 3.7 percent. Of these two institutions, the HSWP seems to be doomed to disappear, while it is highly probable that the HSP will

continue to represent a considerable force, not just because of the votes it obtained in the March-April balloting, but because its leaders appeared in public opinion polls with high approval ratings in the months following the elections.

In all of these cases, but especially in Bulgaria, Hungary, and Czechoslovakia, the old pro-Soviet Communist parties have purged their highest-ranking leaders, canceled the monopoly of the Communist party, and recognizing the need for multipartisanship, have offered platforms focusing on the transition to democracy and a free market system and have expressed their interest in finding new ways of conducting relations with Western Europe and the United States.

Only time will tell if these reforms have been exclusively cosmetic. The Communist parties have--at least apparently--decided to continue to act within the system. They operated, of course, within it under communism. The news is that they now aspire to be recognized within the nascent democratic systems. If yesterday the model was the Soviet Communist party, today it is the Italian Communist party, which--seasoned by struggle within a democratic system--has changed its name and aspires to becoming a member of the Social Democratic International.

As is almost inevitable for the Communist parties, the process of adjustment to new realities has caused them to splinter, with several groups breaking away from their old Marxist-Leninist roots. On the other hand, the fortune of the Communist parties in Central and Eastern Europe gives added urgency to the question of financing in politics. Ironically, one

could say that the activities in this regard that create concern in Latin America emerge from the right, whereas in Eastern Europe, similar concerns are provoked by the Communists. The Communist parties, throughout the past forty years, created an enormous amount of wealth for themselves that enables them to finance their political activities.

5. Parties on the anti-democratic right. Democratic development, both in the USSR and in Eastern Europe, is jeopardized by threats from both extremes of the political spectrum. Threats emanating from the orthodox Communists--or worst yet, groups even farther to the left--are well known while little attention seems to be paid to the emergence of a wide range of groups on the extreme right. Today, these groups are more noise than substance, but if they continue to gather force they could be extremely problematic in the future with the emergence of right-wing nationalist groups--some of which are associated with Catholic integrationism, others of which have neo-Nazi roots; in many cases, all have anti-Semitic traits. This right is xenophobic, authoritarian, and on some occasions, militaristic. It scorns liberal democratic institutions and spurns the values and way of life derived from Western Europe and the United States. As the process of transition to democracy is protracted, obstacles arise and economic reform is threatened by hyperinflation and continually high unemployment rates, it is not hard to conceive that this anti-system right could be transformed into an important political factor.

6. Electoral laws. Blondel has rightly said that "among the mechanical factors that determine the character of political party systems, and in particular the number and relative strength of the parties in a given

system, electoral systems are of singular importance...[even when] the exact nature of the effective relationship between electoral systems and party systems continues to be controversial" (Blondel 1972). There are tremendous variations among the countries of Eastern Europe, which gives the impression that this confusion among disparate electoral systems is indicative of a more profound disorientation or lack of objectives.

In 1990, in Bulgaria, the Grand National Assembly was comprised of four hundred members, two hundred of which are elected from single-member electoral districts; the other two hundred come from party lists in multimember districts. The former constitutes a system of majority rule, while the latter is a form of proportional representation. Bulgaria has chosen a combination of both systems to elect its parliamentarians.

Czechoslovakia is different, given the dual national nature of its state. Here there is a two hundred-member House of the People, whose participants are elected in accordance with the country's population, and a House of the Nations, composed of seventy-five representatives from each of the two nationalities (Czechs and Slovaks) who are elected by proportional representation. Yet, within the system, the decision-making power of the parties has been given a priority since votes are cast for the list and not for the individual candidate. Thus, once the number of seats each party is entitled to has been established, the first candidates on the list fill the available slots until all the party's seats have been assigned. In addition, a voter may mark the ballot in an effort to alter the ranking proposed by the party; in practice, this is difficult to achieve.

In Hungary there is a unicameral parliament, with a National Assembly of three hundred eighty-six members who are selected through an electoral system that may be the most complex in the world. One hundred and seventy-six deputies are elected from single-member districts, through a complex system of second rounds which take place if none of the candidates manages to fulfill the requirements of obtaining 50 percent plus one of the ballots in an election in which more than 50 percent plus one of the voters participated. An additional one hundred fifty-two parliamentarians are elected from party lists from the nineteen counties plus Budapest into which the country has been divided through a system of modified proportional representation, which is, in and of itself, highly complex. Finally, fifty-two members of the Assembly are elected from nation-wide lists presented by the parties. Here the system is modified proportional representation, but in fact, nobody votes for the national lists. Rather, the votes for the parties are those that were not used in the two electoral systems mentioned above. That is to say, the votes go to the parties that were unable to elect deputies in the single-member districts or from those of the counties.

These examples, it must be stressed, represent only one aspect of the electoral system, yet they also serve to illustrate the enormous complexity involved in building a political system. In the area of electoral legislation--as in many other fields--Eastern Europe today is the largest laboratory in the world. It will undoubtedly continue in this capacity, since in at least Bulgaria and Czechoslovakia one of the parliamentarians' mandates this year is to prescribe new electoral laws or modify those already in existence. In this field, as in so many others, there is still a long way to go.

In fact, in observing this legislation and its functioning in practice, the impression is that these laws do not have clear and well-defined purposes and that their composition is the result of political compromise (round tables) between the Communist governments and the democratic opposition that have had the effect of creating hybrids wherein different systems are amalgamated and proposals exist aimed at achieving contradictory objectives.

7. The scope of the coalitions and the tendency to transform the elections in plebiscites (communism or anti-communism). One of the ways to clear the way for a party system is by holding free and fair elections, since this makes it possible to distinguish between those organizations that enjoy public support and those that do not. The democratic system is characterized as much by the freedom to create political parties as by a mechanism--elections--which eliminates those groups that lack popular backing. This elimination process has not occurred in Eastern Europe, since the need to unite to face the old Communist parties led to broad electoral coalitions within which it is difficult to distinguish between groups that have electoral support and those that do not.

Pressed with the urgency of defeating the old regimes, opposition leaders in some countries in Eastern Europe were led into veritable plebiscites on communism. Within this framework, the label of anti-Communist had the effect of minimizing the differences between the democratic parties, making it difficult for voters to differentiate between them in terms of ideology, proposals, and platforms. In this fashion, an

additional factor appeared that has tended to make the crystallization process for new party systems in Eastern Europe more onerous.

Some factors are favorable for the consolidation of a party system, such as the presence and influence of the internationals that dominate the political spectrum in Western Europe in the nations of the East. Obviously, the presence of antisystem parties--either as a result of a lack of real reform of the old Communist parties or because of the emergence of a significant extreme right--is a polarizing force that will create more than a few difficulties. One would hope that the citizen organizations that do not have party structures give way to the parties or transform themselves into parties; nonetheless, they will probably fall into grave internal conflict and successive divisions based on ideological and programmatic differences until they disappear (or until portions of them are transformed into real parties). This must also occur with the so-called class-based parties, to the extent that they create confusion in the functions of articulation and aggregation of interests.

V. FINAL CONSIDERATIONS

This paper has focused primarily on the usefulness of functionalist analyses of the political system as a method of studying the limitations on and conditions of the economic reform process in Eastern Europe and--using the foundations and conceptual framework of these analyses--seeing to what degree the studies and structural experiences of transition-to-democracy economic reform and structural adjustment in a variety of

political systems, such as South America and some recently industrialized nations, have been useful.

The analysis of the economic reform in Eastern Europe is frequently limited to the legal modifications or the creation, or adaptation, of mechanisms and institutions that are characteristic of Western market-based economies. This perspective, while valuable, has induced us to overlook an even more important topic: the so-called non-economic factors of development--primarily a society's value system, that is, the extent to which a given system does or does not lead to a work ethic or to the accumulation of capital. It has been said all too often that the value systems of certain societies clash with those characteristic of the entrepreneurial (or business) function. The question, then, is obvious: toward what type of value system are the societies of Eastern Europe inclined after forty years of Communist socialization? To what extent will these values create difficulties for the economic reforms that these countries are proposing?

The responses to these questions can be addressed in two fashions: first, by reviewing values and attitudes toward the economy; and second, by considering the point of view of the institutions that contribute to the formation of these values. In terms of the former (attitudes and values), there has been a notorious deterioration in Communist societies of attitudes toward work. Gorbachev's first move toward economic reform was aimed at correcting the grave lack of discipline in the workplace, bad habits, and corruption, as much among workers as in the bureaucracy. But the phenomenon is much more profound, since it goes beyond attitudes

toward work and becomes an "almost palpable alienation of a large part of society regarding the Soviet regime. This is expressed in the skepticism with which governmental promises are met and the cynicism about the system itself and combines apathy with indifference toward reform. This is reflected in the lack of pride in work and the carelessness and negligence toward State property....Some Western studies on recent emigres from the Soviet Union to the United States conclude that the younger the people are, the greater the alienation" (Bialer 1988).

Yet, the economic reform, in many respects, involves a frontal confrontation with the values that socialist societies have inculcated in their inhabitants--in a unilateral and compulsive fashion--for over forty years. The most important of these socialist values is egalitarianism. The economic reform, which includes private control of the means of production and strong incentives for work and entrepreneurial capability, by definition imply stratification and inequality. The reaction against this new reality has been evident since the beginning of the process. Thus, for example "the inequalities founded in the market, such as those resulting from the sale of early vegetables, are viewed as being part of a capitalist mentality, the sordid pursuit of profits, and thus, a violation of socialist ethics" (Nove 1990).

The socialist societies appear marked by conservatism and conformity. Full employment, within the framework of "we pretend to work, and the state pretends to pay us" is, for many sectors of society, a more satisfactory reality than the imminent threat of high rates of unemployment in the name of economic prosperity a decade hence. In the

same fashion, entirely free health services, even if they are provided in miserable hospitals and are of poor quality, are considered by vast sectors of these societies as real conquests that they are not willing to risk in the name of change. Clearer still is the fear that a change in policy could alter retirement or old-age pensions. One impression from last year's elections in Bulgaria is that the older sectors of the population preferred the stability of the Communist order, despite the mediocre quality of life, to the risks of economic change.

Certainly, these levels of conformity are not only in contradiction to market-based economic attitudes but could even provide a source of strong political opposition to the groups pushing for change in Eastern Europe. Last May, Nicolai Petrakov, Gorbachev's personal assistant in economic matters, made a comparison between Polish and Soviet public opinion--in my view overly optimistic about Polish reality--but nonetheless illustrative of this point: "Poles prefer high prices to empty counters. In this country [the USSR], all of the public opinion polls show the exact opposite. The people will accept rationing coupons and standing on line--especially during working hours--but not price increases" (New York Times, May 14, 1990).

It is frequently said that the obstacles to the development of a business class in Latin America are rooted in a value system that is antagonistic to the ethics and activities of businessmen. Obviously, the nature of these obstacles is quite different in Eastern Europe than in Latin America, but the studies and policies that have been carried out in South

America aimed at identifying and overcoming these difficulties may still be illuminating.

If we step away from the function of socialization and delve into the complex problem of the political decision-making process, there are a number of considerations that appear useful, both from the perspective of the functionalist analysis and of comparative politics. Attention must be paid to two problems: the first deals with the characteristics of the new democratic political regimes that are emerging in Eastern Europe; the second is the question of the ability of the regimes in transition to democracy to sustain prudent and stable economic policies.

In terms of the new political regime, a determinant aspect is the magnitude of the regional decentralization of power. Almost by definition, states tend to accumulate power, and one of the manifestations of this tendency is the regional concentration of power. Nonetheless, this tendency will encounter a variety of opposing forces, among which perhaps the most important are the nationalities. As noted then, the emerging democratic regimes--in contrast to their Communist predecessors--have been forced to recognize the nationalities, and, furthermore, seek to channel their demands into some type of solution compatible with the maintenance of the current state. This will be, undoubtedly, one of the most difficult tasks that the new political systems in Yugoslavia, Czechoslovakia, and Romania will have to face.

Yet, the regional decentralization of power does not just foster nationalistic divisions. It is part of a universal trend that associates the

deconcentration of power--in favor of small communities: municipalities, countries, districts or what have you--with the idea of democracy, participation, and greater personal freedom. Therefore, one of the most interesting--and most crucial--events in the process of reconstruction of democracy in Eastern Europe will be the development of local governments.

Another fundamental objective of the political system is the ability to generate a strong government. Here, recent history creates a small trap. The concept of a "strong government" is associated, in Eastern Europe, with a nondemocratic government under the rigid control of a single party. Of course, strong government does not mean accepting the logic of those who hold that there is a dichotomy between "strong power" and "democracy," where "strong power" is based on reducing the levels or degrees of democracy; and, conversely, where the extension of democracy is to be achieved at the cost of a reduction in power, particularly in that of the executive branch. Despite this argument, it is important to remember that within the present transition to democracy in Eastern Europe, a constitutional structure that creates a strong executive based on antidemocratic criteria--that is to say, on the basis of the negation of people's, the parliament's and the parties' rights--is inconceivable.

Yet, the search for a strong government has led some countries in Eastern Europe, and the USSR itself, to regard with interest the installation of a presidential regime. This proposal is controversial, since presidentialism runs the risk of becoming a weak political system. Presidential regimes are characterized by a separation of powers between

the presidency, which fulfills the executive function, and the congress, which legislates. It is in this fundamental separation of powers between the executive and the legislature that the greatest threat to the functioning of the presidential system is to be found, i.e., a conflict between these two powers. Where this occurs frequently, profoundly, and forcefully, it is almost inevitable that governing will become difficult, and eventually, that the democratic system will disintegrate.

On the other hand, the political leaders with the greatest power are those in the large parliamentary democracies, which concentrate in their hands the heads of government, the parliament, and their own party or the coalition of governing parties. In the world of developed political systems, that is to say, Canada, the United States, Australia, New Zealand, Japan, and the democracies of Western and Northern Europe, presidentialism is a "rare bird"; the sole exception to the parliamentary system is the United States. The only presidential system functioning in a mature democratic regime is that of the United States. On the other hand, in the volatile political world of South America, where democratic regimes alternate with military dictatorships, when it is democracy's turn, presidentialism predominates. There is strong criticism of the efficiency of this type of political system, and a clear trend is afoot toward its substitution in favor of some type of semi-presidential or simply parliamentary regime.

But one must not examine solely the structural aspects of the emerging political regimes. The transition to democracy itself--whether its starting point is a dictatorship of the right as it usually is in Latin America, or a Communist dictatorship, as in the case of Eastern Europe--presents

certain doubts about the system's ability to sustain coherent economic policies and avoid high inflation. A regime in transition to democracy suffers from a variety of weaknesses, when compared to a stable democracy, and these can persist for a number of years. Obviously, these weaknesses will create more than a few obstacles to economic management.

The majority of the nascent democracies find that their leaders lack experience, at the cabinet level, and particularly among members of parliament and social leaders. They are not accustomed to the analysis of economic problems and they lack experience in practical problem-solving. Furthermore, many of them are people who have spent their entire lives in the opposition, a lifestyle which has profoundly marked their attitudes toward the economy and power--and as a result, upon assuming their new roles in government, they tend more toward vociferous moralizing than practical solution-finding. These leaders are also working within an unfamiliar bureaucratic machine in which there continue to be all too many enclaves of the previous regime. These bureaucracies are either not committed to the new democracies or potentially, and even seditiously, opposed to them.

Although some democratic governments have managed to reduce inflation--even during the debt crisis of the 1980s--it is possible that the transition to democracy may cause a temporary upsurge in inflation. Further detailing this relation between democracy and inflation, Whitehead has said that "although shock treatment of inflation may sometimes be unavoidable, it is not conductive to democratic consolidation"

(Whitehead 1989). Clearly, then, the fact that some countries in Eastern Europe have had to face both the transition to democracy and high inflation rates in their reform processes has been no small challenge.

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As a couple of wise men once remarked, it is easy to make a revolution but hard to fill the vacuum afterwards and to keep it filled. Breaking down the Berlin Wall and the accompanying enthusiasm was a dynamic that could not be stopped; but now, the dynamic is gone and working coalitions have to be put together to produce good outcomes. In Latin America, this is singularly difficult and we see falling per-capita incomes in economies that continuously are unable to balance budgets, liberalize reform, privatize, and deregulate. The question is whether to expect much the same at least in some countries in Eastern Europe, and to ask whether the political system makes that more or less likely.

Do economists know good ways of doing it? There are only two ways to balance a budget--raise taxes or cut spending. The hope is that the politicians have a way of setting up democracies that are not unstable and, rather, work to produce good economic outcomes. One has to ask these questions in Eastern Europe because the political history there is terrible. Eastern Europe in the interwar period was a spectacle of dictatorships, fascism, and everything else. There is an inkling that some of this is returning--be it nationalism, be it the extreme right, or anti-Semitism--all of it wants to flourish. These movements have been repressed, but they want to come back. This is added to the basic economic problems.

What are the basic economic problems to be addressed? The first is finding a good ideology of political economy, of which there are three available models. One is laissez-faire liberalism. That is popular in the Soviet Union. There is a lunatic fringe that wants to go full speed ahead with unbridled free market mechanisms and private property. Laissez-faire liberalism is not a viable model in any operating democracy because it produces inequalities on a scale that are incompatible with democracy. The second is the planned economy. That is a dirty word in Eastern Europe, which just got rid of their planned economies. But it has certainly served France very well, where there was a lot of political instability in the past, and it has worked well in Scandinavia for many years. The third is the German model of a social market economy. This type may be an anachronism because the social and market tend to fight each other. But the German view was that the government must place an important regulator on the operation of an economy. The social market economy has proven a viable and politically stable model in a country where, in 1948, because of Germany's political history, one might have worried about what came next. In Germany, the stable democracy that has been challenged on occasion certainly has thrived on this particular model.

Is there yet another model? There is capitalism and the free market theories of Milton Friedman, but they are the same liberal laissez-faire economy that in Europe has not been accepted as a model. So I would recommend that Eastern Europe read again the long debates in Germany surrounding the adoption of a social market economy, to persuade people that there is a happy compromise between individual ability to get ahead within a market system and the social framework in which it takes place.

The second question one must ask is: How is this actually accomplished? An economy does not fall from heaven, particularly if a vacuum has to be filled. It has to be put in place in a legislative fashion or in some other way. Here we really do not have a good precedent for people sitting down and constructing a full, working economy. Maybe Spain and Portugal, after the breakdown of the dictatorships in those countries, are good examples to review since they had to move basically from the Middle Ages to a modern Europe. Perhaps Germany is a good place to look because there was no private sector to speak of in 1948. There were essentially two military administrations, the former German one and the Allied occupation. Out of these an economy was created.

Latin America suggests that it is exceptionally hard, within a democratic process, to do well economically. The debate runs in two directions. Milton Friedman argues that human freedom without economic freedom is impossible and so is economic freedom without human freedom. This is not entirely true because Chile had substantial economic freedom, but not human freedom, and we have seen it the other way around as well.

Successfully operating democracies invariably have bypassed the full democratic process and created special committees with special powers to implement good economic policy. Or to do good economics they have taken advantage of occupation forces' supervision, or some other mechanism that circumvents the full parliament, because if this step is not taken, the government will be unable to do it. I do not know of a difficult economic

situation, such as hyperinflation, that has been resolved through the normal democratic process. The German hyperinflation in 1923 was finally brought to an end when congress agreed to a special committee of twelve that could accept or reject outright within twenty-four hours any initiative of the government. France had the same mechanism to stop hyperinflation. Looking at past experience, the full democratic process has been bypassed, but in a manageable way. In Eastern Europe, it is extremely important to move quickly to that stage because failing to do so will preclude any headway in putting a market or economy into place.

In Eastern Europe we have something like Argentina: socialism without planning and capitalism without profits. If they are not careful, great numbers of people will become unemployed. This is happening in East Germany on a massive scale. Unless of caution is exercised, unemployment will lead to an irreversible decline of the economy as measures are put in place that are basically hostile to a market economy.

What needs to be done? First, institute markets as opposed to a command economy. That cannot happen spontaneously because a very large part of the economy is run by the government. In effect, the old structures still exist, but they are in worse shape. The large decline in the standard of living that may result leads to a delicate situation. The country is in a no-man's land, where there is neither the old regime with powerful repression within which everybody does what they must because they are shot if they do not nor a new fully motivated system within which everybody does what they must because it is good for them. A country in the middle can produce complete collapse.

The most difficult part, the part where every economist instinctively--and rightly so--becomes conservative, is to argue that something that belongs to everybody belongs to nobody. The government will successfully take it and run off with it, but there will be nothing left of the economy. In 1974, Portugal, for example, socialized the states and the first thing they did was eat the cows. Why? Because the cows were there on the farms and meat had not been eaten for a long time. They then failed to cultivate the fields. This is the current situation, in which there are no property rights and in which there is spontaneous privatization. Worker management is not really viable, but is the instinctive response of people who are close to something that does not seem to belong to anyone: so why not take it and strip it? Unless property rights are in place, nobody will even remotely think of working. Nobody would dream of investing. How do you put property rights in place? The answer is to totally separate this task from financial reforms, to separate entirely the transition regime for privatization from the group of long-term owners and managers.

The third issue that is important, certainly in light of the experience of Latin America, is the need for strong institutions. The well-functioning economy functions well because the rules of the game are stable. In addition, these economies have well-defined sanctions. The routine response, therefore, is to be be well behaved. In Latin America, the economies do not work this way because if one attempted to enforce his or her rights, he or she would probably lose out. Therefore, the attempt is never made. Investments are made with a short horizon and they are liquid, if they exist at all. In Eastern Europe, there is a total vacuum of

institutions. The courts do not exist, or to the extent that they do they have Communist judges. The Communist judges use law that is either wrong or terrible. For example, Poland's 1936 Commercial Code is so obsolete that you cannot run a modern economy with it.

Moreover, the dramatic mistake being made throughout Eastern Europe is allowing previous ownership a possible claim on property. In East Germany, for example, any nationalization after 1949 can now be challenged and the assets potentially returned to any owner who makes a valid claim. The institution charged with administering these claims has only about thirty people--and the claims amount to about five million. As a result, everything will stop until everybody has had a chance to get their property back, whatever their rights to it. This is the worst possible scenario from an economic point of view. It really does not matter who owns the property, only that someone owns it. The sooner this is established, the better, even if on the margin it is unfair to people who lost their property fifty years ago.

With regard to the labor market, a social market economy means that people can be fired, but there must be a social safety network for the unemployed. The safety network cannot be so generous that the unemployed would rather remain unemployed and thus produce an expensive program to be financed by taxes on people who work. These are the problems now facing Scandinavia.

There must also be an efficient fiscal structure. The government, rather than selling all goods, taking the money, paying people some wages,

and using the difference for the armed forces, should have a sound tax structure and base all of its expenditures on cost-benefit analysis. There is none of this now, and it is very difficult politically. Effective administration is needed.

A delicate question is determining if what is in place is an administration. Every government that undergoes a radical political change in the end reconciles itself to keep the old bureaucrats. This is because it really does not make a difference whether or not the guy in the post office was a Communist. In Nazi Germany, maybe the top three thousand officials from the previous regime were ousted, but all the bureaucratic posts, basically, were left unchanged. The same is true in Chile today. So the bureaucratic problem only needs to be addressed by asking if these people can perform the necessary tasks. There is probably no need for wholesale change. In fact, this is, perhaps, the most positive element of Eastern Europe's condition.

The trade regime is a delicate issue. All of Eastern Europe's trade used to be with Eastern Bloc countries and the Soviet Union. It is now totally collapsing. The question is whether to put in place an artificial Eastern European trading system that perpetuates the past. Should these countries take a cold shower and trade with the West because they can become more efficient doing so or, rather, should they attempt to sustain the old system for an extra year to avoid high unemployment. The temptation of an artificial system is great. In East Germany, for example, where there are two million unemployed, the government would love to sell trucks to the Soviet Union if it could get, in exchange, an agreement for

oil. They will not, ultimately, get the agreement, so the cold shower has to be taken. Nevertheless, the pressures to postpone adjustment and trade with the West is certainly there.

These are a range of issues, as is known from the Latin American experience because they remain unresolved there, that have to be addressed. What can we expect of that process? The most optimistic scenario can be found by looking back at Germany in the late 1940s. Between 1948 and 1951, unemployment rose to 1.5 million in Germany. The unemployment rate was near 20 percent, and it took the next ten years to lower it to 3 percent. That was the economic miracle. Under the most optimistic conditions, Eastern Europe will be like the old Germany--massive unemployment for many years and burdened with a tremendous political problem. What is to be done with the unemployed is the first big issue. If too much is done to help, they will not try to get jobs and taxes will have to be collected to pay for their benefits. If the government does too little, then, of course, it is both irresponsible and politically dangerous. Note that there is an extreme innate tension in this adjustment process with regard to labor. If gross productivity is large, the economy can afford to pay high real wages. But this means that relatively few workers will be needed and many will be unemployed. Therefore, two elements are necessary. First, high real wages, meaning fast adoption of highly capital-intensive, highly efficient Western technology. The goal is to eliminate inefficiency in the economy. Second, however, strong investment is needed to employ all of those without jobs.

The only realistic way to get this done is through almost immediate integration with Western Europe, much the same way as is discussed for a U.S.-Mexico Free Trade Agreement. If everybody in Eastern Europe knows that they can produce for years for the large and prosperous Western European market, investment will be attracted. There will be jobs and, ultimately, the kind of German economic miracle witnessed in the 1950s. The reason to give this emphasis is not because of some big commitment to Eastern Europe. Rather, this would be a powerful stabilizing force. The prime motivation in bringing Spain into the Common Market was not that everybody thought Spain and Portugal were part of Europe. In the past one hundred years the two countries certainly have not been. The main reason was to make sure that there was not going to be a generally non-continental Europe. The same argument applied to Greece.

This motivation now applies strongly to Eastern Europe. The goal should be to integrate these countries within Western Europe. Let them join the European Common Market, the sooner the better, to ensure that they will import the maximum possible of Western European politics, institutions, and aversion to authoritarian governments. They should be encouraged to create reasonable, stable democracies. All of this will not magically fall from heaven. But in Spain it worked beautifully; it also can in Eastern Europe. If that does not happen, Eastern Europe will be as it was in the interwar period. Countries like Bulgaria, which can be totally extreme in any direction; civil war could come about in Czechoslovakia; Poland would be poor, dirt poor, and East Germany could be doing well with no free will. East Germany has no free will because they are outvoted on every single economic issue. For the rest of the world, Western Europe

can play a critical role not by simply flooding Eastern Europe with institutions so that it chokes on them. Rather, Western Europe should work to build up democracy in the region in order to avoid what has basically occurred in Latin America--failure.

DISCUSSION

Heraldo Muñoz, Ambassador of Chile to the Organization of American States, noted that for Latin America democracy and stability are extremely difficult to develop, but the situation in Eastern Europe appears even more difficult. The advantage for Latin America is that it has had the impact of the failure of military regimes and populism, both politically and economically. Also, the experience of dictatorship has increased the urge toward pragmatism, flexibility, and the realization of the limits of totally free market capitalism. In Eastern Europe, at least in the political realm, what exists is just the failure of communism. There are few democratic institutions, notably the party system, while in Latin America they are in place; they have problems but at least they exist and they do not have to be built from scratch. There are stable parties in many countries of the region, which is a positive element.

The end of the Cold War would have a positive effect Latin America because the East-West element, which was always so important in terms of hemispheric relations, is disappearing. Latin America will perhaps have a more relaxed climate while, in Eastern Europe, there is the possibility of a vacuum of power. Vacuums of power add an element of instability in Eastern Europe; in Latin America they could signify marginality, perhaps, but not necessarily instability.

In terms of economic conditions, Latin America has more of a chance to succeed. Eastern Europe does not have the infrastructure of engineers, financial services, lawyers, and so on, that are required for a modern

economy. Latin America has greater possibilities of gaining foreign investment and being integrated into the world economy. Western Europe can inundate Eastern Europe with political institutions, investments, and other instruments, but the capacity to receive them is much greater in Latin America than Eastern Europe.

Alex Wilde of the Washington Office on Latin America raised the issue of the military, particularly the question of the growth of intelligence services and various types of domestic vigilance under authoritarian regimes. He asked whether there were any lessons from the transitions in Latin America relative to Eastern Europe.

Arriagada responded that in Europe there has been the complete collapse of communism and, in some countries, socialism. In Latin America, military regimes are politically exhausted. In Brazil in 1964, for example, the justification for military intervention was that the economy was a mess. The inflation rate was 92 percent, and this was a major reason for the coup. Today, there is 3,000 percent inflation, and nothing has happened; that means something has changed. The military's main concern used to be Communist subversion. The moment the Communists were ruled out as a viable possibility in Latin America, of course, the problem of the collapse of formal military ideology arose. The military in Chile will be looking for another sense of mission. It will be difficult to find justice in the execution of political prisoners, among other issues, but Latin American societies do not want to return to the dirty wars of the past. This will be an important issue in the future.

The outcome in the Persian Gulf could lead to a positive trend in the world toward reducing military expenditures. In the case of Latin America, military expenditure has been reduced in most of the countries. Czechoslovakia and Poland are considering reducing the number of their military. International organizations, like the World Bank, should review the problem of military expenditures. It is unfair to speak about fiscal reform without recognizing that the military is responsible for some 30 percent of the fiscal budget in some countries. The level of military expenditures that a society can maintain to ensure sustained economic growth--not just the wages of the bureaucracy or the civil servants or state enterprises--is a critical issue.

Latin America is building broad consensus about economic issues--this means an economy open to international trade, an economy based on private property and free trade. Reinforcing the right of property creates good conditions for dealing with foreign investments. There is also consensus about political issues. People no longer feel, as in the 1960s or in the early 1970s, that liberal democracy does not work, that what is needed is an alternative regime or a national security state. The discussion in Latin America will be more about how to improve the situation, how to create more liberty, how to have more justice, and how to solve in a better way the problems of the poor. It will be less of an ideological confrontation within a very closed system.

Dornbush argued that Western Europe has a unique chance to establish its model in entirety in Eastern Europe by providing trade access, investment, its legal code, and everything else that it can. Eastern Europe

does not have a culture of entrepreneurship; but this will not be an issue, because it does not take time to learn the process. Eastern Europeans were masters at running an economy in a bureaucratic setting; now they will figure out how to run an economy in a market setting.

The parallel between Latin America and Eastern Europe is the establishment of democracy. There are important problems to be solved, but they are ones that a democracy is terrible at solving. That means the solutions to the problems were postponed. If property rights are not in existence, no investment will enter the country. If no investment enters, then there is not enough foreign exchange. As a result, the real wage is low and the political situation worsens. Of course, there is an enormous diversity of democracies in Eastern Europe. Some will be better than others, as in the case of Latin America. The common theme is that it is extremely hard for a democracy to put in place a well-functioning economic system. The more a country drags its feet, the more difficult it becomes--as Argentina is discovering. East Germany is a good example. The East Germans cannot cannot get the legislation in place to establish property rights. That is worrying.

In reference to the previous discussion, one must not take for granted that the Soviet Union will succeed. They have a fair chance of having a classic hyperinflation soon. If they do and if it leads to Argentine-style food riots, the military may return to power, simply to keep order. In Latin America, the middle class brings the military in; in the Soviet Union, food riots probably would do the same. If that happens, the Soviets will argue that the way back is much shorter than the way

forward. If they maintain this position, Eastern Europe will look more precarious economically. This is one more reason for Western Europe to establish a much firmer basis there.

A World Bank official pointed out that in Eastern Europe, the parallel to the Latin American military is in the activities of the secret police. The problem arises of what to do about this. Do you do anything? How far down the leadership do you go to establish accountability? Are there some lessons from Latin America that could be used in Eastern Europe?

Arriagada made a distinction between the Central American military and South American military. All of the armies of Latin America cannot be grouped together because they differ to such a degree. The armies that have been in politics for a long time become divided and the moment they become divided, they become politicized and highly corrupt.

The Eastern European model of the state under Communist dictatorship was similar to the type of relationship that the military in Spain had under the Franco regime. This was also the case, in a curious way, under Pinochet. The army had a strong ideological commitment with the political regime. In the Communist countries, 90 percent of the officials are members of the Communist party. In Spain and Chile there was not a political party to align with, but there was an extreme rightist commitment to political and economic ideas. But, in these cases, the army's leader and the president of the country were one in the same.

There is a greater chance of keeping the military out of politics in a situation like Bolivia, Peru, or Argentina, where the military regime of the past was so divided that it was extremely difficult to establish order. While Pinochet's military regime was dreadful in terms of human rights and while he was an extremely cruel dictator, he established a distorted professionalism. Professionals are not involved in politics and must obey political power. For this reason, once it ended, the Pinochet regime left a better situation for dealing with the military.

In Czechoslovakia, the dictator is in charge as Commander in Chief. In Poland, the ministers of Interior, Internal Affairs, and Defense are members of the Communist party or were; as of six months ago, they remained in power despite Solidarity's new government. In Czechoslovakia, President Václav Havel has conferred with the military. The Minister of Defense resigned from the Communist party about a year ago. But, again, the situation is such that a military exists that has been educated in this distorted professionalism and remains in control of a very important part of the state. Many Eastern European countries are not having any problem with the military. The point is that there will be problems with the military after the civilian government is in control for about a year and when the same people are in charge of the military.

The problem of human right abuses must be addressed, Arriagada noted. Poland is doing better than countries in Latin America. But, at the same time, most of the abuses in Latin America occurred a long time ago. Looking to the future, the problem is mostly how to create a strong institution to punish these kinds of crimes. The difficulty is that the old

regime is still in existence. For example, Poland's judicial system was created by the Communists. In Chile, if one asks for protection, that protection will have to come through a judiciary system that was created by the former dictator.

In Chile, there are seventeen members of the Supreme Court, nine members of which were appointed by Pinochet in the last nine months of government. There is no way to go to the judiciary to prosecute past human right abuses. Chile must also face the problem of building an institution, a judiciary system that people can trust to punish the perpetrators of these atrocities. No country in Latin America has the judiciary to protect the rights of property; what is worse is that Chile does not have a judiciary to protect basic human rights. The military approved a law that provided its own judiciary system, which is not subject to the control of the civilian courts. There was, recently, an agreement with the rightist political party to reverse this privilege so that military crimes would be under the jurisdiction of the civilian system.

Another participant asked whether any of the any Latin American economic models could be used in Eastern Europe and whether, specifically in the areas of institution building and the creation of a modern civil society, any Latin American models would be more appropriate for Eastern Europe than the models that are available in Western Europe.

Dornbush responded by noting that economists look for well-performing economies within, hopefully, a democratic system. In Latin America one is not going to find that. So, the economist must take the

second best, a country where important economic steps have been taken within a democratic framework. The best example is Mexico. Mexico provides a model of the timetable, of vision, of hard-nosed and competent people all pursuing the same goal. But where in Eastern Europe is there going to be a government with a union that gives its stamp of approval to everything that is done? Eastern Europe, if it succeeds, will have followed the Mexican model on a larger scale because the vacuum is larger. Ninety percent of the assets must be privatized, not just ten percent. Eastern Europe will have to find a way of doing this politically, of balancing the interests of workers and pensioners, both of whom claim ownership of assets. This dispute goes to the national congress and the situation becomes similar to what exists today in Poland, Romania, and Bulgaria. The lesson is that what has to happen is well known, but with a democracy, it is extremely difficult. The disillusion of these countries will be even greater as they are told how to build correctly a democratic process. The political scientists must provide the expertise on types of political regimes, the technical operations of a government, and the rest of the nitty-gritty of democracy.

Arriagada added that he felt uncomfortable when looking for a Latin American model or a European model. What is important is that for the first time there is a common problem that can be discussed from different perspectives. If the problem is electoral law, for example, there is no one law that can work equally well in every country, but the type of law to be used can be discussed openly. A solution to a problem can be found this way, whether the issue is technical, political, or a debate over the parliamentary versus the presidential system. This reality is different

from past debates in Latin America. The discussion in Latin America will be more useful if the region can share its fears with countries that at this moment are dealing with these questions, such as Eastern Europe.

Another participant in the audience raised the issue of the debate between economic growth versus societal equity. How do Latin America and Eastern Europe compare in this regard?

Dornbush argued that Eastern Europe today does not have significant equity, although the region will soon have it. Everyone seems to agree that someone who works hard should be paid more. But, in China, it was totally unacceptable that the taxi drivers were the richest. One can find this attitude in Eastern Europe, and it is not going to be easy to change. Someone who uses slick ingenuity and luck to become a multimillionaire in one year will face people who want to take it all away from him, arguing that it is unfair because he or she worked so little for it. In such cases the inequality debate will arise with substantial force.

This debate will also heat up in Latin America. In Brazil, inequality rises by the day. Brazil has a president that is not particularly democratic. He decrees laws unconstitutional and they are revoked. He is often on the front page of the newspaper with the military. The Brazilian press calls him "Baby Mussolini." Brazil is not a modern democracy by any means. A Marxist almost won in the last presidential election. That support is not going to come back with a Soviet ideology. Rather, they will argue that they do not have a remedy but that they will do something about poverty, and the easiest way to do so is to take something from someone else.

Inequality in Latin America is an acute problem that worsens in the absence of a solution. This issue will soon arise in Eastern Europe. With total economic restructuring, the ability to make fortunes in no time is so large that it will test society's tolerance of inequality. The issue is not that everyone works hard year after year and, since one works two hours more than the other, he or she is paid more. Rather, the issue is that in one night a person can make a fortune, and that is unacceptable. This was the case in China and it will be in Eastern Europe. The hard questions for the parliaments will concern what the marginal income tax rate should be and at what level should the capital gains rate be fixed.

Arriagada noted that much can learned from the success of other countries in dealing with the problem of the military. In Chile the aim is to reduce the debate with the military to several main principles. First, there must be civilian control of the military. That is an old principle, but it works. Second, the military must be assured of a complete monopoly on weapons. While this appears obvious, Latin American governments have defied this principle in the past. As a compromise, the government can trade the first principle in return for the second from the army. Third, the army must be professionalized so that military careers are not manipulated by the political parties.

Another member of the audience raised the issue of nationalism. In Latin America, he argued, there is a significant decline in nationalism, especially given the prominent historic role nationalism has played in the armies. In Eastern Europe, he asked, will ethnic nationalism create difficulties for the political systems of the countries?

Arriagada responded that in Spain, at the beginning of the democratic regime, the far Right was arguing that the state would collapse and be divided into different nations. The transition to democracy in Spain has something to teach about dealing with strong cleavages and nationalism. There is not that kind of nationalistic problem in Latin America today. In Chile, at least at the moment, there are no forces interested in reinforcing past nationalist tendencies.

An analyst at the Department of State addressed the issue of the timing of economic and constitutional reform. She asked Arriagada to address the fact that it appears that economic reform is at the forefront whereas constitutional reform, electoral reform, has been put on the back burner. Is foot-dragging on constitutional reform an obstacle to genuine economic reform? Has economic reform decreased the possibilities for the restructuring of institutions?

There is no specific time for economic, political, or social reform, Arriagada responded. Countries will be working in an atmosphere of confusion in which economic policy is affecting the stability of coalition governments, and this creates problems. Despite this, there will be discussion about constitutional reform and electoral reform. The problem of electoral law is being linked to the problem of how to build a political party system that can work, and this is positive. A country cannot build a political party system in accord with electoral law, but having it helps. There are many electoral laws in Chile that are mistakes. Reform and a reduction in the number of political parties is necessary in Chile. In some

countries there has been debate on the problem of presidential systems because a multiparty, presidential system often leads to a clash between the president of the republic and the majority of the congress. That was the experience in Chile.

A type of semipresidential or parliamentary system will work better than a presidential, minority system that once existed in most of Latin America. A strong government is needed, but because the region's experience with strong governments has meant dictatorships, Latin America cannot use the presidential system. The most powerful governments in the world are those in which there is not a separation of power but a unified power in which the majority of the parliament appoints the government. Parliamentary government has proved stable. The best system of government, one that will allow the establishment of strong democratic legitimacy, would require the support of the majority of the parliament.