

## СОЦІАЛЬНІ ТРАНСФОРМАЦІЇ ТА ІНСТИТУЦІЙНІ ЗМІНИ

УДК 316.42

D. Lane, Professor  
Fellow of Emmanuel College, University of Cambridge, UK

### EXPLAINING THE TRANSFORMATION FROM STATE SOCIALISM

*The author contends that the formation of a new post-communist social system – state building, capitalism and polyarchy – cannot be explained either in terms of social structural change or the widely used elite paradigm. Useful though the former is to explain the social differentiation occurring under state socialism and latter to understand the 'steering' of societies to democracy, it is argued that the move to capitalism needs to take into account the role of classes. Distinctions are made between political class and social class, the former including elites drawn from different social classes. It is suggested that three social class forces played a major role in the fall of state socialism and a move to capitalism: these are, endogenously – the acquisition and administrative classes, and exogenously – the global capitalist class. The objectives of the paper are to outline paradigms of social change, to assess their applicability to the transformation of state socialism and to revive an approach based on class.*

**Key words:** state socialism, capitalism, theories of transformation, elite, ascendant classes, totalitarian syndrome.

To understand why state socialism was dismantled or collapsed, and the ways transformation has taken place, we need to understand how it was constituted and what social forces were present and active in bringing about change. If we can identify the values and interests which underpinned the transformation process we may then make some prognostications about how the process may continue or be reversed.

Five major paradigms have been developed in the social sciences which attempt both to explain the structure and process of state socialist societies and they indicate underlying causes of social change. First is the paradigm of 'totalitarianism' which provides an ideological/political interpretation and which has wider implications concerning the domination of politics in the modern era. Critics here emphasise the power of a political elite and rely on the role of exogenous forces to promote system change. Secondly, there are theorists whose focus is the malfunctioning of the institutions of state socialism itself. Those advocating reform or transformation from this point of view look to the institutional setting as the source and object of reform. Thirdly, is an approach derived from the nature of the power elite which has led to elite circulation as a major process of socio-political transformation. Fourthly, is the critique stemming from theories of sociological modernisation. Here changes in the social structure of modern society impel changes in the command system of state socialism. Such an approach focuses on socio-economic stratification and the cumulative changes from forms of mechanical to organic solidarity. Fifthly, is a world-systems model which explains the changing internal class dynamics in terms of a global political and class system. Essentially, internal predispositions for structural changes are triggered by global class interest. There various approaches are discussed in turn.

#### **The Totalitarian Syndrome**

Though the concept of 'totalitarianism' has gained enormous popular acclaim, it has been peripheral to political science and sociology. The term totalitarianism was popularized by two American academics, Karl Friedrich and Zbigniew Brzezinski [1]. The essential characteristics of societies of the Soviet-type were defined as: 'A system of autocratic rule for realizing totalist intentions under modern technical and political conditions' [2]. Other writers, such as Herbert Marcuse and C.W. Mills have also drawn attention to totalitarian tendencies within Western capitalist society. Mills exposes the massification effect of media leaving people with no individual autonomy and the domination of a 'power elite' lacking democratic control [3].

The totalitarian view of society, as applied to the socialist states, discounted any form of internal reform let alone any major internally sponsored social change. As Richard Pipes

has pointed out, people adopting such a perspective did not expect communist states to be dismantled or subject to internal political change. They could not be reformed and '...were immune to self-destruction' [4]. As the society is held together by force, it is not susceptible to a legitimacy crisis; for it has no autonomous sets of values on which it can be judged. By definition, totalitarianism implies not only that open dissent is not tolerated but also that group stratification is not able to develop. Hence the triggers for change cannot be found in society. As Friedrich and Brzezinski conclude: 'Our entire analysis of totalitarianism suggests that it is improbable that ... a "revolution" will be undertaken, let alone succeed... When the characteristic techniques of a terrorist police and of mass propaganda are added to the monopoly of weapons that all modern governments enjoy, the prospects of a revolutionary overthrow becomes practically nil' [5].

The outlook adopted by theorists of totalitarianism is not useful to further our understanding either of the various reform movements which characterized the politics of the more developed Marxist-Leninist states, or of the ways in which its leaders abdicated their political and economic power. While there may have been dissent at the margins through cultural opposition and the cultivation of alternative life styles [6] by marginalized social groups, these movements were not serious threats to the system. Totalitarianism was less a scientific approach and more an ideology which justified liberal criticism and opposition to oppressive powers. From this point of view, it is only through exogenous forces that significant political and social change can occur.

The totalitarian approach shaped thinking about the possibilities of changes in a number of ways. First it provided a political model of the socialist system and a delegitimizing ideology. Second it focussed on the power of the ruling elites (rather than classes) and posed the primary goal of replacing them. Third it emphasised the role of exogenous powers as instruments of political change. In a social science sense, it was not a satisfactory model. It ignored differentiation within the elite structure which gave rise to the reform movement. From a more sociological point of view it did not take into account the changing social structure which transformed expectations of the population and also limited the extent of elite rule. The political elites became dependent on the participation and support of the scientific, technological and socio-economic intelligentsia. People in these social advocated within-system change and reform – the second approach defined in the introduction above.

#### **Within-System Market Reforms**

Internal critics of the state socialist system accepted the structures of state socialism but advocated within-system

reforms to reverse the decline in the rate of growth of the economy and to narrow the gap which was rising between the public's expectations and their fulfilment. Within-system reformers contended that the introduction of the market was an essential component to secure economic growth and thereby to improve public well-being. Market socialism, however, has many varieties and is subject to different interpretations, especially in terms of institutional practice [7].

There were two groups of reformers: market socialists who believed that state socialism could be reformed by combining publicly owned property and allocative planning with markets. The second group consisted of market fundamentalists who contended that without private property the market could not function and a transformation, rather than reform was necessary. The focal point of these reformers was the malfunctioning of the system.

Market reformers wanted to utilise the market in the context of public ownership and central planning; to combine a market, in the sense of prices reconciling demand and supply, with planned allocation of resources. The advantage would be a more precise economic calculation combined with none of the disadvantages of the capitalist environment of private ownership and exploitation. Politically, given the existence of planning and Party control organs under state socialism, this position suggests a way forward from state socialism to market socialism. It is conceded that a political institution is necessary to ensure not only levels of investment but also the replication of public property. Planning would continue to take macro decisions concerning the major forms of investment and the market would operate more at the macro level to determine distribution – prices of commodities and labour. The viewpoint considered that the command system of planning under Party control was fundamentally sound but needed revision.

The market fundamentalists, however, saw market socialism as an alternative to state socialism. One version of this position advocated the market replacing the institutions of state planning and the directing role of the Communist Party. The government, however, would still have a coordinating role with respect to investment and in other ways would operate as governments do under capitalism. The context would be one of public ownership of material assets [8]. The innovation in this approach is that the directing role of the Party-state, which has economic and political drawbacks, is replaced by the market as a coordinating body. An important consequence is that the allocation of resources and decisions about investment are made by the market.

The market under socialism gradually was given a new respectability. Politburo member, Yakovlev, in a speech in 1988, pointed out that 'The development of the socialist market is one of the roads leading the combining of interests and to the shaping of the ideology of the good socialist manager... The market is made socialist or capitalist not by the movement of commodities, capital or even the workforce, but by the social context of the processes which accompany it... The dividing line ...lies in defining the place of people in society and whether they are using the market for the ultimate goals of society or as a source of profit'.

The outcomes of such policies have divided scholars. Some contend that such reforms (as developed in China) lead to a better form of state socialism (socialism with Chinese characteristics), whereas others contend that instituting the market and the creeping privatisation of property lead to capitalism.

Moreover, a more fundamental criticism stems from this position and leads to a more radical programme of reform. Such critics consider that a market-economy under the

leadership of the communist party had serious contradictions which could only be resolved by system change, rather than reform. State socialism had 'major systemic incompatibilities caused by the absence of both a market and a mechanism of conflict resolution... Because institutional arrangements deprive state socialism of the capacity to channel self-interested behaviour into socially beneficial performance and condition its survival on the base of direct coercion, the whole concept of a politico-economic order is fundamentally flawed' [9]. Markets to operate efficiently require private property and entrepreneurs maximising profits. State socialism moves to capitalism. This view is clearly put by Kornai. 'The socialist system was a brief interlude, a temporary aberration in the course of historical events. [T]here is no alternative to the "capitalist system".'[10]

Both these positions may be interpreted as responses by members of the economic and political elite to dysfunctions in the planning system. They do not identify any social or political actors or institutional forces which would lead to transformation.

The radical transformers assume that a move to economic markets and political democracy can be ensured through the introduction of the appropriate institutional forms copied from Western practice [11]. The carriers of these policies are elites implementing policies to move to Western type capitalism and democracy. The 'system transfer' position assumes that state socialism was a fundamentally defective system and that a policy of markets, private property and competition in economy and competitive polyarchy in the polity would be a strategy to transform the ailing societies into prosperous democratic states.

As state socialism would experience spontaneous collapse, such transitologists merely provide the appropriate Western institutions and processes. While not theorised by such advocates of economic reform, an implicit assumption is that counter elites, which evolve particularly within the economic administrative apparatus, advocate and articulate demands for reform. Within-system change, they contend, will not work and will lead to transition to a different system. The carriers of these policies are elites implementing a movement to a Western type of capitalism and democracy [12].

#### **The elite approach**

The perspective of totalitarianism focussed on the domination of the political elites. This approach has the advantage that it puts actors at the centre of economic and political change and transformation. An elite may be defined as a stratum in an organisation or group which has prestige, status and power over other members of the organization or group. A political elite is a group of people with power and influence drawn from different social, economic, military and/or political constituencies.

Political elites have a dominant place in the analysis of transformation [13] and an 'elite approach' has been formulated by sociologists and political scientists around John Higley (Jan Pakulski and Michael Burton). [14] The elite approach seeks to replace social class as an independent variable to explain social change. As Goldstone has put it, '[A] state-centered view focusing on elite dynamics may provide a better explanation of how the revolutionary process began in the late 1980s'. [15] In an article focused on Russia and Eastern Europe, Kullberg, Higley and Pakulski claim quite unambiguously that 'the dynamics and trajectories of political change in post-communist countries can be explained almost entirely as a function of the structure and behaviour of elites.' [16] Elites are generally considered to be expressions of either their own interest or those of national and ethnic cleavages which underpin political behaviour [17].

While one might acknowledge the contribution that Higley and Pakulski make to our understanding of political stability and instability, elite theory does not explain why elites adopt particular policies. In the case of transformation, why should the radical reformers advocate markets and capitalism, why not a move to a corporate system such as in Taiwan or Korea, or a Chinese type of economic reform? It cannot be denied that the political elite played an important role in the transition process. Understanding dynamics, however, does not explain goals. In my own explanation, class interests, originating both from within and from outside the socialist societies, shaped the outlook of the political elite.

Elites are embedded in structures of power, and ruling or power elites are dependent on support of interests which control strategic sectors and resources in society. At centre stage in the process of transformation is the notion of a 'nomenklatura elite' popularised by Olga Kryshchanovskaya [18]. The nomenklatura elite is held to derive its power from the apparatus, essentially located in the previous Communist Party. What this theory does not tell us is why the 'nomenklatura elite' transformed itself into an ascendant elite seeking to change the parameters of the system of state socialism.

Class interests, I shall show, shaped the outlook of factions within the political elite. Exogenous influences also shaped and later sustained endogenous reform processes. Changes in the structure of the ruling elites and in the wider political class were a consequence of the modernisation of the social structure and provides a sociological explanation of social change. This is the fourth approach I defined in the introduction.

#### **Modernisation**

The social science literature on transformation of societies gives many insights into the changes which take place in societies as they modernise. These developments condition the role of political leaders and form a constellation of elites and classes which in turn impact on the ways that societies are managed. In the literature on early twentieth century transitions the centre of attention was the movement or evolution from feudalism to modernity [19] in terms of democracy or dictatorship. The best known approaches here are those of Samuel Huntington and Barrington Moore. A sociological approach outlined the cultural and institutional conditions which shape the disintegration of the old regime and provide building blocks for a new one. Independent factors are the level of education, the occupational structure of the population, the rise of economic institutions (such as banks), technical progress and media (such as printing), the type of political culture, the existence of a potentially friendly (or hostile) external environment and the possibility of entry to a wider economy. [20]

Of considerable importance in this way of reasoning is the dependence of successful transformation on an educated and urban population [21]. These factors are considered to be conditions for the type of regimes which may arise. The emphasis is on social forces and social institutions. Such developments cannot 'determine' social change. Rather they are requisites for regime transformation, they create the conditions in which new class actors may arise. They are necessary but not sufficient conditions. The causal path was as follows: industrialisation led to changes in the social structure – urbanisation, waged labour, education; these in turn gave rise to different personality types – to individualism, to a work orientation; and (under certain circumstances) to a democratic political culture. These sociological views had important influences on political thinking on the autocratic regimes in the south (such as Spain, Portugal and Brazil). It was confidently predicted that as these countries industrialised and urbanised, they would take the road to

democracy. Modernisation theory had built-in motors of change which would lead to transformation.

However, these theories also had faults. It is not clear why these correlations should lead to electoral political democracy. Third World states, such as South Korea, Singapore, Malaysia, Taiwan as well as the socialist bloc and China experienced urbanisation, rises in educational levels, and economic growth. But the experience of Stalinism and Maoism illustrate that they did not adopt the expected forms of electoral democracy. Even by the early 1980s, the move to democracy, or more accurately, polyarchy and pluralism had not occurred in the state socialist societies. Indeed, it was claimed that authoritarian governments were necessary to move societies from their moribund non-developmental states. Strong states and weak societies seemed to characterise the newly emerging Tigers of the East. The indices collected by Lipset and others (showing correlations between electoral democracy and urbanisation, for example) would seem to be characteristics of stable democracies, rather than necessary conditions of economic development.

The socialist states of Europe began to experience lower growth rates and other forms of unfulfilled expectations. Reformers in the state socialist societies diagnosed the problems to be due to the excessive state control and lack of markets – as outlined above in the second model. Sociologists in the West, led theoretically by Talcott Parsons, provided another explanation. Put simply: an urban-industrial system to maintain effectiveness and efficiency requires multiple and reciprocated exchanges between their different components. Parsons devised a societal interchange system. His argument was that values, forms of social integration, the type of government and economic processes are interconnected and have to be in harmony one with another. This is a similar functionalist viewpoint to that of the Marxist paradigm of base and superstructure, except that it has more components and that class and class conflict have no place.

To survive and to reproduce themselves effectively and efficiently, modern societies have to solve a large number of problems. These may be analysed in terms of four major sets of institutions and related processes within them: the economy, the system of government, values and beliefs and a system of social integration. This is known as the LIGA system. Another important assumption of a systemic approach is that these systems are interrelated: a change in one has ramifications for all three other systems. Parsons defines six interchange systems which compose modern societies: Legitimation, Loyalty/solidarity/commitment, Allocative, Resource mobilisation, Political support and Labour /consumption/market sub systems. American sociologists, based on Parsons's work contended that the state socialist system could not operate without markets, private property and an electoral democratic framework. Only the latter enabled the complex exchanges necessary in urban industrial society to function efficiently.

The implications of this social system approach are that 'totalitarian' societies would not be able to function effectively. Innovation in science and technology, it was argued, required freedom of expression. A market in the economy was necessary to establish conditions for the stimulation of labour, to promote labour productivity and to allocate resources efficiently. Anticipating writers like Janos Kornai, Western functionalists argued that the centrally organised and politically directed system would not be able to adapt to a modern society.

They argued that the communist countries would copy Western democracy politically, the market system economically and civil society socially. This would be a consequence of modernisation of the social structure. Evolution would lead to developing countries (including the

socialist countries) to adopt the structural and functional features of American society. As Parsons put it: 'The United States' new type of societal community, more than any other single factor, justifies our assigning it the lead in the latest phase of modernization... American society has gone farther than any comparable large-scale society in its dissociation from the older ascriptive inequalities and the institutionalization of a basically egalitarian pattern.' [22] Parsons pointed out that the communist societies would 'either make adjustments in the direction of electoral democracy and a plural party system or "regress" into generally less advanced and politically less effective forms of organisation'. [23] Parsons predicted either that the USSR would evolve in the direction of an American type democracy or it would collapse. [24]

This approach provided a sociological argument for macro societal change – from state socialism to a capitalism of the American type. The distinctive character of the transformation is that the movement from state socialism involves a concurrent change in politics – from autocracy to polyarchy, in economics – from central planning to the market and in society from state ownership and communist hegemony to private ownership and civil society. The changes involve the redefinition of individual and collective identity.

This viewpoint carries with it the grains of sociological insight and a great deal of American ideological baggage in beliefs about the superiority of American electoral politics and free market economics. Other sociologists in the United Kingdom – Tony Giddens, John Goldthorpe and myself – believed that an effective modern society could take different forms; the types of interchanges could be effective in many national settings. My own view was that a form of socialist pluralism could develop in the state socialist countries: one could conceptualise both a capitalist and a socialist form of modern society. Within the state socialist societies there were demands for reforms and for a less centralised and controlled society. Pluralism was trying to get out of a central party-state straight jacket. Multiple exchanges, it was asserted by the economic and political reformers, could take place within a communist-led state-owned economy. The later success of China would appear to be a vindication of this position.

What was lacking in the Parsonsian analysis was any analysis of the movers of political change. The approach is developed in terms of social sub-systems and abstract 'exchanges'. The reliance on American institutional forms shows either an arrogant ethnocentrism and/or ignorance of other societies.

By bringing elites and classes into the analysis helps to explain why the transition to capitalism took place. This has the form of: 'classes propose, elites dispose'.

#### **The traditional class approach**

The class paradigm has commanded very little attention as an explanation why state socialism was dismantled and then moved to building capitalism. Class has an economic quality, determined by ownership and control of property and/or individual skill assets. This economic relationship leads to other social characteristics of class. I would define a social class as being constituted from a group of people who share a similar economic position which determines life chances; a class reproduces itself demographically, it has an actual or latent awareness of its own position in relation to those in other social classes and provides a basis for social and political action. [25]

The lack of any class analysis in theoretical accounts may be partly explained by the decline of class analysis in scholarly activity in political science and sociology in the West and partly because of the peculiar social and political structure of state socialist society.

Traditional Marxist class analysis, it is quite true, does not explain the transformation from state socialism. Both

the 'official' Soviet Marxist analysis of class and the Western 'totalitarian' critique denied a role to classes as movers of social change. The former because the relations to the means of production had no personal form of ownership – there was no economic market and production of exchange value, and for the latter because the political elites prevented the formation of classes which would become a social basis for political challenge.

Other sociologists have suggested that in Soviet-type regimes the working class was atomised and was either voluntarily or forcibly co-opted into the regime. It could not form the traditional Marxist-type ascendant class. The absence of a bourgeoisie in the sense of a property owning class further appeared to challenge a class explanation of regime collapse and revolutionary (or counter-revolutionary change). In the sense of a class with a consciousness of pecuniary interest based on the production of commodities through a market for profit, a bourgeois class did not exist under state socialism. (Though it was later created 'from above' in the period of market reforms in Europe and China). It was not even identified in the late Soviet period as a significant impetus to reform [26].

Some writers however interpret the formation of a 'Soviet bourgeoisie' in a different form. Ivan Szelenyi and his associates have identified 'the technocracy', 'bureaucracy' and intellectuals as actors in transition. However, these writers make it clear that they were not classes. What is striking about this school's account is the absence of any empirical account of classes in post-communist society [27]. In their discussion of 'classes and elites', Eyal et al make clear that they are concerned with 'intra class or more precisely inter-elite struggles' [28]. Their account falls into an elitist interpretation rather than a class one. I contend however that social class was not only a mover of reform but also class determined the future beneficiaries of transformation.

#### **A Class Explanation of Transition**

It is my contention that class actors are at the heart of the transformation from state socialism to capitalism. To explain how this came about, an explanation of the peculiar way that classes were formed under state socialism is necessary. A class explanation has three elements. First, an administrative stratum, which was able to turn executive power into ownership of capital assets and in so doing, moved from a stratum into a class. Second, an 'acquisition' stratum which was able to valorize skill assets through the market, sectors of this group were able to utilise such assets to secure rights over property and in so doing became part of a bourgeois class. Third external class interests, acting through global political elites provided the means and legitimation for transformation. These three groups possessed the attributes of classes described above: a group of people sharing a similar economic position which determines life chances; it reproduces itself demographically, has an actual or latent awareness of its own position in relation to those in other social classes and provides a basis for social and political action.

The administrative stratum was composed of people occupying a hierarchy of posts which gave control over the means of production, as well as the ideological, military and security institutions. These key positions were defined by the nomenklatura – a list of positions controlled by the Communist Party (though sometimes jointly managed with state institutions). The nomenklatura affected not only elite positions, but positions of authority at lower levels. Posts in the Party and trade union hierarchies, executive positions in government institutions (including enterprises, educational and health institutions, the media) were also subject to nomenklatura vetting. Hence there was a vertical binding of members of the nomenklatura, with movement between nomenklatura posts. Not all of these posts formed

the ascendant administrative class which was constituted of the occupants of key administrative and executive posts.

The difference with market capitalism was that these positions did not allow the holders to dispose of the assets under their control, neither did production enterprises directly benefit<sup>29</sup> from the economic surplus yielded from production of goods or services. Many persons occupying positions in the party structure were symbolic and nominal and they were also members of the professional classes (examples being representatives of academia, the media and the military in the Central Committee of the Party).

The second dimension of class was linked to the market. Under state socialism, a systemic form of class stratification was linked to the market. Employees were paid for their labour by a state enterprise or institution: the state had a monopoly of hiring, and fixed wage rates and conditions. Labour productivity was encouraged through the incentive for monetary reward. This gave rise to a market for labour and for goods. People competed for jobs which gave better conditions and higher income. The exchange of labour power for money remained a feature of state socialism and income derived from employment was important in the determination of living standards.

Under capitalism, the labour market promotes illegitimate inequality. John Roemer theorises this form of inequality in Weberian terms. It gives rise, he says, to a class being in possession of "skill assets" which leads to structural inequality [30]. Under state socialism however the economic rewards were not determined by bargaining on a market, but administratively. The difference between the actual level of rewards and a notion that the market would give higher material benefits created a sense of disillusion and resentment aimed at the communist political system. The intelligentsia, defined by levels of education and higher non-manual occupations, became an acquisition stratum – a potential ascendant class.

Here then we identify class interests dividing state socialist society and which were crucial in providing ballast for political change. These groups would be characterised by Ernest Mandel as constituting 'bourgeois' strata in terms of their consumption patterns. They had a latent class interest under state socialism and had been kept 'in place' by the administrative class which controlled the state and party apparatus.

There were then two systems with contrary social strata in operation under state socialism – a planning and administrative system controlled by a political stratum and a quasi market system with an incipient bourgeois class linked to the possession of intellectual assets and skills. We may define class boundaries operating on the basis of these two criteria of stratification (control of assets and marketability of skills). Behind the reform process were the interests of these two competing strata: state bureaucracy and middle class occupational groups whose life chances were linked to the marketability of their skills. Both could turn their social positions into class rights in two steps: first, by securing an economic market, and second, by acquiring rights to property.

However, a major weakness of the ascendant acquisition class was its lack of political power and its weak organizational resources: the administrative/political strata had secured economic and political power. The confidence of the administrative class varied between different state socialist societies, depending on the way in which power had originally been achieved. Whereas in Eastern Europe, the latent opposition included people who had experienced capitalism, this was not the case in the USSR or China where generations either had not known the phenomenon or where a significant indigenous capitalism had not developed.

Under state socialism, moreover, even this potential ascendant class was unable to articulate an ideology of capitalism involving privatisation of property and a

comprehensive move to a market system. The internal penetration of capital and external economic links between foreign capital and socialist host countries were very weak. Unlike in many developing capitalist countries there was no indigenous comprador capitalist class.

The reform strategy of the acquisition class was to support a change to a market system, it was less concerned with privatisation of state assets. This class supported representative political institutions as forms of coordination and civil society as a context for its own development. Gorbachev, himself, at least in the early years of reform, was an advocate of this position.

#### **The Political Opportunity Structure**

The top political leadership was a crucial factor in defining the opportunity structure for the two classes – and this is why the study of the political elite is important. As long as the political leadership was adamant in maintaining the administrative, ideological and coercive components of the political system, the costs of opposition were too great for the rise of an ascendant class.

The ruling elite under Gorbachev played a crucial role in leading the movement for radical reform and in doing so responded internally to, and cultivated, the acquisition class. Initially, it sought a move to the market within the context of a Communist Party-led political order (as described above), rather than a move to capitalism. It also responded to the exogenous transnational political class, discussed below. To secure support for change, the Gorbachev leadership shifted the political ballast within the political class from the administrative to the acquisition stratum.

Gorbachev created conditions which widened considerably the political opportunity structure. This set off a tipping process whereby previously loyal 'within system' reformers felt able to shift their support to (and even advocate) radical market reform. Within the acquisition class were groups which now advocated not only a move to markets, but also the abolition of Soviet Party-State hegemony and the institution of republican and regional autonomy.

Many members of the administrative class were in contradictory class positions. They occupied influential, secure and privileged positions in the ruling elites. But they also had potential to an even more privileged economic class position if they could turn their administrative control into ownership of property and/or were able to valorise their administrative and executive capital through a market. Under Gorbachev, from 1987 (with the introduction of market forces and greater devolution of power to enterprises) members of management had already begun the process of 'spontaneous' privatisation and the transfer of company income to themselves. Gorbachev undermined the central and regional administration which weakened the loyalty of the administrative stratum. The reformers in the acquisition class legitimated private ownership in terms of its necessity to make markets work.

However, such a movement to market capitalism could not publicly be justified – ideologically, economically or politically. Resistance to capitalism was strong both in society and in the ruling elites. The final link in the causal chain was provided by the global capitalist class.

'The West' had a major impact on the reforms and provided support and impetus for the internal transition to capitalism. The external environment, to which we now turn, had a determinant effect not only in shaping politics but in influencing values, norms and the ways exchanges were to take place.

#### **The Global Dimension**

The 'geographic diffusion of capitalism' and the spread of capitalist world markets has been noted by Randall Collins, [31] and he focuses on collapse prior to the period of transformation. Like many structural theorists, he ignores social agents, such as class actors. My own approach

would be to distinguish between a transnational political class (TPC) and a global corporate class (GCC). The global corporate class (GCC) is one constituency of the TPC. The driving force of accumulation defines the class interest of the transnational political class. It is however only one faction of the capitalist class, as there remain national and international formations. The interests of these factions do not coincide and lead to important conflicts between national, international and global factions of the capitalist class.

During the period of state socialism, while the culture-ideology of consumerism was taking grip, the transnational capitalist class had little presence in the USSR due to the autarchic nature of its state owned economy. Penetration was greater in Eastern Europe (in countries like the GDR and Hungary) and the consumer ethic of the West more intense. The role of transnational corporations in the socialist countries was relatively small. [32] A transnational capitalist class could not exist within the boundaries of the state socialist countries.

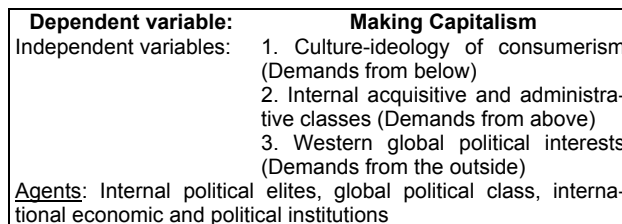
By global political class I refer to international actors who help to shape global economic and political policy. These include the heads of transnational corporations, chief executives of international economic and political organisations, leading professionals in non-government organisations with a global perspective, national politicians and executives with a globalising intent [33]. These groups through the heads of state and transnational organisations (such as the IMF, the World Bank) and regional political powers (such as the European Union) brought decisive influence to bear on the reforming political elites of the socialist states. They laid down the conditions under which transformation could take place. The forms taken by conditionality for membership of the European Union privileged the interests of global capital.

The conditions placed on economic transition by international organisations (such as the IMF, OECD, European Union) have had a direct influence in dismantling the statist economies and adjusting internal policies to external demands.

The implantation of neo-liberal economic and political democracy has been a major policy of the hegemonic Western powers. 'Economic democracy', envisaged in the Washington Consensus, involves individual rights to private property, privatisation of enterprises, deregulation, a weak non-distributive state, and an economy open to the global market [34]. It is here that the global class interest is most visible as this policy precludes the development of other forms of national capitalism – social democratic and corporatist. In a global class context, as Sklair has put it: '[The] dominant ideology appears to be in a process of transformation from state interventionism to a neo-liberalism which privileges the unrestricted operation of the free market. This is the world-view that a country's best interests are to be found in playing a full part in the accelerated growth of the global economy through unfettered competition by destroying old systems of tariff protection and labor regulation and forcing all forms and their workers to become internationally competitive. The neo-liberal dogma that this can only be fully achieved in an entirely market-driven system provides the economic theory for this strategy [35].'

My own scheme of transition from state socialism to capitalism is summarised in Figure 1. Inputs define the type and rate of change include the popular culture of consumerism, the role of Western interests, internal classes. The major tensions which are defined under contradictions are between Western hegemony and the legacy of state socialism and also between sections of the ascendant classes when in power; between, for example,

those with interests in domestic industry and markets and others with a global economic interest.



**Fig. 1. Transition from state socialism to capitalism: a class based interpretation**

**Conclusion**

The 'totalitarian' paradigm of state socialist societies underestimated the growing modernisation and differentiation of urban-industrial society in the socialist states which gave rise to claims for economic and political reform. The emphasis on the power of the ruling elite focussed attention on changing the composition of the political elites. It also legitimated the role of exogenous interests in the transformation process. This framework ignored the interpretation of the reform movement in terms of elite circulation are insufficient to explain the political and economic outcomes of the transition process. A better framework of analysis is that suggested by a social system analysis. This in turn however lacks analysis of the dynamic elements in the transformation of the socialist states. It is claimed that class interests underpinned the shift from state socialism to capitalism. A revised social class paradigm is suggested. This involves two major internal ascendant classes, the dominant administrative stratum, and an acquisition stratum which provided the initial ballast for a move to markets. Both these strata were constituents of the political class under state socialism. The political leadership under Gorbachev weakened the loyal administrative stratum and tipped the balance towards the acquisition. Consequently, members of the administrative stratum realised a potential for ownership of material assets (a class interest) which was legitimated by the dominant global powers, particularly by the political elites of the United States and the European Union. Unlike in traditional class analysis of system change which is national in character, the global interests of capitalism played a major role in the transformation of state socialism defining the course that capitalism would take. The culture ideology of consumption emulated the West in the popular consciousness which gave a mass base initially to the move to capitalism. The transnational corporations did not play a direct part in the transformation. It is contended that a global political class acting through the hegemonic governments of the West and international organisations attempted to define the course of transition and supported the creation of a neo-liberal form of capitalism. It is here that contradictions limited the spread of global capitalism: disparities between the interests of local domestic and export industries and the legacy of state socialism, particularly the continued presence of state ownership. A consequence has been different types of capitalism in the post-socialist states and different forms of participation in the global economy.

**Notes and References**

1. See particularly their influential: Friedrich C.J. and Z. Brzezinski, *Totalitarian Dictatorship and Autocracy*. New York: Praeger. 1966.
2. C.J. Friedrich, M. Curtis and B.R. Barber *Totalitarianism in Perspective: Three Views*. Praeger, 1969. p. 136. Friedrich and Brzezinski's descriptive definition stressed the following features of a totalitarian society: an official ideology; a single mass party; terroristic police control of the population; a Party monopoly of control over effective mass communications and the armed forces; and central direction and control of the entire economy and corporate entities.
3. See *The Power Elite*, New York: Oxford University Press, 1959, pp. 302-304.

4. Richard Pipes, Communism: The Vanished Specter. Oxford University Press, 1994. p.31.
5. Friedrich and Brzezinski, p.375.
6. Jeffrey C. Goldfarb: Beyond Glasnost: The Post-Totalitarian Mind. Chicago and London: The University of Chicago Press, 1989. p.4
7. See Christopher Pierson, Socialism after Communism. Polity Press, 1995.
8. Just how 'public' or 'collective' ownership is organised is a matter of debate, see Pierson, chapter 4.
9. B. Kaminski, The Collapse of State Socialism. Princeton University Press 1991. pp. 16, 3.
10. J. Kornai, From Socialism to Capitalism. London: The Social Market Foundation, 1998. pp. 2, 40
11. See for example, David Lipton and Jeffrey Sachs, 'The Strategy of Transition' in David Kennett and Marc Lieberman, Economic Transformation in Eastern Europe and the Former Soviet Union. Fort Worth: the Dryden Press, 1992. pp. 350-354. Originally published as 'Creating a Market Economy in Eastern Europe: The Case of Poland', Brookings Papers on Economic Activity, vol. 1, 1990. Washington D.C. Brookings Institution.
12. A major focus for this school is the importance of elite unity, settlements and pacts see: Michael G. Burton and John Higley, 'Elite Settlements' in American Sociological Review, vol. 52: 295-307 and John Higley and Michael G. Burton, 'The elite variable in democratic transitions and breakdowns'. ASR 1989, vol 54: 17-32
13. O. Kryshatanovskaya and Stephen White, 'From Soviet nomenklatura to Russian elite', Europe-Asia Studies, Vol. 48, 4 (July 1996). Oxana Gaman-Golutvina, Elity i obshchestvo v sravnitel'nom izmerenii, Moscow: Rossopen 2011.
14. J. Kullberg, J. Higley and J. Pakulski, 'Elites, Institutions and Democratisation in Russia and Eastern Europe' in Graeme Gill (ed.), Elites and Leadership in Russian Politics. Basingstoke: Macmillan and New York: St. Martin's Press, 1998, p. 107.
15. Goldstone in Dogan and Higley, loc cit. p. 100.
16. J. Kullberg, J. Higley and J. Pakulski, 'Elites, Institutions and Democratisation in Russia and Eastern Europe' in Graeme Gill (ed.), Elites and Leadership in Russian Politics. Basingstoke: Macmillan and New York: St. Martin's Press, 1998, p. 107.
17. Pakulski and Waters, p.147.
18. O. Kryshatanovskaya, Anatomiya rossiskoy elity. Moscow 2004. O. Kryshatanovskaya and Stephen White, 'From Soviet nomenklatura to Russian elite', Europe-Asia Studies, Vol. 48, 4 (July 1996).
19. See particularly: Harry Eckstein, F.J. Fleron Jr., et al, Can Democracy Take Root in Post-Soviet Russia?: Explorations in State-Society Relations. Lanham and Oxford: Rowman and Littlefield 1998. See especially the articles by F.J. Fleron Jr., 'Congruence Theory Applied: Democratisation in Russia' (35-68), P.G. Roeder, 'Transitions from Communism: State-Centred Approaches' (201-228) and W.M.Reisinger, 'Transitions from Communism: Putting Society in its Place' (229-248).
20. For example, Lipset showed that European stable democracies had higher education enrolment of 4.2 per thousand of the population, European dictatorship 3.5, Latin-American democracies and unstable dictatorships 2.0 and Latin-American stable dictatorships 1.3. S.M. Lipset, 'Some Social Requisites of Democracy, Economic Development and Political Legitimacy', APSR LIII March 1959.
21. S.M. Lipset, 'Some Social Requisites of Democracy, Economic Development and Political Legitimacy', APSR LIII March 1959. See his

classification of stable and unstable democracies and stable and unstable dictatorships, p. 342. Political Man London: Mercury 1963

22. Parsons, T. The System of Modern societies (Englewood Cliffs: Prentice-Hall, 1971). p.114.

23. 'Evolutionary Universals' ASR vol. 39, no 3 June 1964 p. 356

24. 'Communism and the West: the Sociology of the Conflict' in A. and E. Etzioni, Social Change: Sources, Patterns and Consequences. New York: Basic Books, 1964. See Parsons, Social Change: Communism and the West in Etzioni. p. 397.

25. Ambiguity in the literature focuses around points 1 and 4. Many sociologists define class in terms of occupational position giving advantage/disadvantage and levels of inequality. Others, particularly Marx, Moore, Lipset, emphasize the ways in which classes make system and/or political change.

26. Andrew C. Janos, 'Social Science, Communism and the Dynamics of Political Change' World Politics Vol. 44,1, 1991 pp. 81-112; Russell Bova, 'Political Dynamics of the Post-Communist Transition', World Politics, 44, 1, 1991, pp. 113-39; Minxin Pei, From Reform to Revolution, Cambridge, MA, Harvard University Press, 1994.

27. Russia in transition is characterised as having 'capitalists without capitalism' and central Europe, 'capitalism without capitalists'. Gil Eyal, Ivan Szelenyi and Eleanor Townsley, Making Capitalism without Capitalists. London: Verso, 1998. p.5. See also Lawrence P. King, 'Postcommunist Divergence: A Comparative Analysis of the Transition to Capitalism in Poland and Russia', Studies in Comparative International Development. vol. 37, no 3 Fall, 2002.

28. Gil Eyal, Ivan Szelenyi and Eleanor Townsley, Making Capitalism without Capitalists. London: Verso, 1998. p. 18. Italics added.

29. In the late Soviet period (especially in Eastern Europe) enterprises were allowed to keep a small proportion of earnings which were overfulfilled the plan. The point is that they were not profit maximising like capitalist companies.

30. Such exploitation is not illegitimate: it is "socially necessary because it improves welfare". Differentials of earnings (or levels of consumption) provide incentives and reward for the use of certain skills: the elimination of such inequality would lead to "retardation" in development. Roemer (1982) pp. 148, 240-2.

31. 'Market Dynamics and Historical Change', in Randall Collins, Macrohistory, Stanford, Stanford University Press, 1999. pp. 177-208, especially pp.207-8.

32. L. Sklair, Globalisation: Capitalism and its Alternatives. Oxford 2002, p.225.

33. The World Economic Forum, might be considered the political elite of this political class. (In Davos in January 2000, assembled the leaders of the world's largest 1,000 globalised companies and 33 national leaders, including the President of the United States). See internet under [www.weforum.org](http://www.weforum.org).

34. See John Williamson, 'What Washington Means by Policy Reform', in John Williamson (Editor), Latin American Adjustment: How Much Has Happened? Washington D.C.: Institute for International Economics, 1990. esp. pp.8-17.

35. L. Sklair, 'The Transnational Capitalist Class and Global Capitalism', Political Power and Social Theory, vol. 12,(1998) p.10.

Надійшла до редколегії 21.10.13

Д. Лейн, проф.

Эммануэль колледж, Кембриджский университет, Велика Британія

## ПОЯСНЕННЯ ТРАНСФОРМАЦІЇ ВІД ДЕРЖАВНОГО СОЦІАЛІЗМУ

*Автор стверджує, що формування нового пост-комуністичного соціального ладу – державного будівництва, капіталізму і поліархії – не може бути пояснено з точки зору соціально-структурних змін або парадигми еліт, що широко використовується. Перший підхід є корисним для пояснення соціальної диференціації, що відбувається в рамках державного соціалізму, другий – щоб зрозуміти "спрямування" суспільства до демократії. Обґрунтовується, що у переході до капіталізму необхідно брати до уваги роль класів. Розрізняються соціальний і політичний клас, який включає еліти, що формуються з різних соціальних класів. Автор пропонує виділити три сили соціального класу, що відіграють важливу роль у падінні державного соціалізму і переході до капіталізму: це, ендогенно – клас привласнення і адміністративний клас; екзогенно – глобальний капіталістичний клас. Цілі роботи є окреслити парадигми соціальних змін, оцінити їхню придатність до трансформації державного соціалізму і відродити підхід, заснований на класі.*

*Ключові слова: державний соціалізм, капіталізм, теорії трансформації, еліта, пануючі класи, тоталітарного синдрому.*

Д. Лейн, проф.

Эммануэль колледж, Кембриджский университет, Великобритания

## ОБЪЯСНЕНИЕ ТРАНСФОРМАЦИИ НА ПУТИ ОТ ГОСУДАРСТВЕННОГО СОЦИАЛИЗМА

*Автор утверждает, что формирование нового пост-коммунистического социального строя - государственного строительства, капитализма и полиархии - не может быть объяснено с точки зрения социально-структурных изменений или парадигмы элит, которая широко используется. Первый подход является полезным для объяснения социальной дифференциации, происходящей в рамках государственного социализма, второй - чтобы понять "направление" общества к демократии. Обосновывается, что в переходе к капитализму необходимо принимать во внимание роль классов. Различаются социальный и политический класс, который включает элиты, формирующиеся из разных социальных классов. Автор предлагает выделить три силы социального класса, которые играют важную роль в падении государственного социализма и переходе к капитализму: это, эндогенно - класс присвоения и административный класс; экзогенно - глобальный капиталистический класс. Целями работы являются представить парадигмы социальных изменений, оценить их пригодность к трансформации государственного социализма и возродить подход, основанный на классе.*

*Ключевые слова: государственный социализм, капитализм, теории трансформации, элита, господствующие классы, тоталитарного синдрома*