

## Planning the Transformation? (Notes about the Legacy of the Reform Economists)

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*Can the Ethiopian change his skin and the leopard his spots?*

—Jeremiah

The Soviet-type system cannot be overthrown but it can be undermined. The *nomenklatura* cannot be dismissed but it can be confused and corrupted. State property cannot be privatized but it can be decentralized and informally appropriated. The mono-party cannot be rivalled but it can be pluralized internally. The planned economy cannot be dismantled but it can be marketized. . . . Nowadays, these truisms provoke at best a forgiving smile in Eastern Europe. Some years ago, however, thousands or—if China and the Soviet Union are included—tens of thousands of reform-minded social scientists, “socialist entrepreneurs” as well as government and party officials constructed their reform proposals in terms of such compromises in this corner of the world.<sup>1</sup> One part of these experts firmly believed in these second-best solutions of limited (simulated) liberalization, and built new “Third Road” models around them, while the other part—which rapidly grew in number as years passed—for want of better solutions, pragmatically accepted these compromises because they did not dare dream that one could think of first-best solutions in the near future.

In the meantime, the former socialist reformers have rapidly converted to the new faith of post-socialist transformation, in East-Central Europe. At present, the majority of them assume, almost axiomatically, that the above compromises and the well-known dilemmas they invoked in reformist thought have, together with the communist rule which is still considered to be the *only* reason for the former ambiguities of the theory of market socialism, disappeared once for all. Relieved for the moment, a great many ex-reformers feel uneasy about the past: when you hear them speak about the 1989 revolutions, it is not very likely that they will bore you with heroic stories about reformist "conspirators" who helped disperse the party-state from inside. Instead, they are scrupulous—they served too long, recognizing only too late that the emperor had no clothes. Nevertheless, scepticism concerning the past performance of the reformers is often complemented with cautious optimism with regard to their role in the future. The thesis of "what has not been permitted (feasible, reformable) thus far, is permitted (feasible, transformable) from now on" will occur in most of their self-portraits.<sup>2</sup> Of course, there may appear some new political obstacles to the transformation but these are dwarfed by the former communist limitations.

In their view, by touching upon the taboos of real socialism, the former socialist "liberals" can become genuine liberals who will complete the theoretical work started by the reformers back in the 1950s. Accordingly, there is no need for cathartic changes: the original premises of reform thinking should not be essentially revised but only supplemented with the missing elements of privatization and political democracy. The ex-reformer would say: despite the fact that we lent our expertise to the *ancien régime* for too long, intellectually we were not unprepared for the fall of the Soviet-type system. 1989 was preceded by a scholarly learning process and a kind of successive radicalization (secularization, liberalization) of reform thinking, in the course of which we covered a great distance from the early attempts at destalinization to the more recent proposals for a "crucial reform" of real socialism.

It would not be difficult to reinforce the self-accusations of the former reformers by demonstrating how ambitiously they helped the old system survive through rationalizing the dysfunctional mechanisms of real socialism for many decades, and how persistently they tried to maintain certain parts of the *status quo* in the form of an *Ausgleich*, a

Social Contract or a "Grand Coalition" with the *nomenklatura* even on the eve of the revolution.<sup>3</sup> Similarly, one could also easily share the pleasure these academics, managers and politicians feel now in experiencing the unexpected freedom of thought, the chance for *theoretically unlimited* reform-making in the period of transition from socialism to a liberal order. (Self-) censorship is over, from now on the creative imagination of the old-new experts will only be limited by technical (albeit huge) constraints. After so many years of distorted and reversed socialist reforms, it is the "transformer" who will be able to design coherent liberal reform projects—or so the ex-reformers say.

In what follows, I venture to take a contrary approach. The main thrust of this paper is a.) to illustrate the "*positive*" (unofficial) part of the legacy of reformers, i.e., their important contribution to the disintegration of the Soviet-type system, and b.) to point out the ambiguous effects of the reformist tradition as a whole on the way of conceiving of the new order by the transformers. A catalyst may become a retarder, the liberal imagination of the transformer may be blocked by his surviving reformer ego. It is often exactly those reformist attitudes which—in most cases involuntarily—helped loosen the fabric of real socialism in the past that may make it extremely hard for the ex-reformers to think in terms of a liberal order today.

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The following notes are based on the results of a previous research project on "reform economics", a comparative study of the intellectual heritage of economic reformers (the most significant group in the reformist camp) in Eastern Europe. I owe special thanks to all the project participants.<sup>4</sup>

### The Reform Economist as a Proto-Transformer

In some of my earlier writings<sup>5</sup> I have tried to counterbalance the excessive pride the reform economists felt in allegedly challenging the last prerogatives of the Soviet-type system with a new paradigm of economic science. Now, after socialist reformism has been politically deactivated, it would be unfair and futile to continue this line of critique, and present the reform economists as reform-mongers rather than brilliant theorists. What is more, the student of the history of economic thought cannot help putting in a couple of good words for

the former reformers when he sees—to rephrase the German proverb—how many fathers the victory over communism has among the members of the new élite. Rehabilitation of socialist reformism? No, but why focus on the illegal struggle of the anti-communist rebels rather than on the legal activity of the reformist experts, on intended rather than on unintended change, on the spectacular demise of real socialism rather than on its former gradual exhaustion?

No doubt about it, the reform economists did form an integral part of the Soviet-type system after Stalin. Nevertheless, their work, although it did not result in a new Grand Theory of economics, became instrumental in the decomposition of the planned economy and one-party rule. In many cases they were even more instrumental than any of the overtly anti-communist opposition movements. I would suggest two “*subversive*” features of socialist reformism for consideration:

(1) “*Entzauberung*” of the planned economy. By disenchantment I mean a kind of delegitimation of the Soviet-type system through challenging its basic economic philosophy derived from the vision of the centralized and demonetized communist economy. While recently the reform economists were late in recognizing the agony of real socialism, in the first half of the 1950s they had been the first to diagnose the maladies of the Stalinist regimes. Willy-nilly, even the most naive proposals for perfecting the planning targets or decentralizing the command economy pierced—at that time still unnoticeable—holes in the balloon of the utopia of communism, holes that were not too hard to widen afterwards. The cure the reformists recommended to heal the wounds inflicted upon the economy by Stalinist policies made it increasingly improbable that the recovery would ever end up in “collectivist economic planning”.

The partial rehabilitation of the concepts of market calculation, individual and group interests (“material incentives”) and decision-making, competition, entrepreneurship and profit-making, freedom of consumers’ choice and personal enrichment, as well as the renewed emphasis on economic versus political rationality (“optimization” vs “humanization”), informal versus formal relations, quality versus quantity, balanced growth versus acceleration, consumption versus investment, agriculture versus industry, civil versus military, light versus heavy industries, opening up to the West versus autarchy and cooperation with the East, etc.,—only a fraction of these concepts and shifts of emphasis would have proven sufficient to invalidate the communist

discourse whose primary strength lay in its all-embracing and seemingly homogeneous character.

More importantly, this disenchantment—while robbing real socialism of its future (or at least making its prospects uncertain)—actually contributed to the end of the identification of the party-state with the idea of the common good. Furthermore, portraying the socialist state as an overregulated bureaucracy with vested interests that commits enormous “government failures” and which is far from becoming a welfare state took the sting out of the critique of modern capitalism, another pillar of the system’s legitimization. Stressing the need for some decentralization and partial deregulation in economic life, combining the planning and market mechanisms, tacitly accepting the convergence theorem, etc.,—were only the first wavering steps of depriving the party-state of its integrative-messianic role. True, at any moment, reformist anti-statism could take the collectivist route of self-management, nonetheless in most cases it opened vistas for a series of technocratic (managerial) solutions, legal private small business and the shadow economy. In other words, the economic segments of the “civil society” had been supported by the reformers well before the term started to be used by the dissidents.<sup>6</sup>

Accordingly, reform economics managed to plant foreign bodies in the texture of Soviet ideology, bodies which this ideology was not capable of assimilating entirely. Instead, new hybrid concepts emerged, ranging from “socialist commodity production” all the way to the “economics of perestroika” (these were called “halfway houses” in the literature), which could not evolve into a new liberal paradigm of economic science but proved strong enough to prevent the rise of a coherent *ideology of restoration*. Though the Soviet-type system was cyclically able to reconstitute its main structures after consecutive shocks of reformation, thus integrating certain reformist techniques of control over the economy and polity, in the long run it lost its ideological self-esteem and decisiveness. Neutralizing alien concepts took much of its strength: tolerating the notion of “law of value under socialism” opened the way for the reformers to use the term “socialist” or “regulated market”, and then “market” without euphemistic adjectives; proposals for marketization eventually led to advocating privatization; economic liberalization could not stop politely at the border of the political system for good, etc., etc. We know this story of the chain reaction of liberal concepts well from the “memoirist” litera-

ture published by the radical reformers in the second part of the 1980s.<sup>7</sup>

At that time, I made efforts to show that what they regarded as an essential scholarly refinement of the theory of market socialism was rather a process of political and ideological *radicalization*.<sup>8</sup> Reform economics became increasingly secular, almost profane, and by the 1980s it even developed a kind of "middle-of-the-road" transformation theory (political economy) on the basis of the new claim of marketization *cum* privatization. Back in the 1950s and 1960s, the reform economists had criticized the Stalinist planned economy primarily by means of technical arguments, confronting what they learned from Western mainstream *economics* with the obscure teachings of the textbook "*political economy* of socialism". As years passed, the general framework of economics proved, however, too tight for the radical reformers to construct a programmatic theory of the transition from socialism. So again and again, they began to flirt with political science. Though this oscillation between the two perceptions of economic science did not help market socialism become a Grand Theory, the combination of technical-scientific and political-ideological reasoning did inhibit the crystallization of any new *unified official concept* of socialist planned economy, should it be supported by Galbraithian, neocorporativist or "Third Road"-type arguments. In the long run, the reform economists were able to make the official ideologues believe that they, the "revisionists", could produce the better (at least, better applicable) socialist theory.<sup>9</sup>

In other words, thanks to its ambiguous nature, reform economics provided munition against old-new ideological monopolies, while (relying on its own quasi-monopoly position in certain countries of Eastern Europe and periods of time) it could also put up a shelter to safeguard some traditional liberal ideas in economic and other social sciences, as well as to experiment with new reform and transformation projects. It is in this laboratory where the basic language of market socialism (I call it "plan-and-market discourse"<sup>10</sup>) was developed, which, as an alternative discourse to the official one, finally succeeded in rehabilitating even such concepts as private ownership, multi-party democracy, rule of law, etc., in an attempt to complete the disenchantment of the Soviet-type economy.

(2) Contamination through symbiosis. The above description of a kind of reformist subversion-via-language may arouse the suspicion of the reader. Why would the reform-minded experts have overthrown or

corrupted their bosses, he may justifiably ask. Were not the reform economists exposed to the mercy of politicians? Could they not be simply dismissed, silenced or forced to convert when in the slumps of reformation the need arose for restoration ideologies? Were they not interested in maintaining their limited expert power and status? Did they not therefore prefer to comply with the current requirements of the ruling élite, and "render unto Ceasar the things that are Ceasar's", at least temporarily?

I am afraid that one cannot answer these questions unless one breaks with the strictly hierarchical interpretation of the relationship between reform economics and political power in the Soviet-type systems. Why not consider the reformers' *intermediary position* between politics and academic life, government and opposition, East and West? Why not pay attention also to their relative sovereignty?

In real life the reform economist had many masters to serve. He was a historian, a "social engineer", and a fortune teller (he said, cynically, both a jester and an alchemist at the royal court), a critic of the orthodox and a supporter of the neologist wing of those in power. He represented the academic community, acted as a spokesman for social groups (managers, small entrepreneurs, etc.) interested in economic and political liberalization, and even played the role of an *ersatz* oppositionist who often channeled nonofficial views to the government and safeguarded the dissidents. Without becoming substantially more schizophrenic than the average socialist citizen, he could be simultaneously a mild oppositionist in the eyes of the ruling apparatus and a mild *apparatchik* in the eyes of the opposition. These diffuse roles presupposed a permanent cooperation with the political authorities but also involved day-to-day conflicts with them.

To exaggerate slightly, the reformer played competitive politics in a formally monolithic regime and represented various imaginary organizations: political parties, employers associations, sometimes even trade unions. As long as the diverging interests in the Soviet-type society were not protected by real political institutions, the reform economist was a kind of substitute not only for dissidents but also for politicians of a peasant party (say, in loosening up the agricultural cooperatives or increasing farming subsidies), for liberals (in fighting against monopolies and state tutelage), or for social democrats (in insisting on certain welfare schemes). Evidently, in many cases this political mix resulted in rather controversial positions, dilemmas, and even paradoxes in reformist thought and behavior.

Like every reformer in world history, the reform economist also had to decide whether he wanted to initiate social change with the help of the "monarch" against the "people" or the other way round. Reform—from below or from above? All at once or step by step? In economic life alone or in the political system as well? In the economic institutions or in economic policies as well? In a slump or during an upswing? Well-known practical dilemmas like these appeared on the theoretical level as paradoxes without proper logical solutions. Nevertheless, at the same time, they made it possible for the reform economists to cleverly manoeuvre between the rocks of pseudo-reforms and revolution, to flexibly mix moderate and radical solutions, seeking ways that were acceptable to both below and above.

Presumably, however, the reformers' readiness and ability to find a *modus vivendi* would not have sufficed to convince the ruling oligarchy about the need of replacing the original communist techniques of self-legitimation by reformist ones. The reform economists also had to deliver reliable success stories, and, in order to exclude an alternative interpretation of these stories, it did not hurt if in the meantime they managed to get themselves built into the establishment as well.

What could the reformers promise to the ruling élite? Surprisingly many things. The reform economists did not conceal the fact that—to put it simply—the main commodity they offered was *survival*. In other words, they were selling guarantees for relative stability (i.e. for damping the hectic oscillation of the economic and political system), and also for an effective control both over the people through the apparatus of the party-state and over the apparatus through the leading oligarchs. Furthermore, they promised dynamic stability with the motto of "*plus ça change, plus c'est la même chose*" at an acceptable price. They pledged to attain most of the general objectives (growth, welfare, catching-up with the West, etc.) formulated by the early socialist regimes, and to represent many of the progressivist-professional values these regimes loved to proclaim with pride (technical superiority, efficient organization, flexible adjustment, etc.). True, in exchange for a better performance the reformers required substantial change in the "mechanisms", to use their favorite term.

Mass mobilization, terror, central planning, etc., had to be replaced or supplemented by consolidation/corruption, power-sharing and the market, in such a way that the "commanding heights" remain as intact as possible. In any event, the reformist advisors added, incidental losses

in their intactness would be compensated by gains in *real* power, i.e., by the substitution of inexecutable formal commands for instructions (accompanied by incentives) which would be actually obeyed by subordinates. If this were not always the case, "self-corruption" might offer some consolation for the decline of the political influence of the rulers.

Economic reformism was actually able to exhibit tangible results. Reform projects often kept their promises even in the most exotic economies of real socialism when the dysfunctions of the planned economy called for liberalization packages in order to prevent deep crises and accelerate modernization. Accordingly, reform economics as a normative doctrine appeared justified in the international arena for a long time. If the patient was getting better, it was the reform that cured him; but if he had a relapse, it was definitely the under- and not the overdose of the "reform medicine" that led to the recurrent crisis, or so the reformers said.

This "medical" theory was badly needed during the defensive phases of reformation. Power-sharing was tantamount to the victimization of influential groups of the *nomenklatura*, which from time to time launched vehement counter-attacks against the allegedly ultra-liberal reformers and their communist patrons. In many countries, however, the reform economists managed in the meantime to get "within the walls", mingling with the pragmatic defenders of the castle and making themselves indispensable as "social engineers" serving the Lord. This is the point (fairly neglected in the literature) that I would like to emphasize with the help of the term "contamination through symbiosis".

For during the last forty years, the reformers in Eastern Europe succeeded not only in irreversibly distorting the original dominant discourse of the Soviet-type system but also in *infiltrating*, in person, the ruling élite and thus, to a certain extent, in restructuring and reeducating it. Abandoning the strictly hierarchical interpretation, according to which the fate of reform economics was almost totally dependent on the political authorities (an interpretation that might have been correct in the late 1950s in Hungary or in Czechoslovakia after 1968), and at the same time doubting the rival thesis that the intellectuals have taken "class power",<sup>11</sup> we can arrive at a complex model of *bargaining*. This model includes the various forms of coexistence and interaction between the reformers and the *nomenklatura*, as well as the various degrees of

the institutionalization of the reformist expertise (in the advisory activities, education, propaganda, etc.). It also examines the patterns of both the recruitment into the party-state apparatus and the circular migration of the reform-minded economists between party politics, government, business life, mass media and academia.

Understandably, the extent to which the ruling élite was willing (and able) to open channels of communication between itself and the intellectuals as well as autonomous social groups is a crucial variable in the model. Where the rulers, having once or twice already been disastrously misled by their own apparatus, wanted to rely on quasi-independent experts as well; where members of the Politbureau and the government could become directors of large enterprises and research institutes and vice versa overnight; where a certain amount of tolerance, common sense and pluralism was required to earn the benevolence of the West; and where the reforms recommended by the economic experts proved advantageous (and the counter-reforms disadvantageous) for those in power—in such countries reform economists could establish their political *métier* and obtain more than small bargaining chips.<sup>12</sup>

The partial integration (etatization) of reform economics was only one side of the coin. On the reverse one could discover in many countries of real socialism a.) a partly “domesticated” and “civilized” professional apparatus of the party-state in which quite a few leading posts (first of all in the so-called functional ministries) were occupied by reform-minded officials; b.) large industrial/agricultural lobbies which got the taste of limited autonomy and learned how to protect their interests against each other and the center by reformist means; c.) state universities which brought up ever new generations in the spirit of reformation. In some countries of Eastern Europe not only the traditionally conservative university departments of political economy but also the Central Party Schools, the *agit-prop* departments of the Central Committee and the national media became profoundly contaminated by reformist thought in the 1980s. The emancipation of reform economics contributed also to the liberation of other social sciences, first of all to that of economic history, law, and sociology.

Undoubtedly, the reformers lost many of the battles they fought together with their allies in the “*realo*” faction of the élite. Nevertheless, they could often weather out the hardships of anti-reforms on the periphery of the party-state and get back to the center in the next

reform cycle. Also, not infrequently, the moderate members of the reformist group might appear on the other side, as advisors to the "fundis" in the leadership. A dismissed "liberal" communist party official might become for a while a deputy minister, a top manager or a head of a university department, with good chances for a comeback.

The principal values represented and policies pursued by the reformers also facilitated the *pluralization of the nomenklatura*: in many cases the emphasis on expertise led to conflicts between the more "ideological" party leaders and the more "professional" state officials; the requirement of market competition might pit the military apparatus against the civil lobbies, capital goods against consumer goods industries, those interested in the Comecon contacts against those cherishing Western relations, etc. New interest groups emerged: vertical dependence and rivalry were in this way replaced or complemented by strong horizontal ones; the system became increasingly polycentric. At the same time, those marketization and (clandestine) privatization measures recommended by the reform economists which were actually implemented also reinforced the centrifugal tendencies within the ruling élite. They opened up middle-class ("bourgeois") career lines outside the *nomenklatura* for deserters from the apparatus, which further weakened the internal cohesion of the party-state.

Finally, embourgeoisement was also forcefully urged by the reform economists from below. They made pioneering work in defending the case of private agriculture, legal small entrepreneurship and the shadow economy by providing some legitimization for formally illegal activities of the population. This kind of support greatly alleviated the tacit institutionalization of the second economy (and thereby of the civil society), which, as if in remuneration for protection, helped jeopardize the recurrent counter-reform moves of the conservatives. As a consequence, in many countries of Eastern Europe in the 1980s ruling élites with confused identities were facing nations with perhaps less confused identities. Their pragmatic rapprochement proved to be a necessary prerequisite for the "negotiated revolutions" of the region.

In a sense, contamination meant preparatory education. When, in the 1950s, the reform economists started to convince the communist *apparatchiks* of the advantages of the market, corruption, and westernization, and the disadvantages of planning, mobilization and autarchy, they did not hope that they thereby dissuaded them from using the latter techniques if the question of the life and death of communism

arose. The reformers were in fact afraid of this moment and did their best to postpone its arrival. The majority of them did not want to overthrow the Soviet-type system, and were far from devising a plot against it: they *had* something to lose, and, strange as it may be, they did not trust the destructive power of their own truth and persuasion. Paradoxically, in 1989 they were at least as surprised by the peaceful revolutions of Eastern Europe as those observers who used to think, in place of the ambiguous categories of socialist reformism, in terms of a "heroic revolt of the civil society against totalitarian oppression".

### The Transformer as a Socialist Reformer

In the light of the reformist "subversion" described above, one might expect that the socialist reform economists would enter the world of post-communism with a great élan, full of suppressed liberal fervor. No doubt about it, their radical faction became very active during the last couple of years in preparing the first stage of the transition. They have fully—and publicly—abandoned the strategy of improving real socialism by means of the project of "socialist market economy". In its stead the concept of *Soziale Marktwirtschaft* (social market economy) emerged with dazzling success as the main point of reference in the vocabulary of the new political parties in Eastern Europe. The "unofficial" heirlooms have fallen into good hands, one might assume. Or, to put it in another way, the reformers have executed a smooth landing on a ground which they had cautiously prepared in advance, a ground on which they cannot become anything else but liberal transformers.<sup>13</sup>

Let us now forget for a moment all the words of appreciation in the previous section about the involuntary anti-communism of the reform economist, and examine the bumps and pot-holes of this ground.

(1) Liberalism and social engineering: the "official" legacy. In a recent paper<sup>14</sup> I made an attempt to classify the theoretical components of what I called the "*deformed liberalism*" of the ex-reformers. This strand of tradition seems rather difficult to cut.

In the multiplicity of roles the reform economist played in the *ancien régime* there was one, that of the "social engineer", which could not be suspended for a long period of time. The reformer's cooperation with the political authorities was defined much less by his mediating activities, critique of the conservatives, or ability to make predictions,

than by his tangible reform programs ("master plans", "Grand Designs") offered for sale to the pragmatic wing in the communist leadership. Hence, the whole intellectual ambiguity of reform economics may be expressed, with slight exaggeration, by this brief definition: the reformer was *planning—hand in hand with the planners—the taming of planning*. As we will see below, in this regard it does not necessarily make much difference if the planners disappear and the reformers become transformers who venture to make bolder plans than simply domesticating central planning. After all, the methodological structure of their discourse may remain similar.

The liberal aspirations of the ex-reformers may be blocked by the inherent *statism* (élitism, interventionism) and *constructivism* of reformist thought. The reformer wanted to "introduce", to "build up" the market economy, and—paradoxical as it may seem—had asked the regulators to help deregulate. The reform economist always had a positive reform program to experiment with, and found the idea of "*leben und leben lassen*" inadmissibly passive and non-professional. The reformer's nightwatch-state was often also awake during the day. Nevertheless, because he lacked a definite vision of the future (where does the "Third Road" end?), these positive expert programs tended to focus on the initial steps and the process of reformation rather than on its final stages. Consequently, if it makes sense at all to speak about liberalism in this context, reform economics embodied a sort of "*processual*" liberalism, rather than a liberal discipline derived from a definite—though abstract—ideal vision of the future or the past.

Even the radical reform concepts did not rely on a profound philosophical (ethical) basis, on strong arguments about the intrinsic "beauties" of the market and the virtues of private property, that is, on a radical liberal dream. Instead, the reformer saw the market in a *pragmatic-utilitarian* way as a device for "repairing" the Soviet-type economy. In his view, the market does not embody justice in itself. It is, however, capable of working as a machine (cf. the term "economic mechanism") which is geared, or even at times switched on and off, by the planners assisted by "social engineers". This sterile notion of a *simulated* market purged of property rights lent a *mechanical* character to reformist liberalism. Finally, as regards the principle of individualism, the reform economist did not consider it an indispensable element of market socialism. It was treated as something technically unfeasible as well as partly replaceable by *collectivist* experiments made in the field of self-management.

No doubt about it, these deformations were considerably reduced in the course of a learning-by-doing process, i.e., by realizing the consecutive failures of limited liberalization projects. Nonetheless, liberalism in socialist reform thinking remained *rootless* in double sense. On one hand, the pre-war liberal tradition in economics in Eastern Europe was weak or broken, on the other, it was only partly reconstructed by the theorists of market socialism through importing or reinventing the basics of Western liberalism. In the absence of a firm philosophical background, the trial-and-error procedures of reform-making could only lead to a pragmatic rediscovery of liberal thought. Liberal ideas resulted from practical choices, I would say, for want of a better solution, and were often against the moral conviction of the reform economists.

To be sure, the romantic anti-capitalist feelings inherited from Marxist teachings by the early reformers began to wane as the years passed. Churchill's *bon mot* that democracy is the worst except for all other political systems, however, is still very popular in Eastern Europe whenever economists discuss private property and the free market. Marketization *and* privatization tend to be considered musts, but they are regarded as necessary evils rather than "the best of all possible worlds". The latent animosity even some radical reform economists felt toward the allegedly inhuman market was supported by traditional arguments that defend the principle of equal opportunity. *Egalitarian* considerations (whether they came directly from the Marxian utopia of communism, Western social-democratic thought, or from recent critiques of new classical liberalism) always permeated reform thinking, even when liberal views did not need to hide behind the facade of post-Stalinist ideology. True, many ex-reformers have since suspended their egalitarian vigilance, arguing: first we must create the market in order to "humanize" it later.

You do not have to be an arch-libertarian to recognize that these heirlooms are less "unofficial" than the aforementioned ones, and may endanger the liberal transformation of the Soviet-type systems in Eastern Europe. It would be, of course, futile to deny that the reform economists also had a seemingly ultra-liberal group which based its proposals on the idea of small entrepreneurship and free competition.<sup>15</sup> Nevertheless, its adherents tended to trust the virtues of the spontaneous market process *only after* having already introduced their Grand Design by the center. I am afraid that the transformers have to face a very similar dilemma in our days.

(2) Controlling the transition. Can privatization be privatized, deregulation be deregulated? Or—to put it in Hayekian terms—can one reach, without “constructivist rationalism”, a spontaneous order by starting out from an extremely non-spontaneous one? In the transforming countries of Eastern Europe a number of economists are desperately seeking answer to these questions. There are, however, a far greater number who consider these problems irrelevant or give a negative answer almost instinctively with a reformist reflex action. In excluding the possibility of *spontaneous evolutionary change* they select their arguments, according to their political taste, from among the following sources (they are not listed in order of importance).<sup>16</sup>

*a. Beware of Survivors!* Strict government supervision is indispensable both to the assembly of parts for the new economic system and the dismantling of the components of the old one, unless our objective is to make it easier for the old elite to capitalize—literally—on their political privileges. Spontaneous evolution favours the strong—however, it was mainly under the old regime that one could accumulate strength. If privatisation is spontaneous, the result will be capitalism for the *nomenklatura* only. To assure equal chances for all, it is necessary, at least in the beginning, to discriminate against the old ruling elite. Anyway, nobody expects a transsexual man to increase the country's birth rate.

*b. Checking the Lobbies.* The supervision of the transition will be ineffective unless it is coupled with the systematic dismantling of the economic institutions of the Soviet-type system and their accompanying lobbies, the breaking up of monopolies, and the disruption of the informal networks. If we deduct the state-party from the party-state, the result, unfortunately, will not be zero. Until the state economy has been fully demonopolized, a strong hand is necessary to keep the lobbies under control. The old monopolies must not be allowed to strangle, under the banner of *laissez faire*, the “young markets.” A strong government must discipline the state sector before, during and after privatisation, keeping all possible budget constraints hard. Otherwise, inflation will spiral upwards, capital will leak away before it can be privatized, and stabilization will be obstructed by producers' strikes and financial chaos.

*c. Old-New Socialism.* Because the state economy might come not only under liberal but also collectivistic criticism, socialist hopes, egalitarian endeavours, self-management programs and populist illu-

sions may reemerge in the course of the old order's demise, especially in the case of a profound economic crisis causing rapid social polarization. To protect the liberal path of social progress, it is necessary to restrain socialist leanings that are reborn along with capitalism. Third Road type programs can, unfortunately, be built not only on the basis of the first (state) economy but also on the more market-friendly second (shadow) economy. The reviving trade unions should be counter-balanced by the government until the employers' organizations grow strong.

*d. Horror Vacui.* The death of the old is not tantamount to the birth of the new: unless we are careful in sequencing the economic measures of the transition, illiberal wizards with their self-styled recipes can easily find their way into the "no more communism—not yet capitalism" void. We must be armed with detailed plans for pulling down the old house as well as for building the new one, or both might collapse on top of us. It is in this "transitional" stage of the transition that fatal mistakes can be committed. Until the rule of law (legal state) is asserted, it is the state that represents the law. While the market is not fully in place, the state has no alternative but to assist in privatization. Until the private property becomes widespread, who else could launch marketization if not the state? As long as the market is incapable of stabilization, and so on . . .

*e. Cleaning up the Mess.* Transformation does not start with a *tabula rasa*: the first priority is to clear away the physical, spiritual and moral heritage of communism as quickly as possible. The real work ("unmaking the omelette", "remaking the aquarium from the fish soup") can only begin afterwards. Over the past decades, things have fallen apart, and one needs detailed instructions to put them all together again, if that is even possible. Reconstruction will probably be facilitated by innovative experimentation. It is a unique historical trick of communism that even the measures designed to eliminate it bear its distinctive characteristics.

*f. The Missing Agent.* In the absence of a strong middle class (entrepreneurs, civil society, etc.), the state must act as its temporary substitute. At the same time, it has to produce and train the natural agents of capitalist development. This is not the first time this will happen in this region—as demonstrated by Alexander Gerschenkron and Karl Polányi. Once again, a bourgeois revolution has to be launched with the subsequent approval of the emerging bourgeoisie. Indeed, the first

thing we are building in our new house is the loft. To use the language of systems theory: the new economic order comes into being in an *autopoietic* way; that is, it creates the preconditions of its own genesis. We are not born to be entrepreneurs . . .

*g. Transition Laboratory.* Postcommunist transition is an unprecedented venture in the history of mankind. Similar transformations are either removed from us by centuries (early capitalism), are anything but liberal (Southeast-Asia), or tend to be unsuccessful (Latin America). Undoubtedly, there have been more recent, more successful and more liberal examples which may be instructive for Eastern European transformers (the reconversion of modern war economies, the German social market economy, privatisation in the United Kingdom, etc.). However, their success has rested on institutional conditions mostly lacking in Eastern Europe. One thing is for sure: the means we employ today should be at least as statist as those of the late 1940s and early 1950s, when the German economy was stabilized and freed from the legacy of Nazi rule. Until the appropriate techniques of transformation are found, there is a genuine need for macro-experimentation. At the same time, market simulation no longer works: there can be no more "Monopoly game" for adults played on a "plastic Wall Street." Instead, we have to choose between feasible capitalist arrangements, possibly even combining several of these, enriching them with new ideas. The only certain element in the transition is that every now and then the transformer will be confronted with uncertain developments.

*h. Time Pressure.* The liberal expedition sets out at a time of an acute economic crisis. The distance between the point of departure and even a moderately liberal stage of the transformation is so long, and the expectations of the population are so high (and their limit of tolerance so low) that the transition may easily lose its original momentum. Step-by-step modification may be neutralized, whereas across-the-board changes are technically unworkable and politically risky. Given the interdependence and inertia of—and frictions between—the tasks related to transformation, if we want to prevent the process from collapsing, we must strive for an effective breakthrough right at the beginning. Therefore, we have to guarantee the critical mass of measures at the outset, and we must be adroit in selecting and ranking the subsequent steps in order to accelerate or at least sustain the pace of change. We are witnessing a new era of *Sturm und Drang* and we should not be ashamed of that.

*i. Technical, Logical and Political Dilemmas.* There are numerous tasks that need to be performed simultaneously. (In the economy: marketization, privatization, stabilization, modernization, opening up to the West, etc; in politics: democratization, establishing the rule of law, reforming the public administration, institutionalizing social partnership, etc; in society: embourgeoisement, distributing the social costs of the transition, creating the “Capitalist Type of Man”, etc.) By contrast, the working capacity of the transformers is limited. Moreover, the required tasks often support and, at the same time, counteract one another (some logically, some politically), and it is extremely difficult to compare the short- and long-term advantages and disadvantages of the qualitatively different processes. Thus, without a constant and occasionally daring rearrangement of priorities, the liberal transition will become too costly and painful. While accepting the truism that “once a leg has to be amputated, it should be done at once rather than bit by bit,” shock therapy may be applied only to certain stages and spheres of the transition.

*j. Transition is Intervention.* A number of transformative measures require, almost automatically, government intervention in the economy. Resolute central guidance is part and parcel of processes such as macroeconomic stabilization, sectoral restructuring, comprehensive welfare reform, and liberalization of foreign trade. A “stabilization surgery” cannot be executed by an “invisible hand.” After all, there must be someone present to regulate wages, consolidate the currency, distribute subsidies, and adjust exchange rates, taxes and rates of interest. Let us not forget, it was the party-state and not the state as such that became discredited this past half a century in Eastern Europe. There is a widespread desire for a strong but democratic government, administered by a highly qualified bureaucracy, which is capable of making limited and mostly temporary intervention in the economy. Such types of intervention create an appropriate environment for the market, without either replacing or distorting it. The history of capitalism cannot be started afresh: the free market tends to eliminate itself; it is better to have some minor intervention today than to have a major one tomorrow; the market should be protected from itself; in economic history mixed economies were not born by accident. Besides, what has become of the conservative revolution of the 1970s and 1980s in the West?

Relying on these sources, in which I have included some of the

favorite metaphors used by the transformers, one can follow the "official" (statist, constructivist, élitist, experimentalist, etc.) traditions very closely and also from a certain distance, depending on which arguments one is ready to accept. Nevertheless, it would be too much to expect that the signals issued by the transition process will induce the ex-reformers to break the illiberal line of the legacy completely. Rather, the opposite case seems likely: the deformed liberalism of the reform economists may become less deformed by incorporating the crucial elements of large-scale private ownership and parliamentary democracy, the ex-reformers will, however, apply these concepts with basic limitations, according to the actual requirements of the transformation. And the foregoing list shows that the possibilities to make concessions to statism are innumerable . . .

Without evaluating the above arguments, it is clear that they portray the state as a "*chief architect*" of the transition. Furthermore, the state must be prepared to act as a construction manager, dispatcher, programmer, designer, laboratory assistant, tutor and arbitrator. *Horribile dictu*, it may even serve as a security guard (but not a night watchman!) and garbage collector. As far as the transformer is concerned, he supplies the government with pieces of (literally) constructive advice, and joins this crucial construction project primarily as a building engineer.

He speaks of tasks to be executed, programmes to be drawn up and deadlines to be met, and allows little time for observation and explanation. He is active, normative and programmatic. Yet, paradoxically, the uncertainties and theoretical dilemmas of the transition, as well as the general shortage of reliable information about the real processes of change, could just as reasonably argue not for but *against* state intervention.

By including the elements of privatization and democratization in the plan-and-market discourse, the economics of reform gets beyond the boundaries of Soviet-type socialism, and enters—to put it simply—the realm of social market economy. Here, this "Great Leap Forward" notwithstanding, the ex-reformers may theoretically choose the less liberal and more social-democratic (interventionist, welfarist) variants of the concept and vice versa. Similarly, they may be more or also less oriented to social-engineering within the limits of *Soziale Marktwirtschaft*, as far as their methodological attitudes are concerned. But one thing is certain, namely, that, as in the past, they will not be

able to get along without major compromises between their statist and liberal selves in an attempt to create harmony not, as earlier, between Plan and Market, but between *Public and Private*. Also, they will hardly be able to avoid facing the old dilemma of *simultaneous liberalization and democratization*. Until recently, as reformers, they believed that their liberalization proposals had failed because there was too little democracy in the party-state. Now they may learn that too much democracy can also block marketization and privatization.

In any event, like reformation, transformation is also a trial-and-error process with the great difference, however, that in this experiment organic institutions such as market, private ownership and political democracy may come to the fore. Owing to their historical congruence (at least of the first two) these institutions may well ease the dilemmas and reduce the frequency of errors. Compromises will mean "halfway houses" again, though these houses will lie closer to the imaginary state of *laissez-faire* than the former reformist ones and, in principle, nothing would seem to prevent the transformer from moving them still closer to the ideal.

Let us return to the Hayekian dilemma of "how to arrive at a spontaneous order from an extremely non-spontaneous one, through evolution." After having absorbed the above ten arguments in favour of a "sound (defensive) interventionism", one should be astonished if the economists firmly opposed to social engineering represented more than a negligible minority in Eastern Europe.

It is very telling that even the most devoted advocates of spontaneity (who are also the least limited in their political influence) such as the team of transformers working with the Czech prime minister, Václav Klaus, act with a kind of "*delayed liberalism*" when cautiously defining the stages of "laying the foundations of capitalism". They assert that (a) spontaneous market selection is unsuitable for the rapid deregulation of an overregulated state economy; (b) resolute, so-called, "negative" reform measures should be taken by the government to accelerate deconstruction; (c) from among the components of monetarism, during the first stage of the transition, stress should be laid on restrictive rigour; (d) the initial steps of marketization and privatization have to be taken under strict government control; (e) to serve the right goal—"market economy without adjectives"—one should not even shrink from formally collectivist solutions (see *kupon* privatization); (f) the state should only withdraw, gradually, after the

"first push" has been made and when the appropriate economic and legal infrastructure for market self-regulation has already been established.<sup>17</sup>

All in all, then, Friedman before Hayek. Confronted with the above arguments, innocent Western observers ask: what should we consider the appropriate infrastructure? That of the mixed economy of Sweden, Germany, the United States or Japan? Or that of South Korea or Mexico? Eastern observers, who are usually less innocent, may raise, full of anxiety, the following questions: who will decide when the appropriate stage of liberalization has been reached? Why should the state quit, and why should the government bureaucracy commit collective suicide after having been so successful during the heroic years of the transition? What if sooner or later the state abandons Friedman and falls in love with Keynes again? Finally, those with no innocence, who were reared on Lenin's teaching about the withering away of the state, would simply feel at home when they hear the familiar explanation about the need to substitute temporarily the state for the middle class. (This time it is not the proletariat that has to be replaced by its vanguard, the Communist party-state.)

As we have seen, it is not difficult to support the idea of a *strong medium state* with reasonable arguments even if one does not go so far as to long for a populist dictator or an enlightened monarch who would prevent the transformation process from derailing. Considering the mixed signals sent by the actual developments of transition, the only force we may put our faith in is that of *oblivion*, if we liked to see the transformers get released from the burden of the "official" reformist legacy. Could forgetting be sociologically stimulated? In principle, yes. However, as peculiar as it may be, the sociological status of the ex-reformers seems not to have greatly changed in Eastern Europe during the last couple of years.

Though 1989 put an end to the era of socialist reformism, the reformers did not leave the scene of Eastern European economics as losers. They probably did not have to leave the scene at all. They need not have withdrawn and sought refuge in the university libraries or buried themselves in business activities. As far as it can be estimated at this juncture, the majority of them were rapidly absorbed by the new élite, so they remained "within the walls". Moreover, owing to their contacts with the former opposition movements, to the insatiable demand for expertise in the new political parties and governments, and

above all to the fact that these institutions were seeking experts exactly in "social engineering" to have them work out the new party programs and transition scenarios, the ex-reformers often could get closer to the "commanding heights" than ever.

Thanks to the vacuum of political control (the *nomenklatura* has already lost its power while the parliamentary system has not accumulated it yet), the early transformers could temporarily acquire a much greater elbow-room than their reformer predecessors. "Transformation-mongering" was a bit easier than reform-mongering had been before. In many countries of post-socialism, a series of long-term nation-wide comprehensive master plans of stabilization, privatization, etc., (or entire "programs for national salvation") could be initiated in the last three years without scrupulously filtering them through the new democratic polity.

Sociologically, the majority of former reformist experts could keep their intermediary roles between politics, business and academia. True, some of the moderate "collaborationists" who cherished close links with the communist party fell out of the élite. At the same time, however, the radical reform economists had good chances for being elevated to the supreme leadership of the new parties and government administrations. Symptomatically, most of them are grouping around social-democratic type parties (even if these organizations call themselves liberal), whereas many ex-reformers have simply changed their bosses and now lend their expert knowledge to parties with overtly authoritarian, populist, etc., ideologies. They sometimes even do not refrain from making concessions to collectivist, "Third Road"-type solutions.<sup>18</sup>

### The Destructive Tradition

Are we actually witnessing the reformist legacy as a whole turning into a serious obstacle to the transition from socialism in Eastern Europe? Are the "official" components of the heritage more harmful now than before? For the time being, I would not risk to make such statements. Not because I would think that the "official" heirlooms of reform economics are about to disappear. Rather because I am afraid that, *practically*, without a little help from them, one cannot even achieve limited success in launching the transition process. *Planning the transformation?* Realistically, this is to be expected, even if, one hopes, with much less dirigisme than before.

To sum up, while under real socialism the reform economist would not have been able to survive and permitted to build up his "unofficial" legacy without the "official" one, and while nowadays this winning combination may help the transformer start the transition to a liberal order, it is very probable that this mix of traditions will considerably hinder him in completing the transformation in the foreseeable future. Paradoxically, reformism that, in the last analysis, proved *destructive* for the old regime may turn to have the same effect on the new one as well. Why? Because—in Hayekian sense—it tends to preserve its constructivist traits . . .

### Notes

1. In this chapter I will focus on the so-called "reform countries" of Hungary, Poland and Yugoslavia. Nevertheless, because the theoretical and political aspects of socialist reformation will also be discussed, Czechoslovakia, China and the Soviet Union cannot be left out of consideration either.
2. See the answers of Leszek Balcerowicz, Aleksander Bajt, Włodzimierz Brus, Karel Dyba, András Hegedüs, Branko Horvat, Gennadii Lisichkin, László Szamuely and Márton Tardos to the questions of *Acta Oeconomica* (1989/3-4) "On Socialist Market Economy". See also Włodzimierz Brus & Kazimierz Laski, "From Marx to the Market", Oxford 1989; János Kornai, "The Road to a Free Economy", New York 1990; Iván Szelényi, Eastern Europe in an Epoch of Transition—Towards a Socialist Mixed Economy? in: V. Nee-D. Stark (eds): *Remaking the Economic Institutions of Socialism*, Stanford, 1989, and Vaclav Klaus & Tomas Jezek, Social Criticism, False Liberalism and Recent Changes in Czechoslovakia, *Eastern European Politics and Societies* Winter 1991.
3. For the similarities between the "*nomenklatura-buyout*" programs in radical reformist/dissident thought, see János Kis & Ferenc Köszeg & Ottília Solt, "Társadalmi Szerződés" (Social Contract), *Beszélő* 1987; Elemér Hankiss, "Eastern European Alternatives—Are There Any?", Oxford 1990; Jan Winiecki, "Gorbachev's Way Out?" CRCE London 1988.
4. See János Mátyás Kovács & Márton Tardos (eds), "Reform and Transformation in Eastern Europe. Soviet-Type Economics on the Threshold of Change" London 1992; "Rediscovery of Liberalism in Eastern Europe" *Eastern European Politics and Societies* Winter 1991.

For typologies of reform economists, see also Włodzimierz Brus, "Institutional Change Within a Planned Economy", in: M. Kaser (ed.): "The Economic History of Eastern Europe 1919–1975", Oxford 1986; János Kornai, The Hungarian Reform Process: Visions, Hopes and Reality, *Journal of Economic Literature* December 1986; László Lengyel, "Végkifejlet" (End-game), Budapest 1989; and my Reform Economics: The Classification Gap, *Daedalus* Winter 1990.

The terms “reform economics”, “economic reformism”, and the “theory of market socialism” are used interchangeably in the chapter.

5. A reform-alku sürüjében (In the Thick of Reform Bargaining *Valóság* 1984/3; Reform Bargaining in Hungary, *Comparative Economic Studies* 1986/3; Compassionate Doubts About Reform Economics (Economic Science, Ideology Politics), in: Kovács & Tardos (eds), “Reform and Transformation . . . ”
6. Cf. István R. Gábor, Reformok, második gazdaság, államszocializmus (Reforms, Second Economy, State Socialism), *Valóság* 1986/7; Kálmán Rupp: “Entrepreneurs in Red”, Albany 1983; David Stark: Bending the Bars of the Iron Cage, *Sociological Forum* 1989/4; Iván Szelényi, “Socialist Entrepreneurs. Embourgeoisement in Rural Hungary”, Madison 1988.
7. Cf. Tamás Bauer, Reforming or Perfectioning the Economic Mechanism?, *European Economic Review* 1987/31; Tadeusz Kowalik, On Crucial Reform of Real Socialism, *WIIW Forschungsberichte* October 1986; László Szamuely, “A magyar közgazdasági gondolat fejlődése. Bevezetés” (The Development of Hungarian Economic Thought. Introduction), Budapest, 1986. See also the works of Brus, Kornai and Lengyel cited above.
8. Cf. J.M. Kovács, Reform Economics . . . ; Compassionate Doubts . . .
9. Cf. J. Kornai, The Hungarian Reform Process . . . ; Alec Nove, “The Economics of Feasible Socialism”, London 1983; Pekka Sutela, “Socialism, Planning and Optimality. A Study in Soviet Economic Thought”, Helsinki 1984, and Reformability of the “Objective Economic Laws” of Socialism, in: Kovács & Tardos (eds) Reform and Transformation . . .
10. Cf. J.M. Kovács, Reform Economics . . . ; Compassionate Doubts.
11. Cf. György Konrád & Iván Szelényi, “The Intellectuals on the Road to Class Power”, New York 1979.
12. For the role of experts and their bargaining power, see, for example, Aron Katsenelinboigen, “Soviet Economic Thought and Political Power in the USSR”, Oxford 1980; Jacek Kurczewski, Power and Wisdom: the Expert as Mediating Figure in Contemporary Polish History, in: I. Maclean, A. Montefiore, P. Winch (eds.): “The Political Responsibility of Intellectuals”, Cambridge 1990; and also my “A reformalku . . . ” and “Reform Bargaining . . . ”
13. For a discussion of how the Hungarian reformers became transformers, as well as of the sociological and intellectual similarities between the two groups, see my *Szocialista vagy szociális piacgazdaság? (Socialist or Social Market Economy?)* *Világosság* 1990/1, and From Reformation to Transformation (Limits to Liberalism in Hungarian Economic Thought) *Eastern European Politics and Societies* Winter 1991.
14. Cf. J.M. Kovács, From Reformation to Transformation . . .
15. Cf. István Siklaky (ed.): “Koncepció és kritika. Vita Liska Tibor ‘szocialista vállalkozási szektor’ javaslatáról” (Concept and Critique. A Debate on the Proposal by Tibor Liska of the “Socialist Sector of Entrepreneurship”), Budapest 1985; Tibor Liska, “Ökonosztát” (Oeconostate), Budapest 1988, and “Szent barmunk a politika alaprendje” (Our Sacred Cow—the Political System), Budapest 1989.
16. Cf. Janusz Beksiak & Tomasz Gruszecki & Alekszander Jedraszczyk & Jan

Winiecki: The Polish Transformation, CRCE London 1990; H. Bloomestein & M. Marrese (eds): Transformation of Planned Economies: Property Rights Reform and Macroeconomic Stability, Paris 1991; Csaba László: Közép-Európai rendszerváltás és stabilizáció (Systemic Change and Stabilization in Central Europe), Külügazdaság 1991/9; Marek Dabrowski: A lengyel stabilizációs program (The Polish Stabilization Program), Külügazdaság 1991/3; R. Dietz: Transformation: From Command to Exchange Communication, manuscript 1991; R. Dornbush & J. Edwards: The Economic Populism Paradigm, NBER Working Papers, May 1990; John Farrell: Monitoring the Great Transition, Comparative Economic Studies Summer 1991; Roman Frydman & Andrzej Rapaczynski: Evolution and Design in the East European Transition, 1991, manuscript; Gábor R. István: Második gazdaság, modernitás, dualitás (Second Economy, Modernity and Dualism), Közgazdasági Szemle 1991/11; Stanislav Gomulka: The Causes of Recession Following Stabilization, Comparative Economic Studies, Summer 1991; Irena Grosfeld: Privatization of State Enterprises in Eastern Europe. The Search for a Market Environment, Eastern European Politics and Societies Winter 1991; Tomasz Gruszecki: Privatization in Poland, Communist Economies 1991/2; Historical Precedents for Economic Change in Central Europe and the USSR, Oxford Analytica 1990; G.W. Kolodko: A lengyel hiperinfláció és stabilizáció (Hyperinflation and Stabilization in Poland), Külügazdaság 1991/2; Kornai János: The Road to a Free Economy . . . ; A privatizáció elvei Kelet-Európában (The Principles of Privatization in Eastern Europe), Közgazdasági Szemle 1991/11; Jiri Kosta: Ökonomische Aspekte des Systemwandels in der Tschechoslowakei, in: R. Deppe, H. Dubiel, U. Rödel (eds): Demokratischer Umbruch in Osteuropa, Frankfurt 1991; Robert Kuttner: The Dustbin of Economics, The New Republic 1991/2/25; K. Laski: Transition from Command to Market Economy in Central and Eastern Europe, manuscript 1991; Helmut Leipold: Die Politik der Privatisierung und Deregulierung. Lehren für die Wirtschaftsreformen im Sozialismus, in: Zur Transformation der Wirtschaftssysteme, Marburg 1990; Paul McCracken: Thoughts on Marketizing State-Managed Economies, Economic Impact 1990/2; John M. Montias: The Sequencing of Reforms, Challenge Sept-Oct 1990; W. Nordhaus: Soviet Economic Reform: The Longest Road, Brookings Papers 1990/1; Claus Offe: Das Dilemma der Gleichzeitigkeit. Demokratisierung und Marktwirtschaft in Osteuropa, Merkur 1991/4; Richard Portes (ed): The Path of Reform in Central and Eastern Europe, European Economy (special issue) 1991/2; Adam Przeworski, Economic Reforms in New Democracies. The Polish Experience, manuscript 1990; Inderjit Singh: Is There Schizophrenia about Socialist Reform Theory?, Transition 1991/7; Aleksander Smolar: Durch die Wüste. Die Dilemmas des Übergangs, Transit 1990/1; Jadwiga Staniszkis: 'Political Capitalism' in Poland, Eastern European Politics and Societies Winter 1991; David Stark: Privatizációs stratégiák Közép-Kelet-Európában (Privatisation Strategies in East-Central Europe), Közgazdasági Szemle 1991/12; Szelényi Iván: A magyar polgárosodás esélyei (The Possibilities of Embourgeoisement in Hungary), Hitel 1989/16; Alternative Futures for Eastern Europe, Eastern European Politics and Societies, Spring

1990; Jan Svejnar: A Framework for the Economic Transformation of Czechoslovakia, *Eastern European Economics*, Winter 1990-91; Tardos Márton: A tulajdon (Ownership), *Közgazdasági Szemle* 1988/12; The Soviet Economic Crisis: Steps to Avert Collapse, IIASA 1991; Jan Winiecki: The Inevitability of a Fall in Output in the Early Stages of Transition to the Market: Theoretical Underpinnings, *Soviet Studies* 1991/4.

17. Václav Klaus: A Road to Market Economy, Prague 1991; Das kann man nicht mehr kontrollieren, *Weltwoche* 1991/9; V. Klaus & T. Jezek, Social Criticism, False Liberalism . . . ; The Evolutionary Approach, *Financial Times* 1989/12/13.

18. For the faulty, exaggerated expectations of a neoliberal breakthrough in Eastern Europe, see Ellen Comisso, Property Rights, Liberalism, and the Transition from "Actually Existing" Socialism, *Eastern European Politics and Societies* Winter 1991, Vladimir Gligorov, The Discovery of Liberalism in Yugoslavia, *Eastern European Politics and Societies* Winter 1991. See also my "From Reformation to Transformation . . .".

It would take many pages to list the names of those former reform economists who work for the new parties and governments in Eastern Europe. Nevertheless such names as Dyba, Dlouhy, Klaus, Komarek, Kouba in Czechoslovakia; Bauer, Bod, Kádár, Matolcsy, Soós, Surányi, Tardos in Hungary; Balcerowicz, Jozefiak, Lewandowski, Osiatynski, Mujzel in Poland; Aven, Gaidar, Jas in, Petrakov, Popov, Shatalin in the former Soviet Union; or Bajt, Kovac and Mencinger in the former Yugoslavia may help indicate the contours of the group.