Varieties of Post-Communist Capitalism: A comparative analysis of Russia, Eastern Europe and China

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ABSTRACT

Based on our forthcoming book (BRILL, 2019) with the same title, our principal hypothesis in this paper is that post-communist capitalisms can only be understood through an analysis of the communist systems which preceded the transformation of these more than 50 countries into market economies. We conclude that Russia, China and some East European countries, which followed divergent pathways after the fall of communism, now seem to be converging increasingly towards a radical nationalist, populist, or illiberal system. Post-communist capitalism is an experiment without historical precedent. The private accumulation of capital, in all previous historical instances, had been preceded by centuries of transformation in which the economic system developed into a capitalist ‘mode of production’. To put this in Marxist terms: the capitalist mode of production was born within the ‘wombs’ of the feudal mode of production. While the accumulation of private wealth or capital during communism was not unheard of, it was negligible in comparison with other historical cases.

Nevertheless – as one would expect from the VoC paradigm – there were various pathways from communism to capitalism. The case that was closest to the classical way of ‘building’ capitalism was arguably that of China during the 1980s. There, capitalism was emerging ‘from below’. Family farming was gradually deregulated, and some farmers began to build large industrial and financial enterprises, the profits of which eventually made them into dollar billionaires. Developments in Russia and in almost all of the post-Soviet states (except the Baltic States which took an opposing path) resembled much to ‘political capitalism’. As it was pointed out as early as 2000, Yeltsin acted as the ‘godfather of the Kremlin’, and thus capitalism was built ‘from above’. In Eastern Europe, the unique feature of the transition was the crucial role of foreign direct investments (FDI). This is what we called capitalism built ‘from the outside’.

Since the Great Recession of 2008, post-communism, which was expected to ‘catch up’ with the core of the capitalist world, the ‘West’, has been affected by negative impulses. Russia is now in economic stagnation, and China is slowing down. For the new EU member states what matters most is the euro crisis. Russia and China are trying to compensate with imperial and military ambitions.

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I. INTRODUCTION: THE THREE PATHWAYS FROM REDISTRIBUTIVE ECONOMY TO CAPITALISM

The principal hypothesis of our forthcoming book (Szelényi – Mihályi, 2020) is a rather unanticipated early divergence of various post-communist societies, followed by an apparent re-convergence during the past 10-15 years. Under socialism, the basic trend was one of convergence, the countries which were more advanced before 1945 tended to stagnate (like Czechoslovakia or Hungary), the less developed ones did to some extent "catch up" (like Bulgaria), and more importantly, the institutional frame of countries resembled the Soviet model. With the transition to the market economy, this changed. Countries appeared to re-enter the cultural and historical patterns which characterized them before communism. We identified three pathways – discussed in some detail below - from socialist redistributive (centrally planned) economies. Most recently (since 2005 or so) there seems to be some trend for re-convergence on a trajectory which can be called Putinist, illiberal or traditionalist.

Let us begin with the three divergent trajectories towards a market economy.

1. TRANSITION TO CAPITALISM FROM BELOW

China in December 1978 entered an early process of market transitions, which at least between 1978 and 1985 appeared to be “capitalism from below”. Most importantly – and surprisingly for economic theorists of inequality – during the first seven years, social inequalities declined. The essence of early reform was careful, gradual de-collectivization. It allowed collective farmers to work in their family work-organization, with fewer and fewer production quota and to sell their products at gradually liberalized prices on the farmer's markets. Hence the big winners of these early reforms were the rural "direct agrarian producers". This was consistent with early work by Szelényi (1978) and path-breaking article by Victor Nee on market transition theory (1989). One of the authors of this paper (Szelényi, 2010) analysed the social origins of the top 10 Chinese wealthiest people and found that only one of them came from the "elite", while all the others came from humble origins (farmers, bricklayers, etc.). Several Chinese researchers – for instance, Lu Peng (2017) and his co-authors in recently published articles - found similar tendencies though they reported a much more diverse background for the new rich. In the April-June period of 1989, China was at a turning point, but rather than turning towards liberal democratic capitalism, she moved away from the reforms of 1978. After the protests in and around Tiananmen Square and the declaration of martial law, the Chinese Communist Party managed to retain control and avoided a full-fledge transition to capitalism and liberal democracy.

2. CAPITALISM FROM THE OUTSIDE

The General Secretary of the Soviet communist party, Mikhail Gorbachev (in power between 1985-1991) promulgated the concepts of glasnost, uskorenie and perestroika and started to democratize the communist party itself. In June 1988, Gorbachev convened the 19th Party Conference, where the proceedings were televised, and for the first time since the 1920s, voting was not unanimous. In May 1988, János Kádár, the Hungarian communist party leader since 1956, was forced to resign and a new generation of reformist leadership came into
power. In Poland, a massive wave of workers' strikes broke out in 1988. The strikes, as well as street demonstrations, shook the regime to such an extent that it was forced to begin talking about recognizing the Solidarity movement. In 1989-91, the previous system of the European socialist countries spectacularly broke down. They all were heading towards capitalism, and most of the Central European countries moved towards liberal democracy, as well.

In contrast to the Chinese development from below, by 2000, many of the former European socialist countries "imported capitalism from the outside". In other words, the capitalist transformation was driven by foreign direct investments (FDI) - first in Hungary but soon followed by Poland, Slovakia, the Baltic states, and recently Romania. The commitment to the ideals of liberal democracy and the European Union was especially strong in what commonly was called Central Europe (the "Visegrad-4" and the Baltic states, the former sphere of German influence).

3. CAPITALISM FROM ABOVE

The third pathway we observed in Russia, and we labelled it "capitalism from above". This meant state-led privatization, offering advantages to clients of the political elites (or even enriching the elites – or their families). Unsurprisingly, the former Soviet republics in Central Asia followed the Russian model closely.

President Yeltsin's system created a "wild East" type of capitalism. Russia was committed to rapid changes in property relations without much possibility of interference for foreign investors. The primary mechanism was privatization by checks (vouchers or coupons), which eventually led to the emergence of a rather small class of oligarchs. While the public property was distributed broadly among the population, most recipients without experiences of entrepreneurship and capital sold their vouchers to a few people, well connected to the Kremlin who in publicly manipulated auctions de facto appointed a new grand bourgeoisie from people whom they expected to support them politically. Boris Yeltsin (in power between 1991-1999) acted as the "godfather of the Kremlin", to put it in terms developed by Paul Klebnikov (2000). These oligarchs soon began to privatize the state itself, which led to state failure at grand scale and to an anarchic, oligarchic type of capitalism. While Yeltsin during his first one or two years of his presidency appeared to be sympathetic to liberal democracy, he soon clashed with the democratically elected Parliament (the Duma) and shut down the constitutional court, hence there was no democratic opposition to the oligarchic chaos which followed.

II. PUTINISM: THE FOURTH TYPE OF DOMINATION

The central claim of our above-mentioned book and this paper is that Putin's policies represent a new, if you want a fourth type of domination, a way of post-communist transformation into an illiberal, prebendal system. In order to develop this hypothesis, we needed a bit more theoretical work and conceptual clarification.

2 For an earlier attempt to put the puzzle together, see Szelényi (2016).
Our theoretical inspiration came from Max Weber's theory of legitimation. Any transition to a market economy and/or capitalism requires a certain level of "legal-rational" authority in Weber's terminology. In this paper, we use this term as a synonym of "liberalism", hence a system in which there is a predictable system of law, which requires at least some degree of separation of various branches of power. Whether this can be accomplished by democratic politics only (in which executives are elected by majority will – whatever we understand by majority) is debatable. But there is an elective affinity between liberalism and democracy, but no definite determination. As we will elaborate it, in Weber's view legal-rational authority means a rule by law or predictable regulations, but those laws or regulation can be arrived at by consent or by imposition. Hence they do not have to be necessarily democratic.

Weber is usually interpreted as describing three types of authority or domination:

- traditional,
- charismatic and
- legal-rational.

Nevertheless at least once – in a lecture in Vienna in 1917 - he considered a fourth type of authority, domination by the "Wille der Beherrschten" (by the will of those subjected the authority). In our reading (Szelényi, 2016) this is the "democratic legitimation", in a somewhat ironic Weberian way. Since "domination" was the central concern for Weber, he could not consider a political system in which choices are made about who executives will be by "free individuals". All individuals are under domination (Beherrschen) by the media, by economic interest, by tradition, by patronage or a combination of these all. It goes without saying that all these four concepts are "ideal types" and all "actually existing societies“ are likely to have elements of all of them.

Capitalism can only function in a predictable environment, in the "rule by law". How comprehensive that will be, depends on many factors. It can only apply to narrow business interest or more generally to political or even human rights. Even in China, which confesses itself as "socialist", there are some "liberal" regulations of business, with little or no implication to political or human rights. Furthermore, while there is an "elective affinity" between "liberalism" (legal-rational authority) and "democracy" (Wille der Beherrschten) liberal regulations of the economy often is not followed by democracy in much (Singapore for instance) or any meaningful sense (the United Arab Emirates, or Chile under Pinochet).

There are "traditional" components (patron-client relations – to put it as generally as one can do it) in all modern societies, and it can be especially pronounced in post-communist economies. Indeed, in most post-communist societies, one can detect elements of patriarchy, patrimonialism and prebendalism, the three Weberian forms of traditional authority. The question is: which is the dominant feature in which phase of transition.

Patriarchy is a social structure in which (eldest) males rule. Beyond the trivial fact, that this form is still observable in the family or in mafia-type, criminal organizations, it is important
to see that male politicians have been dominating the post-communist countries all along. Unlike in simple organizations ruled by *patriarchy* (e.g. the family), in complex systems, domination is exercised through a professional staff. In such systems, the staff is also supposed to have a positive, affirmative belief in the values which justify/legitimate authority.

**FIGURE 1:** Three types of traditional authority in Max Weber’s theory

Given the rapid speed of privatisation of state property, and since information about the value of the property put up for privatisation was unreliable, and buyers had no credit history, some elements of patrimonialism (which can also be termed ‘corruption’ or ‘paternalism’) was unavoidable in all post-communist orders right after the regime change in the 1989-1993 period. In this regard, there was not much difference in post-communist Russia, China and Eastern Europe.

In fact, during the first year or two, Russia did try to follow the Eastern European examples, adopting liberal economic policies and implementing shock therapy. Yegor Gaidar, in the capacity of main economic master and Acting Prime Minister in the second half of 1992, promised to build capitalism in 500 days through the voucher-privatisation technique. Advocates of mass privatisation with the use of vouchers believed it was a democratic mechanism that would achieve fast and fair privatisation. The vouchers mailed out to every

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3 In fact, as explained in Szelényi (2019) in more details, the strong acceptance of patriarchy is one of the reasons why Hillary Clinton lost in 2016 in a presidential competition against the male-chauvinist Donald Trump.

4 Hence, if the staff loses its positive belief in the myth of domination, the legitimacy of the system may be in crisis. In contrast, if the masses – who have probably never had a positive belief in the legitimacy of those in power – begin to consider a possible alternative ruler/master, the system is facing only a ‘legitimation problem’. We are, we think, the first to make this sharp distinction between a legitimation problem and a legitimation crisis.

5 The 500 Days Program was originally a document proposed by Grigory Yavlinsky in 1990, who later ran twice for Russia’s presidency: in 1996, against Yeltsin, and in 2000, against Putin.
citizen of Russia were supposed to represent a certain share of the public wealth. When Yeltsin announced the program, he stated the following: "We need millions of owners rather than a handful of millionaires" (cited by Åslund, 1995, p.235). He might have believed that, but in reality, that was not the case.

In Russia, the shock therapy (which worked reasonably well in Poland and to some extent even in Hungary) turned out to be more shock than therapy (Gerber and Hout 1998), and the Russian economy went into freefall. As a result, Yeltsin, originally a civil engineer with 20 years of working experience in industry and with little personal interest in ideology or economics, decided to abandon this strategy of imitation and, instead, drew on the Russian historical reservoir: appealing to Orthodoxy, tradition, and respect for authority. Instead of building liberal democracy, the President decided to co-opt local political and economic bosses; the result of which was to create a new class of nomenklatura bourgeoisie. If we may use such a historical analogy, he recreated a class of boyars called the oligarchs by the contemporary analysts.

This was a sort of patrimonial order: just one decade after the collapse of state socialism, more dollar billionaires lived in Moscow than in London. The nature of Russian capitalism during Yeltsin's rule (1991–99) was a mixture of patrimonialism (offering fiefs to loyal followers) and political capitalism. Officeholders expropriated public property, and this property was then often put not into production, but circulation (importing luxury cars or computers from the West and selling them for extra profit) and then all this profit was transferred into Swiss bank accounts.

Future vice premier, Anatoly Chubais (born 1955) was responsible for the very early part of privatisation. It turned out that most Russians did not know what to do with their vouchers (just as most Hungarians did not know what to do with the 'compensation notes' that they received, and the story was similar with the various types of vouchers issued in the Czech Republic and Poland). This being the case, the Russian voucher recipients sold their vouchers well under the nominal value to various investors/speculators. These investors subsequently turned up at privatisation auctions where the Kremlin had to decide who would win. Yeltsin de facto 'appointed' a handful of billionaires. According to Klebnikov (2000), he relied

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6 The term nomenklatura (originally a value-free Russian word, borrowed from Latin, meaning a list of names) was widely used in the Soviet Union. In all former socialist countries (including China!), it meant a category of people who held various key administrative positions in the bureaucracy, running all spheres of society: government, industry, agriculture, academia, etc., whose positions were granted only with the approval of the communist party of the country. Virtually all members of the nomenklatura were members of the Communist Party. Nomenklatura is a similar concept to the western 'Establishment' holding or controlling both private and public powers (e.g., media, finance, trade, industry, state and institutions). In other words, nomenklatura is a broader concept than 'elites'.

7 The boyars were members of the highest rank of the feudal system in several East European countries and Russia from the 10th century to the 17th century. Peter the Great, who took power in 1697, took it upon himself to westernize Russia, and bring it up to date with the modern world. Among other measures, he created a Senate with members appointed by him, replacing the old council of boyars that initially advised the tsar. He also drove the conservative and religious faction of the boyars out of the courts, using both foreign and Russian officials to fill the administrative system instead. The social status of boyars in Russia was similar to that enjoyed by the top levels of the nobility in Western Europe. Their property rights were secured, and their descendants inherited their titles. By turning boyars into 'service nobility', Ivan the Terrible and Peter the Great shifted Russia away from Western feudalism (or patrimonialism) and towards prebendalism.
mostly on advice from his beloved daughter, Tatyana. Thus, patrimonialism was dominant in Russia during Yeltsin's time. The Russian 'new rich' enjoyed the security of ownership and over time even developed political ambitions.

Since the Soviet Union was, and Russia is the largest and most important country of the Eurasian post-communist region, it is imperative to spell out what might have gone wrong under Yeltsin there during the first decade. According to Anders Åslund (quoted in Mihályi (2014a), after the fall of Gorbachev the reformers' five most significant failures were (1) not getting control over the central bank and thus monetary policy; (2) not succeeding in breaking up the rouble zone quickly enough; (3) not deregulating the domestic prices and exports of energy enough rapidly; (4) the absence of instant international financial aid, a kind of Marshall Plan; and (5) the persistence of the old Soviet constitution and parliament. It was known right from the beginning that the initial conditions in Russia were extraordinarily difficult, more so than in Eastern Europe. The price distortions were more significant and intrinsic mechanisms of all-encompassing rent-seeking by SOE managers had been formed well before the end of Socialism. According to Åslund, these facts in themselves called for not less, but more radical and more comprehensive reforms than in Eastern Europe to succeed. We tend to agree with him. Unfortunately, history never allows repeating a large-scale social experiment with newly calibrated parameters and with modified prioritization of sectoral policies.

b) Who is Putin?

As Vladimir Putin (b. 1952) came to power in 1999 as Prime Minister and in 2000 as President, he was rather uncomfortable with the excessive power of the oligarchs. While the oligarchs supported him, they did not know who it was they were supporting. They expected another Yeltsin, and they anticipated that money would stay in power. The dominant oligarch of the Yeltsin years, Boris Berezovsky (1946-2013), very soon learned otherwise and learned it the hard way. He owned one of the most popular television channels. According to one anecdote (who can tell whether it is true or not – it is a case of so-and-so told so-and-so) once Putin was elected President, he asked Berezovsky – one of his strong supporters – to visit him in his office. He told Berezovsky who the CEO of TV6 should be. "But Mr. President," Berezovsky responded, "this is a capitalist society, the owner appoints the CEO…" "Well, you wanted me to be President; you got me," responded Putin. Berezovsky got the message. So he boarded a plane and went to London.

Under Vladimir Putin, Russia shifted ‘back’ from patrimonialism to prebendalism. Putin broke the political power of the oligarchs, and ever since he is systematically reallocating property from oligarchs regarded as disloyal to a new set of followers. In the first years of the second decade of transformation, Russia produced spectacular growth. It is unclear, though,  

8 According to Åslund, the main problem was the reluctance of the Bush administration. They were not sure whether helping in a way commensurate to the need of the Russian economy was in America's interest. Simply speaking, in 1991/1992, they were not convinced whether 'this was really the end of communism'.
whether this was the result of the newly implemented prebendalism. The Russian miracle had a lot to do with higher oil prices. Russia turned into a rentier state and suffered severe damages after 2008 when energy and raw material prices fell.

The Russian economy was struck by the global financial crisis. Hence it is not surprising that Putin and his United Russia party - despite the weaknesses of its opposition and the lack of alternative view of future - lost a great deal of support. Under these circumstances, it became more and more obvious that the regime needs an ideological self-justification. In October 2013, Nikita Mikhalkov, a movie director with good ties to Kremlin demanded a reinvention of a national ideology, what in his view became a "national security question" (cited by Whitmore, 2013). Putinism up to this point was latently conservative. It needed an aggressively adopted neo-conservative/traditionalist ideological stance.

Putin began to build his ideological image already when he became Prime Minister. He published his Turn of the Millennium manifesto, which was the first step to get rid of his KGB past and to create himself a new political and ideological identity (Cannady and Kubicek, 2014). Already at the turn of Millennium, Putin laid down the principles of his future governance. These were patriotism, order and effective governance (he was, of course, reluctant to call it autocracy).

Those who suspect a "communist restauration" behind this project, when the chips come down, can be wrong. The Putin regime is far from being anti-business. At least the appearance of democracy and constitutionalism is also rather important for the Putin regime. Communist regimes also had constitutions and held elections – but none of those was in any way consequential. Under communist regimes, usually no one could sue the executive, and the institution of Constitutional Court typically did not exist. Elections were not competitive, and the executive appointed candidates for the legislative branch. That is certainly not the case for Russia under Putin. Putin took the appearance of the constitutionalism so seriously that he did not alter the constitution (though legally he could have done so) to enable him to run for a third consecutive term of presidency. Instead, he swapped places for one term with Dmitry Medvedev (b. 1965).

Given the weaker election performance of United Russia in 2011 and Putin in 2012 (and the subsequent anti-Putin demonstrations), it was indeed justified to call for a stronger ideological appeal. In December 2013, the major Kremlin think-tank The Center for Strategic Communication issued a report entitled Putin: World Conservatism's New Leader (Center for Strategic Communication, 2013 and Brian Whitmore, 2013).

Putin gave his annual presidential address just two days later (Putin, 2013), and he aggressively followed the ideology proposed by the Center for Strategic Communication. In our times – stated Putin (we do not quote him verbatim but try to capture the essence of his message) – several nations (he does not name any of them, but he has the "West" and especially the USA in his mind) are re-evaluating their moral values. In the name of globalization, they tend to undermine the cultural differences among people and nations. The destruction of these traditional values has significant negative consequences for the societal order. Putin in fact claimed this process was not only destructive, but it was also anti-democratic since it attempts to impose the value system of the militantly secular, multicultural and transnational elite. On the other hand, Putin had some good news for his audience: The
number of people who are ready to defend those traditional values, the foundation of spiritual and moral values is increasing in every nation. Among those values, Putin named the traditional family. In the address he did not elaborate but given his well know objection to homosexuality he obviously meant family among heterosexuals, he also emphasized the need the defend "life" (likely a somewhat coded objection to abortion) and he emphasized the need to see the primacy of religious life and spirituality over material existence. "This is, of course, a conservative position" – this is almost a verbatim citation from Putin.

The Center for Strategic Communication and Putin's 2013 presidential address were trying to find a new ideology (well beyond the messages contained in the 1999 Manifesto) which would unite Putin's supporters and divide his opponents, not only in Russia, but globally. There are two camps in the world: the conservatives (and Putin would like to think in this address even of Merkel as someone belonging to this camp) and the left-liberal "populists". What a fascinating twist in terminology! Neo-liberals normally use this term to discredit opponents on both ends of the political spectrum. However, Putin was explicit who were on his mind: Obama and Holland, the two politicians who lost popular support despite their populist promises. Putin wanted to kill two birds with one stone: he wanted to gain the sympathy of Western, especially American traditionalists and at the same time he wanted to offer an ideology for Russia, which restores its messianic vocation faced with the declining West. Russia becomes the "third Rome", the most dedicated defender of traditional values: the values of religion, orthodoxy, family and patriotism again.

However, which are the historical precedents, models for such a leader and such an ideology? None of the Soviet leaders - especially not Stalin with whom Putin given his KGB past is so often compared - fits the bill. As Pipes already noted (2005), the closest historical precedent was Tsar Nicolas I, the ruler who mercilessly cracked down on Decembrists and re-established "law and order". Nicholas I in his doctrine released in 1826 legitimated his rule by three principles:

- orthodoxy,
- autocracy and
- patriotism.

Already in 1999, Putin recognized the importance of spirituality (he now claims his mother secretly baptized him when he was a young boy), and he managed to establish cordial relationships with the Orthodox Church, which has a long history in accepting state authority. But he was vague in 1999 – the words “religion” or “church” are not even mentioned in the Manifesto. In November 2013, by contrast, Yelena Mizulina, a representative of United Russia Party in Duma proposed to include in the preamble of the Russian Constitution that Russia is an Orthodox country. Mizulina also proposed the bill to ban gay "propaganda". For her staunch support of Putin President Obama penalized her in March 2014 by freezing her assets in the USA.

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9 The emphasis on Christianity or orthodoxy is also important in the constitution of several other Eastern European countries, such as Poland, Hungary, Serbia, Croatia, Bosnia and Bulgaria.

10 As Cannady and Kubicek (2014) point out Nicholas I was not "nationalist" in the sense of the French Revolution, it is the "narod" which constituted "patria" for him.
Some commentators (Whitman, 2013) interpret the report by the Center for Strategic Communication and Putin's December 2013 address as a call to create a new "International". This time, however, this would be an "International of Conservatives" supposedly led by Vladimir Putin.

Can this become a reality, or is (was) Putin daydreaming? In 2013, before the Ukrainian crisis blew up, Forbes listed Putin as the most powerful person in the world, ahead of President Obama. Forbes ranked Putin as #2 (after Xi Jinping as #1) even for 2018. On the most recent Top 10 list, there are six politicians, but only three were democratically elected, and there is no one who could be even vaguely associated with the political left. The others (with the exception of the popular Pope, Francis) are representatives of the business world; people like Jeff Bezos (#5) in a way indicating the limited – and arguably weakening - importance of democratically legitimated power in the world.

Even before the explosion of the Ukrainian crisis, Putin had little chance to win the classical conservatives like Merkel or Cameron over into his International. However, the right-wing of the American spectrum heard his message. Pat Buchanan, one of the smartest and most articulate voices on the far right of the Republican Party, expressed sympathy or even admiration for Putin and his presidential address. This was a non-trivial endorsement. Buchanan was the adviser of President Nixon and Reagan. He also ran in the Republican presidential primaries in 1992 and 1996. Hence, he is a serious conservative American voice. On December 17, 2013, just five days after Putin's presidential address he put on a piece on his blog "Is Putin one of us?" and his answer at that time was: yes. Buchanan saw in Putin, the leader in the world who was fighting against militant secularism, abortion, gay marriage, pornography, promiscuity and against the whole "Hollywood panoply". Buchanan saw a new global "culture war" to emerge. In Buchanan's own words: "President Reagan once called the old Soviet Empire "the focus of the evil in the modern world". President Putin is implying that Barack Obama's America may deserve that title in the 21st century". He continued: during the second half of the 20th century, the struggle was vertical: the West fought against the East. In the 21st century, the struggle becomes horizontal: today, the conservatives, to be more precise: the traditionalists are fighting the militant secularists, the multicultural and transnational elite. The similarity of the terminology of Buchanan and Putin is striking. Buchanan poses the question: why don't we call Putin "paleo-conservative" (a term he likes to use to designate himself). In his blog, he acknowledged already at the end of December 2013 that his position could be seen as "blasphemy" by Western intellectuals, but if you read Putin's 2013 presidential address: He had a point.

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12 The term "culture war" is usually attributed to Buchanan, who used it in 1992 in the Republican Convention.

13 Buchanan did not cross the "red-line" which marks the difference between Republicans and the far right for the first time in Republican politics. In fact, in 1999, he quit the Republican Party. In 2000, he tried to get a "third party" nomination for the presidency, but eventually, he decided to endorse G. W. Bush in 2004 and Mit Romney in 2012, though he was closer to the Tea Party than the Republican main-stream. He never identified himself as a neo-con. Today, he sees himself as a paleo-conservative, traditionalist independent. Nevertheless, Republican Party conservatives do not have to be Tea Party social conservatives to express admiration for Putin. Rudy Giuliani, the popular former mayor of New York City, noted after Putin invaded Ukraine without debate
No matter how much Putin would have loved to, it seems unlikely that characters like Merkel or the newly elected leaders of the European Union would consider themselves as part of his International. Putin has better chances appealing to the "new right" of Le Pen or FIDESZ in Hungary. There is indeed some evidence that Putin is working hard to attract the anti-EU ethno-nationalist sovereigntist radicals in Europe to his camp.

c) The Putin virus

Post-communist Central and Eastern Europe turned out to be quite receptive to traditionalism, that combines the trinity of "family, patria and God" with some version of statistism even before Putin came to power in Russia. Many elements of the statist traditionalism could be spotted as early as 1990 (in Poland, Slovakia and Hungary). Zoltán Gábor Szűcs was quite correct locating the definite discourse change – using Hungary as a case study – in the 2000s (Szűcs, 2006: 99-128; Szűcs, 2012: 133-141). However, this is far from just a Hungarian receptivity to Putinism. There is virtually no country in the region, which is not open to this idea. Think of Vladimir Mečiar, Roberto Fico (who is often seen just a more sophisticated version of Mečiar), Traian Băsescu, Bojko Borisov, the Kaczyński brothers and most recently the Czech "Berlusconi", Andrzej Babiš and of course Belarus under Lukashenko and the Ukraine under Yanukovych and under Petro Poroshenko, Serbia under Slobodan Milošević, Croatia under Franjo Tuđman. In terms of their ideology, they are all soul-brothers of Putin and of course, to Orbán.

However, as long as political rulers operate in a democratic framework, they need more than just the support of Big Money (though this is important mainly due to its control over the media); they also need the popular vote. This means that they have to come up with an ideology which will appeal to ‘ordinary people', and especially to people with a very strong national (and religious) collective identity.

Putin's attempt to present himself as a "conservative" would not work. The Hungarian Prime Minister, Viktor Orbán came to his help and coined the term "illiberalism", which is a better fit for the Putin project. He launched in an important address in 2014 an attack against "liberalism". In his view, liberalism puts excessive emphasis on individual liberties and does not represent the national interest effectively. Hence, he recommended replacing "liberal democracy" with "illiberal democracy". In liberal democracies, particularistic interest can delay or even block effective executive actions for the national interests. In Orbán's vision "illiberal democracy" retains regular multi-party elections, but much like in Putin's version it assumes a system of "national cooperation", with a strong "central force field" by his own party (it is called FIDESZ). The essence of the system is an effective executive branch, which is not limited or paralyzed from time to time by other branches of powers, like the judiciary, media or even social science research - as according to Orbán may be the case in liberal

14 Most recently – see Orbán (2019) -, he identified this as "Christian", rather than "individual" freedom, claiming that Christian democrats are also "illiberals", what no West European Christian Democratic Party would accept.
democracies. This illiberal regime is deeply capitalist, but the economy - much like the political arena - is "managed". The most important mechanism for such "management" is the regulation of the markets – especially investment markets (including public procurement). Since the executive is supposed to have privileged knowledge of what market outcomes are in the national or common interests, it can give market advantages to those actors who are supposed to act for such interests. One is not supposed to leave market transactions to blind profit-seeking behavior. The ones selected for a privileged position on those regulated markets (for instance domestic players versus investors, among domestic players those who are more trustworthy for the executive and in particular the chief of the executive branch) are rewarded by rents, rather than just receiving profits for their entrepreneurial spirits. This way profit-seeking behavior of market actors is replaced by rent-seeking (Mihályi – Szelenyi, 2018). When the selection of awardees of such rents is based on bloodline or adapted family kinship of the chief of the executive, such choices may be called "corruption". This Hungarian system based on these grounds was labelled by a Hungarian sociologist (and former Minister of Education), Bálint Magyar (2013) as "mafia state".

Mao Zedong famously defined communism as a system in which 'politics is in command'. Ironically, Putin and co's illiberal post-communist capitalism is shifting in this direction. Under Yeltsin, the oligarchs began to 'privatize the state itself' and caused state failure. Illiberal post-communism – unlike communism – does not eliminate private property, but it does bring it under political control. Big Money must either accept this or move abroad (potentially putting economic stability at risk in the longer run). Both Yeltsin's patrimonialism and Putin's prebendalism differ sharply from a liberal market economy, where 'economics is in command'.

As Marx and Engels (1848) so famously formulated it: "The executive of the modern state is nothing but a committee for managing the common affairs of the whole bourgeoisie" (p. 486). This is, of course, a gross simplification of an insightful idea about liberal democracy. In a competitive democracy, the state actors have to win elections and persuade a voting majority that their interests will be served. Nevertheless – especially due to campaign financing and funding of media – Big Money does play a huge role in shaping politics in all the major liberal democracies. It would be an exaggeration to suggest that the 'one man, one vote' principle has been replaced by the practice of $1, one vote. But who can doubt that a corporation or an individual with assets worth $1 billion does not have a greater impact on the outcome of an election than an individual with a $35,000 annual income? Putin's Russia is not working like this: Big Money cannot overrule Putin's authority for a minute.

d) Ideology and image creation

The extraordinary success Putin and Orbán have had at the polls (the support of those subjected to their authority – i.e. the fourth type of domination according to Weber) has a lot to do with Putin's and Orbán's Weberian charisma (they both promise "miracles" and as long as they can deliver some they have substantial support) and ability to formulate an ideology that fits into the worldview of a substantial proportion of their electorate. Manipulating the rules of elections is only part of the story. The other part is finding an ideology that is appealing to the voters. We call this ideology post-communist traditionalism. What are the
critical elements of it? They are rather trivial: nation (*patria*), the church and the traditional family. These were the major building blocks (and remain so) for all conservative movements.

*Image-creation* is a crucial component of politics. This is one of the fatal weaknesses of theories, which try to label the center-right post-communist traditionalist, illiberal regimes as ‘fascist', ‘dictatorial' or 'neo-communist', comparing them to Hitler, Mussolini, Stalin or Kádár or just designating them ‘mafia' (Magyar, 2016). These regimes make a desperate effort to find reasonably respectable historical precedents and an acceptable ideology. Nothing can be further from the truth than the claim that they are unideological. Nicholas I for Putin, Marshall Piłsudski for Kaczyński, Admiral Horthy (emphatically before the German occupation of Hungary on March 19, 1944), István Bethlen and István Tisza (two Hungarian prime ministers during the first third of the 20th century) are extremely important ideological models. The post-communist traditionalists want to legitimate themselves with the (rather right-wing and ethno-nationalist) conservatives of the pre-communist times.

Both for analytical purposes and political aims it is crucially important to make a distinction between the post-communist traditionalists and the radical far right, which does not have – at least so far – a chance of winning elections. Post-communist Eastern Europe is not (yet) the Weimar Republic, ready for a revolutionary political radical right (or left). The post-communist traditionalists are capable of winning elections with their populist, ethno-nationalist rhetoric as long as they only have to compete with a moderate left/liberal opposition, which can only promise a painful treatment by the good doctor (Bokros, 2013).

**III. IS CHINA ON THE ROAD TO PUTINISM?**

After a short partial detour back towards pre-reform era and following the "Southern tour" of Deng Xiaoping in early 1992, Deng persuaded the other leaders to return to the road the reform. But the market transition after 1992 began to take new turns. The Chinese reform was eventually broadened to other actors. In particular, the role of so-called Township and Village Enterprises (TVE) (Zhang, 1999) grew over the years. TVEs initially were defined as cooperatives involved in activities beyond agrarian production and with ambiguous property relations, where the local cadres (the state-party nomenklatura) joined the beneficiaries, and eventually became the major winners. And indeed, after 1985, social inequalities began to grow again. As China began to enter into the privatization of the corporate sector in 1998-99 and the social composition of the wealthiest Chinese began to change as well with the "princelings" accumulating huge private wealth, we began to wonder, whether China is converging to the Russian way of "transition from above", Victor Nee already in 1992 speculated about a hybrid state in China (Nee and Yang 1992), but reconfirmed his faith in the "capitalism from below" model in his wonderful book (Nee and Opper, 2012) emphasizing the dynamic character of private entrepreneurship in Chinese development. Whether China was becoming capitalist or remained a hybrid form is disputed, but it is certainly not democratic. The official doctrine in China remained "socialism with Chinese characteristics", and it certainly had some elements of "capitalism from above" (given the privileged status of cadres or former cadres in enterprise privatization) and even to "capitalism from the outside" as the role of FDI also increased.
The rise of President XI Jinping (b. 1953) to power might have shifted the Chinese transformation even closer to the "Putin model", to illiberalism and prebendalism. China undoubtedly experiences some degree of "liberalization" (especially in the business world there was substantial change towards to "rule of law"). For example, in rural communities already in the 1990s, a corporatist arrangement emerged between local government, business and popular interests (Oi, 1992 and Lin, 1995). But China has undoubtedly not been turning into a "legal-rational authority" and never considered nationwide elections to the legislature on anything resembling universal suffrage. Nevertheless, there has been some significant "internal democracy" (promoted by President Hu, in office between 2003-2013):

(i) The Standing Committee of the Politburo, consisting of 5-11 members, exercised substantial influence and articulated various interests.

(ii) The president had a term limit and could be elected only twice, he shared some power with the prime minister and

(iii) their successors were appointed early and then they played some role during the second term of the president and prime minister.

On the contrary to the above said, in China recently, we have been witnessing the reinforcement of central authority. While during the 1980s, there was substantial decentralization (Yang, 2016) during the latter part of the present decade, the authority of the central executive branch has been substantially increased. An important move in the same direction was when the constitution was amended in 2018 to allow the president to serve for life, without any term limit. Many commentators believe that President Xi has more authority than anyone had since Mao, and probably he has more influence on the Standing Committee than previous party presidents after Mao. Recentralization and reinforcement of the authority of the Communist Party were, on the other hand, not a "break" just a continuation of the "Chinese way" of "power-sharing".

The most intriguing question is whether the country has already entered a new epoch under President Xi, and if so, what kind of period this is. No doubt that he runs the country a bit like Putin. President Xi is making a bid to become a "charismatic leader", allowing the official media to call him ‘father Xi’ and giving long addresses to scientists and writers about what they should do. What is constant in the Chinese case (and strikingly different from the former USSR and its European former satellites) is the fact that the CPC has retained its power monopoly (Kornai, 2019). The ideology of Marxism-Leninism-Maoism is losing credibility and Confucianism is gaining ground, yet in political terms, China today is still (or once again?) a country, where political power is distributed through the nomenklatura system as it used to be the case for decades in all socialist countries.

Xi’s campaign against corruption sounds very much like the selective criminalization in Putin's Russia and the illiberal East European democracies, like Hungary or Romania that we discussed elsewhere (Mihályi – Szélényi, 2017). BO Xilai, for example, was a Maoist challenger of the current leadership of the Communist Party. In 2012, Bo was accused of acquiring a couple of million dollars through corruption, was given a life sentence and stripped of all his assets. Was he sentenced to life imprisonment because he was corrupt, or was this a case of selective criminalization? Is China on its way to prebendalism? We do not
have enough evidence to tell, but the attack on BO Xilai and his supporters look rather like Putin's attacks on the Russian oligarchs. Perhaps, from China to Russia to Eastern Europe, post-communism in all its form may be converging on an illiberal prebendal system.

a) Initial conditions or policy choices?

This leads us to the crucial dilemma of this paper: regarding the special trajectory, China has followed. We were often warned (Sachs, 2005) to be very careful in comparing the Chinese transformation with the post-Soviet and post-communist European transition. The initial conditions in China were, without doubt, the worst. If, however, China – unlike the former USSR or its former Eastern European satellites – is an economic and political success story, this cannot be attributed to the initial conditions. It could be the outcome of the ‘advantages’ of backwardness (to invoke Gerschenkron, 1962). In other words, what matters are not the initial conditions, but the selection of appropriate policies.

When it comes to evaluating what matters more, initial conditions or policy choices, we are firmly sitting on the fence – both matters. The Czechs may have made some policy errors, but they are still doing all right, their point of departure has been so much better. The initial Hungarian conditions were pretty good, but they are doing poorly now, and policy errors may be behind this. The Poles were not in great shape during the 1980s, but now they are doing better, probably because they made some good policy choices. We can think about China in the same way. Can one claim that the Chinese did something right or that they have only done well because they started from the very bottom (benefiting from the advantages of backwardness)?

Putin's United Russia and Orbán's FIDESZ party are somewhat close to each other, and it is reasonable to describe them as post-communist illiberalism or managed illiberal ‘democracies'. However, there is also one unique feature of Eastern European and Russian neo-conservatism. Putin and his East European allies are strongly pro-business and pro-oligarchs. One cannot accuse them of being ‘populist'. Some of their economic policies can appear to be ‘left-wing' (being anti-EU, anti-globalization, and nationalist in economic policies). This is especially true for Orbán, but also relevant for Mečiar/Fico, Kaczyński, Borisov or even Klaus – just to mention the leaders of Slovakia, Poland, Bulgaria and the Czech Republic. A Hungarian sociologist, Zsuzsa Hegedűs (2013), went so far as to call Mr Orbán ‘the true social democrat'. Alas, in the political mess post-communist Eastern Europe finds itself today, it is hard to tell who is ‘left' and who is ‘right'…

Left-wing Hungarian analysts, like Gáspár M. Tamás (2014) offered an explanation, and Ágnes Gagyi (2014) echoed his thoughts. The right-wing or center-right parties of Eastern Europe often express more understanding of popular needs and demands than the somewhat missionary liberals (Eyal, 2000). As Gagyi put it, the Catch-22 of post-communist politics is the competition between democratic anti-populism and anti-democratic populism. The framing of this question as democracy vs. anti-democracy may not be the most accurate, but the dilemma is well formulated. There is certainly strong competition between the populist commitment of liberals (and the ‘left', if it can be called by this name) and the populism of the patriotic right-wing movements. Who will win elections? Of course, the populist, nationalist right (or center right). Why should one vote for a party which promises
only sweat and blood when the other party promises to be responsive to popular needs (they promise to tax banks, rather than the borrowers, will reduce the cost of gas, electricity and heating at the expenses of the profit of monopoly companies, etc.).

Whether the centre-right is populist or just using populist rhetoric is another question. The FIDESZ government in Hungary, for instance, proved to be responding to problems people had on their minds. Eyal (2000) was undoubtedly right: the former dissidents-turned-liberals, having insisted on ‘living in truth' seem to be doing a self-defeating job in democratic politics. They lose elections, and after not knowing how to play the democratic game better, they tend to label their opposition as anti-democratic or even dictatorial. Let's admit it: the game of democratic politics is about winning votes.

Are the right-wing parties genuinely ‘for the people' and ‘against business'? Hard to tell. The FIDESZ government in Hungary after 2010 certainly impressed the observer as an exemplary student of austerity. It reduced the budget deficit to below the 3% required by the EU, reduced inflation, cut welfare spending (in the Clintonian sense of making workfare from welfare policies). So populist rhetoric was delivered, while anti-populist policies of ‘actually-existing' illiberals were being implemented.

b) Is the Chinese model sustainable?

Since we still believe in the existence of a specifically Chinese way of transformation, the next intriguing question is, whether the Chinese model is sustainable. It certainly has at least two vulnerable points. One is, of course, political. Can the political monopoly of the Communist Party be maintained in the long run? Jeffrey Sachs and probably most Western commentators believe not. China is capitalist or on its way to capitalism and capitalism presumes multi-party democracy. We are very sceptical. We tend to think that liberal democracy may be the exception rather than the rule.

One of the authors of this paper (Szelényi) lived for four years in the United Arab Emirates, which is a perfectly well-functioning capitalist economy (in the post-industrial stage) and is not only not a liberal democracy but an absolute monarchy. It is Leviathan, in the way Hobbes would have loved to have it. Moreover, what about Singapore? Singapore is a quasi multi-party system with basically a single party in charge. When Zhou Enlai, the Prime Minister of China during Mao's rule, was asked what he thought about the French revolution, he famously responded: "It's too early to tell".15 China followed her own paths for thousands of years. She never experienced universalized slavery, did not have a classical form of capitalism, and her communism was distinctly different from the Soviet model. Are the forces of globalization now so powerful that this long history will change? It may or may not. As far as we can tell, Xi Jinping is not moving towards Western liberal democracy. He seems to have implemented a one-person rule, unknown since Mao.

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15 As we learned recently from the person who translated the conversation, Zhou might have been referring to the Paris events of 1968, rather than 1789 – but this is still a smart observation and cautions us to be careful in evaluating or predicting historical trends. [https://mediamythalert.com/2011/06/14/too-early-to-say-zhou-was-speaking-about-1968-not-1789/](https://mediamythalert.com/2011/06/14/too-early-to-say-zhou-was-speaking-about-1968-not-1789/)
Finally, some argue China's success has everything to do with being in the extensive stage of growth and following an export-led industrialization strategy. As China is about to enter the intensive phase of growth, the domestic market is gaining in importance compared to the export markets. China's growth will have to be substantially reduced to levels observed now in the advanced West. This is a powerful argument and may or may not be true. It is an important argument though since the Chinese model worked because rapid economic growth was able to accommodate gigantic increases of inequality with improving living standards, and a reduction of absolute poverty for most, if not all. "All boats were rising", and that was the foundation of socio-political stability.

When the chips are down, we will put our bets on the longevity of the Chinese model. There was an interview with Henry Kissinger in *Der Spiegel* (July 6, 2011). He cautioned: "It is… psychologically not wise to tell a country that has 4000 years of uninterrupted history that we understand its history better than they do." Well put.

There is little doubt, however, that *all post-communist regimes, irrespective of their system of domination, whether liberal, patrimonial or prebendal did better than they would have done had they stayed on the state socialist trajectory*. The nostalgia for its communist past which still haunts the region is silly, on the whole. People are now freer, and most of them live better than they or their parents used to live 30 years earlier. This nostalgia is either people romanticizing their own youth, or it is a rational expression of anxiety in a new world where there are less security and more risk-taking. Nevertheless, the hopes of the late 80s or early 90s were not quite fulfilled. People may be living better than they used to, but they are not living quite as well as they had hoped they would. This explains their shift to the far right. Eastern Europe did not become the West, and it remained on the periphery. As Iván T. Berend (1996) formulated, the problem both for socialism and post-communism was that this was a 'detour from the periphery to the periphery'. The process might have been less frustrating, however, if it had begun with fewer illusions and had there been more cool-headed, rational calculation by an informed public in democratic discourse.
POSTSCRIPT: AN ILLIBERAL INTERNATIONAL? THE SCOPE AND LIMITS OF ILLIBERAL CONVERSION AND GLOBAL CAPITALISM

The tendency to liberate the executive and especially the chief of the executive from paralyzing forces of particularistic interest and the transition from liberalism to illiberalism may have invented by Putin (or President Xi, or even some of his predecessors), but this is a trend well beyond those two big countries, as we have shown already.

The one-sided strengthening of the executive branch and the desire to pursue effectively what they define as the national interest is evident in Recep Erdogan's Turkey, in Trump's USA, it drives the Brexinters in the UK, and observable in Jair Bolsonaro's Brazil, in Narendra Modi's India and in Rodrigo Duarte’s Philippines. Is the world entering now in an epoch of illiberalism, is it the inverse of Fukuyama's "end of history" concept (1989) and the final victory of liberal democratic market capitalism?

Hard to tell. We may experience a rather short term cycle of political fortunes. Leaders of illiberal regimes gained electoral success by promising to defend ethno-national interests against the forces of globalization and "dry the swamp" of bureaucratic politics of liberal democracies. President Xi, Putin, Trump, Prime Minister Orbán and the others can indeed act swiftly since they do not have to go through the painful, costly and lengthy process of negotiation with various interests.

Nevertheless, there are inherent weaknesses of illiberal regimes as well. The speed by which decisions are made is not always matched by sufficient and sufficiently high quality and diverse information liberal democracies operate with. The swift, but not always the best-informed decision may not produce the best possible outcomes. Furthermore, while the appeal to exclusive ethnonational radicalism may be a formidable force to mobilize people (and electorates), but it may contradict the powerful and overwhelming forces of globalization. There can be only global answers to the crucial challenges the world is facing today: the environmental degradation, the uneven demographic change across continents and the free flow of capital around the world. China first, Russia first, USA first, Hungary first etc. may help chiefs of executives to consolidate their power and even to win the election at home – if they seek elections at all - but they may not be the most appropriate foreign policies for the 21st century. The forcefully acting executives with their exclusionary ethno-nationalist priorities eventually may have to settle once again with a more globalist view of our problems and sacrificing the speed of sovereigntist decisions for a nationally and globally more multilateral, slower, but at the end better-informed process of decision making.

Fukuyama in 1989 was right on target. Indeed for the following 15 years as the Freedom House institute reported, the number of countries which were classified as "free" was increasing and the proportion of "unfree countries" declined. President Putin in his annual address in December 2013 called for a formation of a new International around his policies. Since then liberal democracies have been retreating, and illiberal regimes are ascending. In May 2019, European anti-migrant, exclusionary Ethno-nationalists from the Italian Matteo Salvini to the French Marie Le Pen and Viktor Orbán were all hoping in a major breakthrough and the formation of a large enough fraction of their own in the European Parliament, so they can shape European politics. While their parties did well at home, and both the social
democrats and the people's parties lost ground, the big winners were the Greens and Liberals. The prospects of an illiberal international are not great today. Their main protagonists are all nationalist with particularistic national (and imperial) interests. Trump expressed admiration (even love) for Putin and Xi, but the US, Russia and China have structural/imperial conflicts. Salvini and Orbán equally hate "migrants", but Salvini would like to send them from Italy to Hungary (and to other European countries), what is the least that Orbán wants. The Polish strong man, Jaroslav Kaczynski is just as illiberal as Orbán, but the Poles intensively hate Russians, while Orbán's Hungary is Russia's best friend in the European Union. In other words, ethnonational illiberalism and illiberal internationalism are a direct contradiction in terms. Only transnational liberalism can be international and address in multilateral ways the global challenges of the world.

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