1. Systemic change in the Old World Order

EARLY SYSTEMIC CHANGE AND THE SIMULTANEOUS TRANSITION

The collapse of the bipolar world system in the late 1980s created the conditions for systemic change in ECE. Although the domestic crisis of state socialism deepened in this decade, the drastic transformation in the world system was still needed for the democratic transition that formed the international frame of democratization for the following decades. Looking back from the late 2010s, it is clear that the two earthquakes of the world system in the late 1980s and the mid-2010s give the time horizon of the ECE story in this book; therefore they have to be outlined first, since the ECE historical trajectory took place between these two radical transformations of the world system. This book uses the terminology of Old World Order (OWO) and New World Order (NWO) for these world systems, and the transition from OWO to NWO began in the early 2010s and reached the turning point around 2015.

Beyond this general frame it is also necessary to indicate the two main waves of globalization, which have been organically interwoven with the changes in the world system. Globalization started in the 1970s, in its most visible form with the two oil crises, and it led first to the erosion of the state socialist system and later to the collapse of the bipolar world system in the late 1980s and the rise of the OWO. The second wave is galloping globalization or hyper-globalization from the late 2000s, again provoking profound changes in the world system as the emerging NWO. A transformation of global society has also taken place, since US dominance of the global system was very strong in the OWO, but its erosion has begun in the NWO. The global financial crisis indicated the weakening of the Anglo-Saxon world, and the NWO assigned a new role for the EU, which is highly important for the future of ECE as well. European global activity versus US decline can already be felt in the second half of the 2010s, because it has been formulated in many official
declarations that the EU has developed a global policy of its own – as will be discussed later.\(^1\)

The systemic change that started in the OWO provided favourable conditions for democratization and Europeanization in ECE, and it continued in the emerging NWO under more difficult circumstances in the age of uncertainty, but opening the window of opportunity to the renewal of democracy. Systemic change has been used in the political science literature in both its narrow and its wider meaning, indicating the drastic changes between the two social systems. In the early years it was the point of departure of the whole process in its narrow meaning, but for decades there has also been systemic change in its wider meaning. Thus, the ambiguity of the term comes from the early naive belief that these very sensational changes could be completed in a very short period, although later it turned out that they needed increasingly more time. Finally, over the last decade it has proved to be a very complicated and controversial development, not a linear and evolutionary progress. Therefore, after the presentation of early systemic change, this book will describe systemic change as a long and complicated process going through two main stages, before and after the turning point around 2010, leading to a ‘reverse wave’ in the terms of Samuel Huntington’s (1991) democratization theory. This chapter concentrates on the early systemic change when, within a few years, there was a revolutionary political and economic transformation in ECE. These important events and the new institutions have been described in many books and papers, but this enthusiastic literature is now only for the historical memory. As we see nowadays, only the democratic façade of states and governments was built in the ECE region, which has changed beyond recognition since this early transformation. The main task after 30 years is to analyse the recent radical changes again in a new approach in order to explain the internal contradictions of the long democratization and Europeanization process. It includes not only the basically positive role of the EU in this process but also its negative externalities, above all the impact of imported neoliberalism on the ECE political systems.

The first stage of the ECE story had a changing emphasis between democratization and Europeanization. The first stage until 2010 covered two different periods. In its first period, the 1990s, the focus was more on democratization, although there was at the same time an anticipatory Europeanization, while in the second period, the 2000s, the focus was more on Europeanization, which was also an adaptation to EU-specific democracy. At the very start of democratization the problems of the simultaneous transition and the historical deficits in ECE came high on the agenda, since the difficulties of the parallel transformations in
politics, the economy and society were enormous. In his often-quoted analysis, Ralf Dahrendorf (1990: 92–93) has explained the various time horizons of the basic transformations:

The formal process of constitutional reform takes at least six months; a general sense that things are moving up as a result of economic reform is unlikely to spread before six years have passed; the third condition of the road to freedom is to provide the societal foundations which transform the constitution and the economy from fair-weather into all-weather institutions which can withstand the storms generated within and without, and sixty years are barely enough to lay these foundations.

Dahrendorf’s statement is usually quoted in the abbreviated formulation that ‘it takes six months to replace a political system, six years to transform an economic system, and sixty years to change a society’, which has been summarized by Dahrendorf (1990: 99, 103, 105) himself by three terms: democracy, prosperity and civil society. To expand on this, he has added that ‘Sixty years may be an overly discouraging time horizon for civil society to become real … but a generation is needed at least, and perhaps in this respect too we have to wait for the “two turnover test” – though of generations rather than elections’. Dahrendorf often used the expression ‘valley of tears’ (originally ‘vale of tears’ in the Bible) in this book to emphasize the extraordinary difficulty and the length of the road to the new system, demanding two generations to cover it. He has done everything to reject the evolutionary, linear and simplified model for the emergence of the new system, but in vain. In this period of over-optimism he issued warnings about the automatism between these three transformations. Owing to the ‘continued misery’, he argued, ‘In East Central Europe, many unhappy combinations are thinkable … which bear an uncanny resemblance to the syndrome which gave birth to fascism in the 1920s.’

In his oft-cited analysis, Claus Offe (1991; see also Offe and Adler, 2004) has also warned about the danger originating from the simplified approach to the triple transition. He pointed out the virtual contradictions of the ‘dilemma of simultaneous transition’ between the political-legal and socio-economic transformations. For a long time, the warning of Dahrendorf and Offe was neglected and forgotten, but it has recently returned not only in the academic literature but also in public discourse. The political elites and the ordinary people often assumed that the political, economic and social dimensions of democratic transition would create a virtuous circle leading to a prospering market economy and democracy. The Western fallacy of the simplified modernization theory
presupposed a virtuous circle of legal-political, socio-economic and cultural-civic developments.

This fallacy provided an easy, quick and optimistic mode, and the other option was not considered, in which these transformations would disturb each other and they would produce a vicious circle, which is what has actually happened. This evolutionary model of copying the West in the East, or ‘blueprint thinking’, assumes that the West offers not only a general model of democracy but also a road map leading to its model. This Western road for the East promised sustainable economic growth on the socio-economic side, which would generate sustainable social development and participatory society (a strong middle class and solving the problems of social inclusion), and finally the ensuing prosperity would create sustainable participatory democracy as it has been described in the classical work of Pateman (1970; see also 2012). Namely, as it was perceived and promised in the age of illusions, the establishment of formal institutions on the legal-political side would generate strong informal institutions, and this rising mature civil society would play its proper role in mobilizing citizens for controlling the state. EU accession took place in a spirit of cautious optimism about membership and its benefits, but the populations have perceived a slightly worsening situation in the last five years and hoped for change (Online Appendix 2, Table XII). The unfolding process of triple crisis has demonstrated, however, that the legal transformations – including membership – have also unleashed a vicious circle in which the parallel economic, political and cultural transformations have weakened each other more and more.

THE HISTORICAL ‘ABSOLUTE’ DEFICIT AND THE ‘RELATIVE’ EU DEFICIT IN ECE

The simultaneous transition thesis has been very important for understanding the ECE developments, since at the start of democratization the ECE region had a serious socio-economic, institutional and cultural deficit compared to the West, as a historical heritage. It was also reinforced after the Second World War by the fact that this region was excluded from Western developments by the Yalta Agreement. I call this historical heritage an absolute deficit, which has been significantly increased since the accession by the relative deficit produced by the new requirements and challenges of EU membership. This cumulative absolute and relative deficit together has predetermined the historical trajectory of ECE in the last few decades to a great extent. Yet, in the optimistic mood of the 1990s, this absolute and relative deficit was neglected in
spite of the increasing difficulties coming from the different time horizons of legal-political, economic and social-cultural transformations.

The socio-economic deficit, or the lower level of economic and social development in an East–West comparison, was the first crucial issue, and the ‘catching-up’ problem will be analysed in Chapter 2, but in its complexity runs throughout this book. At the very beginning of systemic change the political changes were at the forefront, but, in simple, everyday terms, for the average ECE citizen democracy meant welfare. In political matters the institutional deficit was obvious, and the big historical project of democratization in ECE, or ‘democratic transition’, meant establishing proper public institutions from the civil society to the central government. In the democratization and Europeanization process – especially at its start – the most complicated issue was the cultural deficit, since the ECE region, owing to its cyclical half-modernizations historically, was not prepared for EU membership, either ‘objectively’, with its socio-economic and institutional deficit, or ‘subjectively’, with its cultural deficit.

As to the institutional deficit, the early systemic change was reduced in theory and practice to the formal-legal construction of democratic constitutional order, concentrating on the macro-level, although dealing to some extent also with the meso-level of the institutional structure. Already well before the EU accession of ECE there had been heated debates in Western scholarship about the basic difference between the formal and informal institutions, and the growing significance of the latter; the democratic transition was still planned and executed only in the field of the big formal-legal institutions in the naive belief in a magical top-down transformation for the entire institutional structure. Concerning the basic difference between formal and informal institutions, Douglass North (1990: 6) has issued a warning that

> Although formal rules may change overnight as the result of political or judicial decision, informal constraints embodied in customs, traditions and codes of conduct are much more impervious to deliberate policies. These cultural constraints not only connect the past with the present and future, but also provide us with a key to explaining the path of historical change.

Therefore the transfer of Western formal-legal institutions to ECE should have been handled with more care than was the case according to the official EU documents and related expert analyses. All in all, Western scholarship and especially European studies approached the East with evidence from the West, neglecting the problems of the big historical gap in the institutional architecture at all levels.
The issue of informal institutions in ECE was not raised in scientific debates and public parlance in the 1990s in its essence. This huge institutional realm – with the enormous burden of historical deficit – was reduced in the discussion to the simplified idea of weak civil society in the East. In the 1990s the most dangerous assumption was the automatic emergence of Western-type civil society in ECE, although some eminent scholars, like Ernest Gellner (1996: 10), were already emphasizing the specificity of the Western model in the 1990s. He highlighted the importance of participatory democracy with a vibrant civil society for the new democracies, but he warned against the commonplace of its easy emergence. At the same time he warned against the extension of the fashionable neoliberal view of civil society as a space of atomized individuals to all societies:

Atlantic society is endowed with Civil Society and on the whole, at any rate since 1945, it has enjoyed it without giving much or any thought. Much contemporary social theory takes it for granted in an almost comic manner: it simply starts out with the assumption of an unconstrained and secular individual, unhampered by sociological or theological bonds, freely choosing his aims, and reaching some agreement concerning social order with his fellows. In this manner, Civil Society is simply presupposed as some kind of inherent attribute of the human condition.

The issue of cultural deficit in the ECE region was not so high in the public debates of the 1990s, although this kind of ‘relative civilizational backwardness’ in comparison with the West in the patterns of political culture and in the modern skills of the mature industrial society was felt keenly. As an exceptional case, the cultural deficit or ‘civilizational incompetence’ was described by Sztompka. He pointed out that the accession process generated the dual effect of ‘triumph and trauma’ (Sztompka, 2000), since the ECE populations felt triumph in the process of ‘returning to Europe’, and at the same time were worried about their own lack of competitiveness, since they perceived themselves to be culturally incompetent in the incoming Westernized world. Nevertheless, despite the indications, owing to the euphoria, or ‘EU-phoria’, these worries were neglected. The overwhelming view among the politicians and experts was imposed upon the populations that the magic of democratization from above would work in the democratic transition, like the magic of Europeanization in the accession process. Supposedly, the EU would project its energy to all its citizens, and the people would soon become ‘civil’ and ‘competent’ in their Western meaning.

The key issue is that the Western fallacy of a quick and automatic catching-up process has marginalized the whole problematic of absolute
and relative civilizational deficits; therefore a theoretical reconceptualization is needed to outline the basic features of the socio-economic, institutional and cultural deficit. All three civilizational deficits have both an objective and a subjective side: namely, the objective side of the socio-economic deficit is the socio-economic structure, and the subjective side is ‘social capital’ (trust); in the institutional deficit the two sides are ‘institutional organizations’ and the ‘performance of institutions’ (good governance); and in the cultural deficit the two sides are the ‘human infrastructure of public services’ and ‘human capital’, or knowledge, skills, attitudes and values. Consequently, the socio-economic deficit will be described as social disintegration, or fragmentation/polarization, and the lack of social capital with its cohesion will be described as systemic distrust in low-trust countries. The institutional deficit will be analysed as the contrast of formal and informal institutions, and poor governance will be analysed as due to a lack of participative or inclusive democracy. Finally, the cultural deficit will appear through the decivilizational process as a disinvestment in the educational, health and social service system, on one side, and the relative devaluation of ECE citizens’ human capital in the innovation-driven economic growth, on the other.

This divergence between formal external and substantive internal Europeanization has run throughout ECE developments from the very start of systemic change and can be explained by ‘judicial integration’. Namely, Fritz Scharpf (2015: 386) has pointed out that the masterplan of the EU has been ‘the bypass of integration through law’, without any regard to the socio-economic preconditions and socio-political and human-cultural outcomes of legislative activity. Indeed, the Union has been obsessed with the legal transformations, but has neglected the real workings of the newly created big formal mega-institutions. The EU has focused from the very beginning on the transfer of formal laws and institutions, although the formal democratic institutions ‘perform differently in different political cultures because of informal codes and habits’ (Rupnik and Zielonka, 2013: 12). By means of this approach the EU has almost invited the ECE region to build democratic façades without an entire related democratic architecture in the new member states. The failure of the EU’s transformation power – or at least its limits – has been caused by the dominantly formal-legal character of democratization and Europeanization, without considering its economic, political and social context. The contrast and deep tension of external and internal Europeanization as a shallow versus deep integration run throughout the entire history of the ECE political system as a whole. External Europeanization has only scratched the surface in the ECE region, since all these democratization efforts were carried out in the spirit of ‘integration
through law’, i.e. mostly at the formal-legal level of the big constitutional institutions, remaining on the surface of institutional transformation and even more so of cultural-civilizational transformation. In this controversial process, the big transitory achievements had a built-in, predictable decline in these ‘sand castles’ of big legal-formal institutions. The ECE political systems were eroded by their own inherent contradiction from the 2000s onwards, when ECE democracy was emptied step by step, turning to de-democratization and de-Europeanization as real ‘Potemkin’ or façade democracies.

It has been assumed that the establishment of the big formal institutions accomplished the transition to democracy, so the ECE countries had become democratic and would stay democratic. Actually, in the first two decades of democratization the classical, democracy-supporting informal institutions remained rather weak. The big Western constitutional institutions were transferred to ECE without their socio-cultural environments and a proper social embedment. Hence sustainable democracies did not emerge in the ECE region, since meaningful political participation as the genuine lifeblood of the political system was missing. This institution building created only the formal institutions for (party) competition in the emerging ECE democracies, but it gave little opportunity for (citizen) participation, since the essential informal – mobilizing and supporting – institutions with patterns of civic political culture should also have been created in this process.2

Although the elaboration of a distinction between formal and informal institutions belonged among theoretically neglected issues for a long time in ECE, it has become clear that the establishment of the big formal institutions has been much easier in the young democracies than has the establishment of the corresponding supporting small informal institutions. The democratization process has proved to be much more controversial than expected, since it has produced a shocking asymmetry between formal and informal institutions, and as a result the big formal institutions have been eroded more and more. They have become only the legal-formal façade of these Potemkin democracies, although in very different ways in the ECE countries. As Antoaneta Dimitrova (2010: 138–139) argues, ‘If formal and informal rules remain different and do not align, institutionalization will not take place’ and the big formal institutions will turn out to be ‘empty shells without substance’. Summarizing the experiences of the early years of EU membership, Paul Blokker (2013: 2) has concluded that the EU has prioritized the formal institutions related to the rule of law, whereas it has overlooked the ‘sociological-substantive dimension to the building of constitutional democracy’. Blokker has described the distinction between the formal
and informal institutions in the terms ‘legal constitutionalism’ and ‘civic constitutionalism’. He has emphasized that the latter is the ‘dimension that involves democratic learning and deliberation, as well as engagement and participation’. All in all, democratic political learning, or cognitive change in ECE populations, has turned out to be the main precondition of sustainable democratization, while the former mainstream theories have basically considered the creation of the institutional façade sufficient for the establishment of sustainable democracy.

In the ECE’s historical trajectory the informal institutions have developed a dual face, with democratic and autocratic varieties, which will be discussed at length when we consider the second stage of ECE developments, in particular in Chapter 7. It is enough to mention here that in the ECE countries certain negative informal institutions, or clientele-corruption networks, came into being. The non-transparent clientele-corruption networks, or negative informal institutions between politics and the economy, have undermined the big formal institutions, so they have been responsible for the declining democracy, and these informal institutions have become the foundation of the populist parties. This process of emptying democracy as a result of the weaknesses of the ‘positive’, democracy-supporting informal institutions and the emergence of ‘negative’, clientele-based informal institutions has beenoverviewed in Rupnik and Zielonka (2013: 3, 7). Basically, to explain the reasons for democratic regression, Rupnik and Zielonka have put the contrast of formal and informal institutions at the centre of their analysis. They consider that so far the ‘political scientists have devoted considerable attention to the study of formal institutions in the region such as parties, parliaments and courts. However, informal institutions and practices appear to be equally important in shaping and in some cases eroding democracy, and we know little about them.’ In fact, there has been more and more of a ‘gap between the institutional design and actual political practices’, and hence no sustainable democracy has emerged.

Moreover, Rupnik and Zielonka (2013: 12, 13, 14) have pointed out the weaknesses of the former assessments by referring to the simple fact that the political debates across the ECE region have missed ‘the role of informal politics in undermining formal laws and institutions’. Altogether, ‘Over years, students of Central and Eastern Europe have acquired a comprehensive set of data on formal laws and institutions, but their knowledge of informal rules, arrangements, and networks is rudimentary at best.’ In such a way, the reason for the backsliding of democracy is that the ‘informal practices and structures are particularly potent of Central and Eastern Europe because of the relative weakness of formal practices. Informal practices and networks gain importance when
the state is weak, political institutions are undeveloped, and the law is full of loopholes and contradictions.’ Therefore, ‘cultural anthropologists are probably more suited than political scientists to study social networks’. Indeed, the collapse of ECE democracy has ended in a civilizational crisis, to be analysed in Chapter 9 of this book as a civilizational crisis from the point of view of the ‘cultural anthropologists’.

However, in the extremely naive and optimistic mood in ECE it seemed to be evident in the 1990s that EU accession would unleash magic transformations in the above-indicated legal-political, economic and social-cultural fields. It appeared most evidently in the magic of economic transformation that the introduction of the market economy would soon cause miracles in socio-economic development with the ‘trickling down’ of prosperity to all citizens. In fact, this neoliberal offensive produced unbalanced, fragile and dependent economies with polarized and precarious societies. Here the EU demanded a strict legislative programme and monitored it, but it was completely mistaken, since it was based on this magic of legal actions. These problems appeared at the very start, in the early 1990s, when the ECE countries tried to cope with the absolute historical deficit in the form of anticipative Europeanization. They switched in the 2000s to specific Europeanization as a special accommodation to the European rules as it was formulated in the Accession Treaties, which provoked a relative deficit and by the end of the second period had also aggravated an absolute deficit. The sharp contrast between the two historical stages is that in the first stage the ECE governments and parties carefully followed EU formalities in the rule of law regulation, whereas in the second stage from 2010 the incoming populist governments and parties were alienated from the EU mainstream and tried to circumvent EU rules and values. They cared only about the ‘semblance’, the surface or what the political system looks like. They pretended to be democratic, and they made conscious efforts to build an artificial façade for democracy imitation, using and abusing political PR to create a democratic image for themselves in order to hide the undemocratic substance of their regimes. Thus, the description of a political ‘event history’ leads nowhere in the ECE analysis.

The EU was not prepared for the Eastern enlargement either. The accessing Southern countries had been part of the Western community since the end of the Second World War, and had not needed a theoretical invention to assist them with membership, unlike the new member states, which were excluded after the Second World War from Western developments by the Yalta Agreement. In the Copenhagen criteria, by outlining the ‘conditionalities’ of accession, the EU did not elaborate any road
map, a special strategy for the Europeanization of ECE. The Copenhagen criteria only set some general requirements for EU entry in terms of democracy and competitiveness, vaguely indicating the need for the capacity of membership, but without any effort to design region-specific facilitating devices for the democratization and Europeanization process. No wonder that in the 2010s the topic of ‘Copenhagen revisited’ has returned with a vengeance (Nicolaidis and Kleinfeld, 2012). In the starkest way it has been formulated by the ‘Copenhagen dilemma’ as losing the EU capacity to influence ECE developments after accession. This systemic failure on the part of the EU is discussed in terms of the Copenhagen learning process in its several steps, and summarized in Chapter 8 as the Juncker paradox.

PERVERSE WESTERNIZATION IN ECE: THE EMERGING NEOLIBERAL HYBRID

Early systemic change produced a deep, quasi-complete disintegration as well as an ensuing complete reintegration of the ECE societies. In economic matters, introducing the free market was supposedly the main precondition of the catching-up process leading to welfare. This process will be described in this chapter based on the concept of ‘recombination’ and ‘reconfiguration’ of the old ECE and the new Western social segments, following in the footsteps of David Stark, who was an observer of these radical transformations at the time of the early systemic change in ECE. Therefore, reflecting on the explosive rapidity of the collapse of ‘communism’, and realizing that the changes were far-reaching and dramatic, Stark in the early 1990s was very sceptical about the ideal model of transition – ‘capitalism by design’ or ‘cookbook capitalism’ – in which all social sectors were supposed to change in a complete harmony of social integration as the modernization narrative promised at that time. Capitalism by design presupposed an ‘all-encompassing institutional change according to comprehensive blueprints’. Namely, ‘cookbook capitalism is that the system designers and international advisory commissions who fly into the region with little knowledge of its history tend to approach the problem of “transition” exclusively through the lenses of their own general models’. By contrast, Stark (1992: 17–18) concluded that ‘we find not one transition but many occurring in different domains – political, economic and social – and the temporality of these processes are often asynchronous and their articulation seldom harmonious’.3

Stark has emphasized against the dominant view of experts that ‘the structural innovations that will bring about dynamic transformations are
more likely to entail processes of complex reconfigurations of institutional elements rather than their immediate replacement. Being an observer of the actual transformations on the spot, Stark insisted on the controversial, multifaceted character of these radical changes, because, ‘Seen from this vantage point, transformative processes taking place in contemporary East-Central Europe resemble less architectural design than bricolage, construction by using whatever comes to hand.’ In this process of reconceptualization he admitted that ‘The terminology is cumbersome but it reflects the complex, institutionally intertwined character of property transformations.’ Consequently, ‘The resulting process will resemble innovative adaptations that combine seemingly discrepant elements, bricolage, more than architectural design. We should not be surprised, however, if the blueprints of foreign experts continue to figure in the transformative process’ (Stark, 1992: 22–23, 46, 52).

The recombination theory explains the nature of ECE systemic change, indicating for these ‘blueprints’ that the model was actually the dominant neoliberalism. Hence, the recombination of old and new segments produced the ECE hybrid neoliberal system, in which the new socio-economic segments came from the West as an ‘imported neoliberalism’ that was combined with the old authoritarian political segments from ECE history. In general, the ECE hybrid system has been based not only on the combination of positive developments in West and East, but also on that of negative features from both regions. In this spirit, facing the tidal wave of neoliberalism, Stark (1992: 54) has also formulated the main point of his criticism that ‘markets are but one of a multiplicity of coexisting coordinating mechanisms in modern capitalism’.

Some years later Stark (1996: 997, 995) completed his reconceptualization and described this controversial transition in great detail with the process of recombination. He elaborated the theory of ‘recombinant property’, meaning some kind of cross-ownership between the state and private property, conceptualized as the combination of these opposite sides. An especially important dimension of this recombination was that the recombinant property blurred the boundaries of public and private, and it resulted in the victory of the ‘private’ in a very special way, by using and abusing the ‘public’. These mixtures were viable hybrid forms, and were not inherently unstable or transitional, because by these hybrid recombinant formations the ‘actors respond to uncertainty in the organizational environment by diversifying their assets, redefining and recombining resources’. Stark indicated that this type of recombination also took place in all fields of society in this period of ‘social dislocation’. According to the recombinatory logic the discontinuity was counterbalanced by the reconstruction of the old elements in the ongoing social
reintegration. By recombining resources in the relative normative and institutional vacuum, i.e. suspended between one social order and another, the entire society undergoes the passage of transitory forms: ‘Change, even fundamental change, of social world is not the passage from one order to another but rearrangements in the patterns of how multiple orders are interwoven.’

Within this problematic, Stark (1996: 994–995) has characterized the emerging ECE recombination as ‘a social world in which various domains were not integrated coherently’, which will be presented in this book as the ECE neoliberal hybrid, given the ‘multiplicity of social relations that did not conform to officially described hierarchical patterns’. The collapse of former structures was accompanied with ‘persistence of routines and practices, organizational forms and social ties that can become assets, resources, and the basis for credible commitments and coordinated actions in the post-socialist world’. Moreover, in the ‘dense network of informal ties … we find the metamorphosis of sub-rosa organizational forms and the activation of pre-existing networks of affiliation’. This concept of recombination has basically changed the usual fatalist approach of path dependence as being captured by the past history: ‘Such a conception of path dependence does not condemn actors to repetition or retrogression, for it is through adjusting to new uncertainties by improvising on practiced routines that new organizational forms emerge.’

Stark’s concept of recombination of old and new elements, and internal and external effects, was a big discovery, and provided a new approach to the dual face of the ECE region. However, it was almost completely forgotten or pushed aside by the approach that considered the dominance of neoliberalism in the young democracies as evident and progressive. Therefore, the new mainstream literature avoided any analyses of heterogeneity and fragmentation in the new system, with unwanted pernicious side effects. The internal workings and real structure of these complex changes have never been analysed systematically and properly in ECE area studies, although this concept can also be a good point of departure for analysis of the ongoing Great Transformation, or transition to the authoritarian system, when again there has been a recombination of old and new, domestic and international elements. Moreover, the search of Stark for the unusual terms in which to express the particular nature of this region is equally valid for the present ECE situation.

Indeed, in the 1990s all social sectors changed radically, mostly beyond recognition, and they began working according to the opposite rules and values to before. In the permanent process of decomposition and recombination, dual and plural economies and societies emerged,
provoking an often-changing relationship between social integration and disintegration, or the rise of the precariat society. This was a rapid process, which can be qualified as a collapse, not only from the perspective of the political power of the former rulers but also from the economic perspective and, consequently, in every aspect of social life. The period of the transformation crisis has usually been taken to be the 1990s – until the relative stabilization of the main economic and political sectors – but the meaning of the transformation crisis can be extended to a much longer period during which the ‘Westernization’ of the major social sectors was more or less completed. With its deep and rapid change this was an unprecedented process historically; thus its direction was not properly perceived by the populations and elites concerned owing to the atmosphere of enthusiasm and naive hope of the ‘return to Europe’ starting in 1989, the ‘miraculous year’ (annus mirabilis). Since the early systemic change itself was something unbelievable as a miracle, and still it happened, people also believed for a while in the other magical transformations of the social life around them. However, the new system was built not only on the ruins of the old one, but also in fact by the ruins and with the ruins of an old, century-long system. The transformation process had two sides of discontinuity and disintegration and of recombination and reintegration. No doubt, in the first decade of systemic change the deep change took place on one side, but in the concrete processes of complex changes the new and old elements were combined for the viability of the new structures on the other. By the late 1990s it had resulted in a high level of status inconsistency in ECE societies, with its cultural twin of cognitive dissonance.

Thus, the trend of recombination has appeared in all social fields; not only have certain social strata been in an ambiguous, insecure situation, but so too has the entire society, including the winners, who were also politically dependent, since with greater or smaller changes in political power and their informal business connections they could become losers overnight. In this age of uncertainty the ECE people thought until the global crisis that – owing to the loss of security and predictability – the uncertainty was only transitory, but since the global crisis they have realized that this is the very nature of the new socio-political system. These three decades have been some kind of long, continued exlex, extraordinary or exceptional situation, when in the crises there have been constant references in public discourse to unique cases and extreme circumstances. It is not by chance that it has also been some kind of continued and ‘institutionalized’ state of emergency in many ways. The politically strong state from above introduced a system of crony capitalism, or a distorted market economy with constant unpredictable state
interventions for supporting its major international and domestic partners. Analyses since the global crisis have reintroduced the concept of patrimonial and/or rentier capitalism, with the detrimental effects of increasing inequality, which also hampers economic development in the developed countries. This is much more the case in ECE, with the newly politically established privileged positions forming some kind of new ‘feudalism’, in which social network analysis identifies emerging social ‘estates’ or even political ‘castes’ after 30 years owing to the longitudinal effects of the politically oriented ‘negative’ redistribution. This socio-political stratification has gone through the turning point in the 2010s, and the Eurofound reports (2017b, 2018) have amply documented the ‘frozen societies’ in ECE, basically with no upward mobility but with some downward mobility in the precariat.

The ECE states have been driven by imported neoliberalism in the direction of dependent development, with a dual economy of successful multinationals and weak, fragile, local small and middle-sized enterprises (SMEs), which has resulted in a dual society of Europeanized and marginalized strata. It is easy to identify the fragmented dual governance in the economy, with a huge contrast between efficiently working Western firms – making their relatively stable compromises with the government – and the remaining part of the national economy with its low performance. This low performance has produced a system of ‘status inconsistencies’ among the greater part of the population, with many contradictions in their economic, social and cultural status. Basically, nobody has bothered with the absolute and relative losers, or mass by-products of this politico-neoliberal hybrid. In this world of fragmented governance the social consequences of political actions have been unforeseen, unpredictable and unwanted, which gives a complex picture of chaotic democracy in the 1990s and 2000s, before the global crisis. Consequently, the ECE neoliberal hybrid on the semi-periphery of the EU has also evolved in the above-mentioned two stages. In the first, state-managed neoliberalism, it was a rising combination of the traditional strong, overwhelming state with the new crony capitalism and dependent development, which was studied earlier as the ‘varieties of capitalism’ in ECE (Bohle and Greskovits, 2007, 2012). In fact, this first hybrid has undergone series of changes with oligarchization and the emptying of democracy; therefore the ECE states have not been resilient during the global fiscal crisis and its aftermath. The second stage has created a much more mature form of state-coordinated neoliberalism, represented by the autocratic politico-business elites, producing extreme forms of hard populism from above, or velvet dictatorships with a democratic façade.
THE WESTERN BIAS AS A CONCEPTUAL TRAP IN DIFFERENTIATED INTEGRATION

The big differences among the member states in European integration have been so evident that the EU has needed a general conceptual frame within which it can be treated. The principle of differentiated integration (DI) has served for this purpose and has allowed a somewhat more flexible treatment of the core–periphery divide. But finally it has worked as a conceptual trap that has prevented the meaningful discussion of deep divergences, since it still contained the idea of linear, evolutionary development in its substance. There has been a huge literature on DI, and comprehensive works have both completely covered the history of this topic (Tekin, 2012) and provided an overview of its horizontal and vertical integration structures (Leuffen et al., 2013). This research has analysed all three DI dimensions: first, ‘differentiation of areas of political action (policy dimension)’; second ‘differentiation processes and decision-making within the EU (politics dimension)’; and, third, ‘differentiation of the institutional and constitutional architecture of the EU (polity dimension)’ (Diedrichs et al., 2011: 13). These works offer a good point of departure for DI research. At the same time I try to point out that they have developed a Western bias and have been based on the flawed concept of politically neutral DI; therefore a conceptual innovation is needed to provide a proper analysis of the special case in ECE.

The huge and impressive international DI literature has dealt almost exclusively with the problems of old member states. Paradoxically, although there have been many references in the mainstream literature to the drastic change in DI developments following the Big Bang-type Eastern enlargement, the particular character of DI in the new member states has remained under-researched. This DI literature has mostly discussed the impact of enlargement on the old member states and not the special DI development in the new member states. The main conceptual issue is that DI has been considered from the very beginning only as a vehicle for dealing with the ‘neutral heterogeneity’ in the EU in the policy dimension of socio-economic processes. Its political dimension (transnational decision-making process) regarding the participation of ECE countries in EU decision making has rarely been discussed. Finally, its polity dimension – the democratic system of institutions in the new member states as the embodiment of European values – has been completely neglected. Thus, DI has been reduced to the process of facilitating socio-economic development within the EU by the diversity of policy means. Consequently, the whole DI debate has been restricted
to the ‘technical’ side by marginalizing the politics and polity dimensions. Altogether, from among the three dimensions of DI, the *policy* dimension has been very well analysed, and the *politics* dimension has been studied to some extent, but the *polity* (the basic values of EU democracy) dimension has been largely neglected, although it would have been crucial in both the South and the East. Basically, it has remained evident that DI would not hurt European values and the structure of the democratic European polity. This issue came back with a vengeance as the violation of European rules and values in the 2010s, which is discussed in Chapter 8.

The EU has always been a ‘unity in diversity’, but this membership differentiation has still become more marked with the series of widening. In the case of polity DI, the Rome Treaty already stipulates that only *democratic* European states can be members of the EU. No doubt there can be various national models of European democracy, and this variety can also be considered as *positive* divergence in some cases. The issue of *negative* divergence from the democratic polity has been raised very belatedly, although not only the Eastern, but – much earlier – some Southern states would have deserved some closer inquiry. The EU has acted very restrictedly when tackling polity issues, and it has over-respected the sovereignty of member states. In fact, all member states have supported this low-profile approach, since all of them have wanted to avoid making precedents of interfering in the internal affairs of other member states. Nevertheless, the negative divergence had already occurred some time before the global crisis, and there was no proper EU reaction. Moreover, owing to the global crisis, democracy backsliding has become a widespread practice in some member states, which has produced an increasing democracy gap within the EU.

The Copenhagen criteria stipulate the democratic polity and also the ‘competitive policy’, since they prescribe the capacity of the member states to withstand competitive pressure within the EU. Policy DI was still necessary in the socio-economic developments because of the (growing) heterogeneity of the EU. In this policy aspect, however, there is an alternative between *progressive* divergence, or the creative capacity of DI for alternative developments, and *regressive* divergence, or lack of accommodation to changing external conditions. Even progressive divergence, as a policy instrument for catching up with mainstream development in an optimal way, has generated a lot of problems and complications. Nonetheless, in the last analysis, progressive divergence can also be helpful for the EU’s common future, given that through transitory stages and forms it may lead to a more convergent EU. Quite to the contrary, regressive divergence means refusing or avoiding the
necessary policy adaptation to the EU and/or to the changing external conditions. This non-compliance with the policy-oriented membership rules results in socio-economic backsliding with an increasing competitive gap.

Regressive divergence is at the same time a serious violation of the EU’s competitive model for mainstream policy development; thus it is harmful also for effective polity and politics DI. Obviously, all three types of DI divergence are closely interrelated. Their closest meeting point is in elaborating, executing and monitoring the strategic direction of socio-economic and political development in the member states. First of all, it is easy to point out that negative polity divergence produces regressive policy divergence and vice versa; in fact, they are different sides of the same coin. Thus, the high-performing thick democracies and low-performing thin democracies can be contrasted. The Commission as guardian of the Treaties has acted in many cases against regressive divergence where direct EU legal rules exist, but it could not go beyond a narrow understanding of the acquis, because the strategic direction of socio-economic development has mostly remained in the member states’ competences.

Finally, negative or regressive policy DI has produced a weakening political voice for the ECE region in EU transnational decision-making bodies, or a marginalizing participation in politics DI. The EU28 is much more than a multi-speed Europe; it is already a multi-floor Europe, since the different member states’ positions have been institutionalized, i.e. rather strictly arranged and legally regulated. In the EU’s operating system there are in fact four floors of institutionalized membership positions, with different decision-making potential in the EU transnational bodies. Therefore, it is not enough to refer to the deep divide between the core and the periphery in general, but also necessary to specify them as Core-1 and Core-2, as well as Periphery-1 and Periphery-2. Above all, ‘the core’ has two meanings. First, the developed and dynamic part of the EU (Core-1: West-Continental) has the fully effective membership of the Eurozone members with their deep integration and full decision-making capacity. There is also a DI-related meaning of ‘the core’, referring to the second group of countries that have followed (almost) all common EU policies except for Eurozone membership (Core-2: Nordic EU). It has produced partly effective membership given their more shallow integration in the political DI, since they do not take part in the vital decision-making process in the Eurozone. This situation can be formulated as the political status of euro opt-outs, because nowadays participation has become even more important owing to the further institutionalization of the Eurozone.
It is also important, however, in political DI to distinguish between the Southern and the Eastern periphery. The new situation defines the South as Periphery-1 with *partly marginal membership*, since they are Eurozone members at the legal level but have decreasing weight in effective EU decision-making processes. The East (Periphery-2), the group of new member states, has *fully marginal membership*; although some of these countries are Eurozone members, none of them – despite the growing influence of Poland – are among the real decision makers. As a result of the global crisis there has been an increasing differentiation between Core-1 and Core-2, as well as between Periphery-1 (South) and Periphery-2 (East). The South has in some ways fallen out of Core-1, since the previous formal attachment to it has mostly been a pseudo-convergence that has turned from an asset to a liability for Core-1 owing to the serious burden of their huge sovereign debts. Periphery-2 (East) has also declined in many ways, but its further socio-economic peripheralization has remained a forgotten crisis, a blind spot, relatively unnoticed for a long time in the EU. The decline of Periphery-1 is much more dangerous for Core-1, given that the South has been much more involved in the asymmetrical Eurozone integration, so for Core-1 much more is at stake in the South than in the East.

In my understanding this triple – polity, politics and policy – approach to DI explains the present situation in the EU better than conventional DI analysis. The triple approach makes it clear that basic divergence even in one country would hurt the EU as a whole. The divergence in ECE from mainstream EU developments has drastically deepened in the 2010s, and it has led to an open confrontation with EU rules and values that can be described in polity terms as a special analysis of violations of rule of law and European values by the ECE countries. Negative externalities and national resistance are a double evil in the ECE case, but in DI analyses both the ‘negative externalities’ of the EU in general and ‘national resistance’ to the EU rules by weaker member states in particular have been largely neglected. The conventional wisdom was that Eurozone integration would force the less productive members to undertake the structural reforms needed to modernize their economies. Contrary to these previous assumptions, modernizing effects from outside have not appeared that much in the South but rather in the North (see for example Fernández-Villaverde et al., 2013). As to negative externalities, the usual Western analyses have not targeted the real issues in the ECE case. The ECE region has become the direct semi-periphery of Core-1, since it has been closely integrated to the core countries by its production structures. This situation, despite its strong modernizing effects, has also unleashed
dependent development with some negative processes analysed in extenso in this book.

Thus, the main problem of ‘neutral heterogeneity’ mentioned above returns with a vengeance in the ECE case, since DI has been considered by the EU from the very beginning of ECE membership only as the legal-technical instrument dealing with policy DI in the EU, by not taking European values seriously into account in the polity as the democracy dimension. Mistakenly, it has been evident for the EU in the ECE case that their DI would not hurt European values in the democratic European polity. Originally the ECE road map was conceived only in the simplified terms of catching up with average GDP in the EU. The official EU progress reports were even conceptualized and documented in the GDP-based catching-up process, whereas already in the late 2000s ‘going beyond GDP’ was very high on the agenda in the EU. No doubt this type of ‘quantitative’ catching-up process was also a basic precondition for cohesive Europe as an elementary working of the ‘convergence machine’, but without ‘qualitative’ catching up based on sustainable social progress it proved to be not enough by far before the global crisis. At present, all the indicators show that ECE divergence has appeared first of all in the new qualitative socio-economic terms, and this has been the main reason for their competitive ‘backsliding’ under the pressure of the global crisis. The divergence of the ECE region from mainstream EU developments has produced a decline in all respects in democracy, governance and sustainability, or a complex deficit, and finally it has led to a blind alley in global competitiveness in terms of innovation-driven economic development. The main lesson from these painful ECE developments is that history does not move in straight lines.

NOTES

1. This book relies on the large datasets of the EU, international organizations and big policy – or ranking – institutes, clustered in five groups of tables according to the profile of these institutes (Online Appendices 1–5). It has to be noted that these institutes have widened and deepened their data systems significantly over the last few decades. These developing datasets on the ECE countries depict the very complex and paradoxical situation in the ECE countries, and therefore the data have to be seen in this complexity in order to understand their contradictory character. Namely, some general data reflect only the surface, while more and more detailed data reveal the actual situation ‘below’, in the deep processes. It is very important to see the tension between quantitative and qualitative catching up, and between the general and special rankings in global competitiveness, since these special rankings indicate the structural weaknesses.

2. This ‘democracy in transition’ has been described in many books, separately in the individual countries, or comparatively; see for example Demetriou (2013) with the ECE country chapters, especially the Cabada (2013) chapter about the very complicated Czech...
case with its very high level of cognitive dissonance in public opinion. 'Transitory democracy' will be described first in the socio-economic and then in the political transition in the following chapters. There are some important data in the tables in the Online Appendices for the first stage, but the recent, second stage since 2010 will be documented more in Part II of the book.

3. Neoliberalism will be systematically analysed in the two next chapters. Here the focus is on the theoretical introduction to recombination of the old and new, resulting in the hybrid character of the emerging new system.