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Transitions, Transformations and the Role of Elites

Heinrich Best *

Abstract: »*Transitionen, Transformationen und die Rolle der Eliten*«. The vast majority of social scientists have failed to predict the breakdown of European communism in 1989 and the same mischief occurred to most of the economists with regard to the international crisis of capitalism in 2009. My contribution argues that this failure was due to “linear thinking” of the observers involved and not to an inherent unpredictability of the phenomena in question. It is further suggested that we see here a fallacy of path-theory which ignores systematically the possibility of a trade-off between decreasing transaction costs of an established path and increasing opportunity costs of following the same path. Elites are the demiurges of change if the existing order threatens their status and they are the promoters of stability if a new order which is in their interest has been established.

Keywords: transition, transformation, democracy, market-economy, communism, elites, path-dependency, challenge-response-model.

It was an intellectually stimulating accident of history that the 20th anniversary of the *annus mirabilis* of 1989, which ushered in the triumph of democracy and market economy, coincided with the *annus horribilis* of 2009 when we saw the worst crisis of western capitalism since the 1930s. Both upheavals share, as much as they differ in other respects, one peculiarity: they were both unpredicted and they raised serious questions about the theoretical and epistemological bases of the social sciences. After 1989 sociology and – to a somewhat lesser degree – political science was in the focus of criticism for not having diagnosed properly the inherent instability of the social and political order of communist societies and polities of the soviet model. Economics profited in this period from being the master interpreter of the principles of market economy. In 2009 it is predominantly economics which was hit by an economic crisis which started with a sudden and fatal dysfunction of the international financial markets.

Both cases – the breakdown of communism in 1989 and the crash of 2009 – entailed a failure to predict these crises. The disciplines involved had one apparently good reason for their failure: that the crises they failed to predict were historical singularities, i.e. that they belong to a type of events which are by their very nature unpredictable. The idea is here that these events are produced by conjunctures or “intercurrences”, i.e. by the specific timing of otherwise

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completely unconnected streams of activity. The classical example is provided by Raymond Aron in his Introduction to the Philosophy of History and quoted in Paul Pierson's seminal 'Politics in Time' (2004): A man takes the same walk every day. On one occasion a heavy tile becomes dislodged from a building along his route. Depending upon the particular timing of these two streams of activity (strolling man, falling tile), the observed outcome will be radically different. If the two streams of activity produce a "conjuncture" the result is calamitous.

So, was the communist world or the world of financial markets hit by the proverbial falling tile? Do we observe here a Cournot-effect which requires an external intervention and the intersection of two otherwise unconnected causal chains at a specific point in time? I think we do not. Neither the communist system nor the financial markets were brought down by some externally inflicted disaster. Their crises emerged within these systems. They were self-inflicted and results of accumulative degenerative processes which finally led to their demise. These outcomes were predictable and indeed predicted by a few observers. If they were not predicted by the vast majority of observers this was basically due to a misperception of reality and not by some inherent unpredictability of the same reality. I think that we, and this "we" includes academics, are inclined to linear thinking, to a world-view which assumes as a natural given that what has been will be in the future as well, only better or more so. This concept underlies the idea of never-ending progress and has been theoretically canonized in modernization theories (Boudon 1994).

A formal basis for this kind of thinking has been developed with the notion of path-dependency, which is founded in the idea of positive feedback and increasing returns (Arthur 1988). In these concepts the established path enjoys an increasing premium against alternatives. The basic model underlying path-dependency is the Polya-urn process which links current probabilities to the outcomes of preceding (partly random) sequences. This process leads to an increasing attractiveness of any established path (Pierson and Scocpol 2002).

Path theory became a path of increasing epistemological attractiveness itself. In many respects it took the position functionalism had occupied thirty years ago. The problem is that path theory like functionalism is not very good in modeling and forecasting crises and crashes. It ignores systematically the possibility of a trade-off between decreasing transaction costs of an established path and increasing opportunity costs of following the same path, which may consequently become increasingly inefficient compared to other paths. Increasing path inefficiency may lead to a deep crises and even collapse of a given institutional setting (Best 2007).

An approach which ignores or fails to consider systematically this type of outcomes and the inherent non-linearity of historical developments is incomplete and fundamentally flawed. The Collaborative Research Centre "Social Development After Structural Change. Discontinuity, Tradition, structure

Building” has therefore followed a different path of theoretical thinking. We adopted the challenge-response-model which was originally introduced by the British historical philosopher Arnold Toynbee (1961) and matched it with recent theoretical concepts like Claudio Cioffi-Revilla’s Canonical Theory of Origins and Developments of Social Complexity (2005). It assumes an inherent nonlinearity of all developmental processes (Best 2007; 2004).

At this point elites and their decision-making come into play: Strategically positioned groups of actors in institutional and social settings respond to challenges which threaten the stability and security of the same settings. With their responses actors try to reduce insecurity and to stabilize or reestablish the social setting. From a successful response emerges an adapted setting which turns into a slower process of “probabilistic” transformation. In this process dysfunctions within the setting are likely to emerge which may develop into a new challenging threat to the reproduction and existence of the social setting i. e. into secondary challenges (Best and Becker 1997; Best 2007a).

In periods of transition, when established contexts of action become weakened or obsolete, elites are confronted with a double challenge: On the one hand the range of options they have to shape their polities and societies increases dramatically. For a historical moment everything seems possible except perhaps the continuation of the status quo. On the other hand, they loose in potency and efficacy because the institutions for the exercise and retention of power are gravely weakened or even disappear (Best 2007b). In this situation new contenders, counter elites and secondary elites appear on the scene and compete for strategic power positions. Elite-circulation – normally an incremental and controlled process – takes place erratically and chaotically. In these moments the fate of societies and polities depends on the willingness and ability to bring about comprehensive elite settlements which avoid the use of violence and the outbreak of outright civil war and which forge an agreement on the basic design of a new institutional order for the power system of a given society and polity (Higley and Lengyel 2000; Higley and Burton 2006). The agreements made in these circumstances have a chance to lay ground for a new institutional order and a stable elite setting if they create a win-win situation for all relevant elite-groups involved in the agreement and open up a wide time-horizon for their restrained competition as “associated rivals” (Best 2010). The new institutional order and the elite-settings which are established and formed at these critical junctures of history lay out a new institutional basis for social economic and political development. The future development evolves at a lower speed and in more settled institutional forms.

The title of this special issue: “Transitions – Transformations. Trajectories of Social, Economic and Political Change after Communism” embraces the full canonical sequence of challenges and responses, short term-transitions and long term transformations which bring about second-order challenges which in turn require new responses. We have deliberately refrained from imposing the chal-

lenge-response model on the contributions to this issue, but we are of course curious in which ways and to what extent this model may serve as a theoretical and heuristical tool for analyzing the great transformation after communism. If this tool and a look backwards covering the past 20 years to the beginning in 1989 help understanding our present crisis, we would be even happier. We believe that the period of post-communist transformation is over. We are not implying that post-communist societies and polities have successfully caught up to their western models. We rather suggest that the challenges they are confronting today result no more from their transition from communism to democracy and market economy, but from the dysfunctions of the democracy and market economy they have adopted in the 1990s.

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