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**THE IMPACT OF NINE SOCIAL GROUPS
ON SOCIO-ECONOMIC DEVELOPMENT
IN EASTERN AND CENTRAL EUROPE**

Abstract: This paper applies structure-actor analysis to present changes in Eastern and Central Europe. While structural analysis helps to identify broad economic potentials, the actor-oriented approach is important as a method to analyse options and barriers for matching these potentials at the micro level. This is especially important in an economy with fluctuations and a high level of uncertainty. Based on a preliminary contextual bottom-up analysis of social groups in Eastern and Central Europe, the paper identifies nine actor groups and their resources.

Key words: social processes and relations, East and Central European transformations.

1. INTRODUCTION

This paper contends that among the many different studies of the present changes in Eastern and Central Europe there are essentially two underlying competing approaches: a structural and an actor-oriented approach.

The structural approach would focus on the structural preconditions of the economy and society. This form of analysis often implies that socio-economic structures are seen as determinant of actors' choices and that actors have little problems in performing certain roles defined by the economic or socio-economic environment. However, there is evidence that this type of approach only partly is appropriate for analysing the present changes in Eastern and Central Europe and also for analysing the market economy as such. For one thing, in Eastern and Central Europe, the basic socio-economic structures are

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fragmenting and disintegrating. The collapse of the planned economy and the ongoing reform distorts the impact of socio-economic structures.

Furthermore, modern theories of industrial organisation claim that the market economy as such always in some sense is incomplete and characterised by factors such as non-price competition, asymmetric information, entry barriers, sunk costs, etc. Thus, according to these theories, the relation between actors and economic structures, and between actors and actors is always in some sense problematic.

Therefore, it may be relevant to discuss the potentials and relevance of more actor-oriented approaches that reveal the grey zones, social relations and arenas of the markets that are presently created, as well as the information problems and uncertainties within and between these arenas and actors. The 'actor', as understood here, is not necessarily an individual actor in the narrow sense, but a stylised representative social group that engages strategically in economic and social activity in order, such as for example 'industrialists', 'state-employees' or 'trade-agents'.

As for Eastern and Central Europe, these relationships can be described as the reluctance of actors to enter into strategic games where they, given the action of other actors, would acknowledge the relevance of second-best solutions to their aims and preferences. Part of the research task may consist in identifying the different representative groups, their practices and resources, and their options for engaging in competition and strategic interactions with one another.

Generally, this type of analysis implies that the focus is on the micro level rather than the macro level. Attention is devoted to a bottom-up analysis of contextual factors that influence the actors' understanding of their situation. As indicated, this perspective is important in order to investigate market relations within a realistic framework, since in real life there is no full information, complete markets, crystal clear preferences or unlimited rationality. This perspective on economic change may be regarded as especially important for understanding threats and opportunities in the creation of markets in Eastern and Central Europe.

Furthermore, even if actors, institutions and structures were less fragmented, one cannot explain today's industrial development with theory of Western Europe of the 1960s and the 1970s that argues that institutions and firms are closed and rational. As argued by ILLERIS (1993), development and growth is more adequately explained as a heterogeneous and open process, i. e. a 'mosaic' of perspectives, dependent on local and regional actors and resources (ILLERIS, 1993).

The method used here to identify the most relevant actors and arenas in Eastern and Central Europe is a snowball method. This is a bottom-up approach that investigates the actor in the social context rather than the objectives and

implementation of some policy. By means of interviews as well as analysis of certain written materials, the values of the actor, contextual problems and relationship to other actors are examined. By using this technique it is possible to identify competing actor-groups and alternative discourses. In principle, the investigation goes on until no more actors or discourses can be identified, i. e. when there is no more snow to roll on the snowball (cf. PEDERSEN and FUGLSANG, 1994, 1992).

In the present paper, however, the snowball method is used in a preliminary and rudimentary form to list in a tentative way the relevant groups or social classes that influence socio-economic development in Eastern and Central Europe. One could go much further with this investigation in order, for example, to assess the relative influence and size of the social groups, their weight and influence in different countries or sectors of the economy, their relationship to specific reforms, etc. This is, however, not the intention with the present analysis. Here, the purpose is to outline a method for conceptualising important problems at the micro level of matching economic potentials in Eastern and Central Europe.

2. STRUCTURES AND ACTORS

This section briefly explains the notion of structures, institutions, actors, arenas and resources as they are used in this paper¹.

Structures mean the underlying organisational principles of society, including the basic socio-economic, economic and technological situation that actors relate to. The concept includes the basic division of labour, the mode of production, the mode of consumption and the general socio-economic experience and practice of single socio-economic classes and groups. Hence, for example, in a Fordist production system, the basic structures have to do with the technology applied, the mode of production (economies of scale, assembly line) and intensive accumulation of capital, and the relations between mass-production and mass-consumption².

Institutions are organisational frameworks constituted through 'games' that regulate and intervene with the behaviour of actors (formally as well as informally). They include certain regular principles and routines for the utilisation and allocation of resources. Institutions can be formal organisations such as

¹ For a discussion of some of the oppositions presented below cf. also JOHANNISSON (1987) and FUGLSANG (1994).

² Cf. also the notion of accumulation regime of the 'regulation school' (BOYER, 1988).

public institutions or a firm and informal organisations such as family as well as an idea of good practice. As defined here, institutions often respond to strategic interactions (or games) where single actors, given the action of other actors, are forced to select sub-optimal choices (from an egoistic point of view). Once these choices are defined, institutions are needed to organise them since actors will not finance or organise them by themselves. One precondition of this institutionalisation of certain choices therefore is that actors as a minimum are prepared to enter into strategic interaction, and do not undermine institutional solutions by introducing alternative solutions that reflect their first choice. This is, in brief, what appears to be difficult in Eastern and Central Europe, where egoistic purposes and individual preferences dominate the games and prevent the construction of more stable institutions.

Actors are a somewhat broader category than normally understood. It is a distinct, relevant socio-economic group with some autonomy in relation to socio-economic institutions, equipped with certain preferences. Actors can try to influence the way resources are mobilised by creating arenas where they seek to control the rules of the game. The actor-oriented analysis includes investigation of actors' intentions and motivation, their political ideas and resources.

Arenas are 'social relations' of the market that mostly reflect egoistic strategies. Hence, the market economy is not merely constituted through price competition and transactions with goods but also through different kinds of social relations that enforce individual preferences on the market. These can take the form of advertising, reputation, goodwill, quality control, networks, clubs, or even Mafia-like organisation. The social networks and arenas of the economy tend to be important where markets are extremely incomplete and institutions are weak. Here, there is a tendency that many transactions of the economy take place through alternative networks and contacts. This grey zone of the economy between markets and institutions may be extremely important in Eastern and Central Europe, though not very well exposed.

Resources, as understood in this paper, cuts through some of the above concepts. Basically, we understand resources not merely in terms of investment, capital or raw materials, but also as related to organisations and relationships between organisations in an open and dynamic organisational context. Hence, in our interpretation, resources are the ability to mobilise manpower and investments within and across organisations. Reputation, strategic leadership, normative considerations, and political interests play an important role for the resource policies of a single actor group.

Finally, for the purpose of this paper, the **bazaar economy** must also be defined. The bazaar is here understood as an extremely incomplete market with strong social bonds and asymmetric information between social groups about

prices, quality and quantity of the products available. The bazaar creates, on the one hand, some fundamental conditions of economic growth. On the other hand, because of its arena orientation, it may undermine other social and political institutions.

In a relatively stable society such as the one described as the Fordist industrial society (cf. e. g. BOYER, 1988), transactions will normally take place through institutions/organisations or market relations, and actors enter into a number of strategic games where preferences in relation to institutions are revealed. Actors do not want to take risks by making independent choices, wild investments or radical changes of behaviour. They are risk-averse. In addition to this, from a sociological point of view, there is often little reason for individual actors to deviate from average standards and norms. They reflect what socio-economic groups experience as reasonable rules of the games. Under such socio-economic conditions it makes sense to analyse the structural preconditions and balances, and search for coherent development models with distribution of welfare, etc.

However, as mentioned, in Eastern and Central Europe the relation between actors and institutions has become more chaotic. Under these circumstances the relation between actors and structures are not mediated in an important way at the institutional level or by the market. There are few 'strategic games' or negotiations where actors – as a result of this strategic interaction – acknowledge suboptimal solutions given the choices of other actors. Instead, actors stick to egoistic preferences and narrow social arenas.

In table 1 some typical features of the structural and the actor-oriented approach are summarised in a schematic way.

Table 1. The structural and the actor-oriented approaches

Specification	Structural approach	Actor-oriented approach
Institution	Hierarchical, rational	Guideline, regulation
Market	Division of labour	Competition
Individual agent	Perform role	Trade, 'act'
Capacity of individual	Adapt to role. Transmit competence within institutions	Intention to act rationally in accordance with personal interest
Structures	Determinant, homogeneous	Aggregation of individuals
Political system	Corporatist, consensus	Pluralist, conflicts
Level of analysis	Macro-level – top-down analysis	Micro-level – intentional analysis

Table 2 presents an arena oriented approach, which is relevant when markets and institutions are extremely incomplete as for example in Eastern and Central Europe.

Table 2. Arenas

Specification	Arena approach
Institution	Fragmented
Market	Extremely incomplete
Individual agent	Centred around strategic arenas and social networks
Capacity of individual	Act within a strategic and normative framework. Enforce individual preferences on institutions
Structures	Constitute resources and norms that 'influence' (though not determine) actors. Actors try to conquer resources
Political system	Networks, arenas
Level of analysis	Meso-level - bottom-up, contextual

3. RELEVANT SOCIO-ECONOMIC GROUPS

The following section presents – in a rudimentary and preliminary form – nine relevant socio-economic groups of economic and industrial change in Eastern and Central Europe³. The purpose is to make clear that there are competing groups in Eastern and Central Europe and different barriers and options at the micro level to match economic potentials.

These groups can be said to be centred around strategic arenas and social networks, they act within a strategic and normative framework and they are disintegrated from, though still influenced by, socio-economic structures, norms and resources. They are surrounded by fragmenting institutions and extremely incomplete markets and they are strongly affected by different aspects of non-price competition, entry barriers, asymmetric information and so on.

³ The notion of the relevant social group as presented here comes out of the sociology of technology where it means a group that is bound together by a specific conception of a given technology (cf. PINCH and BIJKER, 1984). In this paper, the notion of the relevant group is used much like interest group in political science literature. It also has something in common with the notion of concerned user group present in discussions of Technology Assessment (SMITS, 1990).

The groups are listed on the basis of interviews during the period from 1990 to 1993 with a number of different actors in Eastern and Central Europe (especially the Baltic States, Poland, the Czech Republic and Slovakia), using the snowballing method as previously described. Nevertheless, the groups should be seen as stylised and what is presented may first and foremost be understood as theory that can help conceptualise and pay attention to certain problems at the micro level.

It should be mentioned that peasants are not included as an independent group, since mainly industrial development is in focus. Neither is the Mafia described as a socio-economic group, because information about this group is very insecure. Moreover, the Mafia is more a cultural phenomenon than a specific socio-economic group.

3.1. The revolutionaries

The revolutionaries have their background in the underground opposition to communism during the post world war period. This group has been able to accumulate intellectual and political influence during the post world war period by various pragmatic strategies and through private organisations such as the church or various cultural organisations. This group has been able to gain political power in the first phases of the reform process and has supported the building of new institutions that play a formative role at the political and organisational level and hence in economic development. The group constitutes an informal network with common visions of the reform process, the market economy and the relation between East and West. The most extreme strategy of this group is the Polish 'big bang strategy' that in one strike removes the planning economy and replaces it with new institutions of the market economy. This group does not have, however, a naive idea of the market. The agents of this group have been involved with Western societies and the Western market economy in their previous career. They believe in the importance of networks and institutions within the market. However, their motivation is mainly political and not economic. They want to get rid of the communist cadres and open the game for new actors and institutions. They share a liberal vision of the role of the single actor in economic life.

3.2. The reactionaries

This group has its background either in old communist cadres or in nationalist groups. The reactionaries today constitute important networks that in one way or the other have control over important financial resources. The role of

these groups is difficult to evaluate since they operate across socio-economic groups, public institutions and private firms and not in an open and direct way. Their strategic impact on actors is at the cultural level through information and pressure. There are many dubious myths about this groups (for example that they have important offices under the Red Square in Moscow). They do undoubtedly play an important role, and their role has not been decreasing since the recent elections in Eastern and Central Europe, where representatives of the earlier communist parties have regained power in many places. The vision and strategy of this group is to bring socio-economic and political order back into society and re-conquer control over political and socio-economic institutions. They have support from many sides because of the present negative economic effects of the reform process. They operate on a political and socio-economic arena, where they also seek to obstruct the reform process using – by western standard – undemocratic methods. They do not support the building of new institutions.

3.3. New rich communists

These are former communists who operate mostly on an economic arena, using special information and contacts in East and West to benefit from the present changes, for example by buying and selling state property, buying and selling manufactured goods to the West, or speculating in currency. This group is dominant in economic transactions. It operates within a well-functioning, pragmatic network that mostly attempts to earn money. Though representatives of this group are in many ways loyal to former party fellows (through whom they get access to capital and the public sector) they seldom take political risks. Their strategic impact is economic and 'cultural', but their motivation is individualistic. The new rich communists will almost for sure benefit from the present economic changes.

3.4. The new rich

This group consists of new economic actors who have earned their money in a diversity of ways, for example by exchange of commodities or transactions on the black market. This group is extremely individualistic, and the visions and strategies of the members of this group are entirely dedicated to earning money which is spent on luxury goods. The new rich are mainly occupied with trade and not with manufacturing or service production. One problem for this group is that it seldom reinvests profit internally, but prefers to transfer money to Western banks. However, the group generates some capital at the local level and may in the longer term underpin a dynamic learning process and accumulation

of capital. The weakness of this group is its isolated position in relation to the old networks and cliques. Thus, the members of this group are not a stabilising factor in the economy. They do not contribute to the building of networks and institutions. Often, they play an accidental and random role. Their strategic impact on society is limited. Many of the transactions that these people offer have little relevance for the rest of the society, as they simply earn profits at the bazaar.

3.5. The entrepreneurs

There is a growing number of small and medium sized firms in Eastern and Central Europe. These are mostly established by entrepreneurs in the service sector, including business services and user services. Some entrepreneurs also establish manufacturing companies. The entrepreneurs are often well educated and have their background in the public sector or state owned companies. Because they are up to date with certain organisational and technological trajectories of these institutions which inspire them to establish new business (for example product development trajectories), they have a longer time horizon than the new rich. They also produce for the local market, and have strategic impact of the industrial structure. They have, however, very few resources and often bad connections to banks and the public sector, which limits their influence. By contrast, they are dependent on family networks and new institutions such as producer service institutes. This group seldom operates on the political arena and is seldom organised in interest groups such as trade centres or industrial societies. They could probably strengthen their position if they were better organised.

3.6. The employees in companies

This is a large and heterogeneous group employed for example in large state owned companies. They have no direct political or economic influence, but can organise strikes and in this way block the privatisation of large firms. The employees are faced with the risk of unemployment as a result of the introduction of the market economy that require more efficient companies. The reform process is dependent on the well-being of this group. In the long term, the success of the reform process will be measured by the living standard of the employees. If the Eastern and Central European markets shall grow, it is also important to make the labour market more flexible and mobile, educate the employees better and offer them more socially acceptable living conditions. This group constitutes an important buying force for all kinds of goods produced for the local market.

3.7. State employees

The state employees are not professional administrators like in most Western countries, but often recruited through a career within political parties and other networks. Cliques and nepotism is undoubtedly still important for state employees. This group is therefore not always driven by professional standards and traditions which is clearly a problem in the reform process. The state employees have little independent visions and strategy in a socio-economic sense. By contrast, they operate in relation to networks, and information between these groups is, as previously mentioned, asymmetric and fragmented, which means that the division of labour within the administrative apparatus is rather chaotic. In various ways, state employees may be more or less powerful than their superiors-politicians. Here again, social networks and groups play an important role in the control of resources.

3.8. Leaders of new organisations

A new type of leader has emerged in connection with the establishment of new institutions, such as producer service institutions, information centres, trade centres or international offices of various kinds. These leaders have many differing profiles, and are in general more independent and visionary than their fellow state employees. For example, some of them are influenced by international standards. Thus, some may have a rather strong performance with good local contacts and a certain openness toward the West. This is not a rule, however, as these groups are forced to deal with cliques and clientism. The vision of the leaders of new organisations is generally to improve norms and standards, but often they are unable to do so, because of the conflicting interests around them and the little interest of these groups in norms and standards.

3.9. The intelligentsia

There are very few members of the group of critical intellectuals who formulate visions and engage in alternative developments. The reason is perhaps that these groups were rare under communism for various reasons. Moreover, during the past years they have been recruited to the administration where they have developed more pragmatic views. Another reason is the lack of success of the reform process that has undermined the energy of this group. The strategic impact of this group lies at the discursive and normative level. The intelligentsia may be able to influence the socio-economic structure through public debate and

the mass-media, and by seeking alliances with the employees of state companies and other social groups.

Table 3. The nine social groups

Socio-economic group	Resources	Arena	Strategy
Revolutionaries	Private organisations, networks, new institutions	Policy-making	Quick structural changes, new institutions, collective strategy
Reactionaries	Cliques, closed networks	Policy-making at the informal level, alliance with nationalists and populists	Conservative, cultural impact, undemocratic methods
New rich communists	Contacts in administration, private capital, access to resources from the old system	Economic transactions exploiting contacts and networks	Pragmatic impact through individual economic transaction and contact to networks
New rich	Accidental/random accumulation of private capital	Trade between East and West, the bazaar, accidental arenas	Super-individualism, face to face impact
Entrepreneurs	Few contacts and resources, good human resources, networking	Spin off from large companies. Family ties, markets for services and commodities, the bazaar	Moderate individual impact through new institutions and family relations
Employees	No resources except labour	Economic	Strike, revolt
State employee	Resources through cliques	Policy-making Underground	Pragmatic relation to competing networks
New leaders	Resources through new organisations	Policy-making, economic transactions between East and West	Co-ordination of groups, impact through information
Intelligentsia	Few individual resources	Public debate, mass-media	Critique, public debate, alliance with state employees

It is true that some of the above mentioned socio-economic groups (table 3) are more confident and game-oriented than others, and some groups are more egoistic than others, as sketched in figure 1. But the overall picture is, however,

that fragmentation prevails between the groups, and that the groups are organised through social arenas and networks that are non-market oriented.

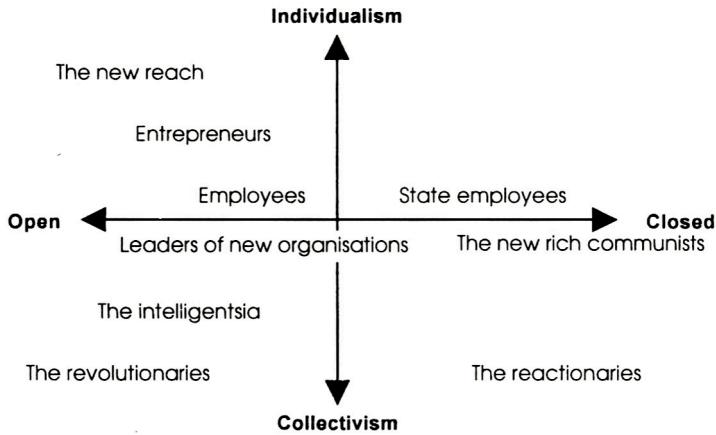


Fig. 1. Socio-economic groups and their behaviour

4. THE INFLUENCE OF STRUCTURES ON THE ACTORS

The new Eastern and Central Europe has inherited a number of resources from – and is ‘path-dependent’ of – the socio-economic structures of the old Eastern and Central Europe, such as the large production systems, educational institutions and certain broader routines of society as a whole. One serious problem is, however, that these trajectories are presently destroyed by individualistic purposes.

Below, four groups of resources are very briefly sketched along these lines: the industrial structure, the educational system, the state, and the networking culture and bazaar economy. It is suggested that these preconditions are not necessarily negative but tend to be used in a negative way.

4.1. The industrial system

Eastern and Central Europe is not underdeveloped. On the contrary, many of the countries of Eastern and Central Europe have in some industries and places been ‘over industrialised’ in order to serve the Soviet economy with many large companies. For example, before 1990, less than 1% of the companies in the EU employed more than 500 persons while in the Soviet Union over 60% of the companies employed more than 500 persons. In the Baltic States, Lithuanian companies employed 850 persons on average compared to 163 in the EU.

The production and manufacturing system is one 'competitive advantage' of Eastern and Central Europe despite of the many problems of inefficient organisation and management, etc. A likely and unfortunate scenario in the short term is that the industrial system and companies literally are broken into pieces and exported by local trade companies. Moreover, the threat of unemployment prevent inefficient firms from closing or modernising.

If the industrial system is not modernised, actors will be motivated to pursue short-term strategies. Industries will be used in short-term speculation. Large companies will survive simply because it is too difficult to close them without economic, socio-economic and political problems.

4.2. Education and R&D

Today it is sometimes forgotten that an educational system and R&D programs were created in the Soviet Union and Eastern and Central Europe which were as good as those of the West in some important technological fields such as space programmes and computer technology.

There still exists an overwhelming potential of knowledge and human resources which can be utilised if these forces are up-dated and up-graded, the organisational set-ups changed, new resources provided and links established between industry, research, and education.

Unfortunately this is not always the case. The R&D programs, such as those conducted in the laboratories of the Academies of Sciences, and the educational system, are in the midst of slow changes that lead to interest fights. The budget is cut, the brain drain is significant, and funding for new education often goes through the most wealthy people. Furthermore, there is now institutionalisation and professionalisation of know-how, since know-how is colonised by individual commercial interests.

4.3. The state

The popular assessment of the state is negative in Eastern and Central Europe. The state is not welcomed as an organiser and co-ordinator of basic social, economic and political activities and producer of key public services and goods.

This explains why the state-apparatus is fragmented and atomised into bits and pieces that are exploited through individualistic strategies. For example, public goods and services such as machinery in public enterprises, permission to do business or participate in different projects, etc., are subject to various private strategies. Furthermore, different state bodies become arenas for the

socio-economic groups. In addition, low salaries for state employees, low social prestige related to state jobs, state institutions with low authority and the negative attitude to the state in general reinforce the undermining of the state as social-economic force and turn it into an arena for still more 'private' ambitions.

4.4. The networking culture and bazaar economy

At the time of 'economic of shortage' many survived through networking and black markets. They belonged to networks based on families, friends, workplaces, and contacts to the communist party or the state administration. Networks and networking and the black markets were self-organising units that existed side by side with the official system. They sustained a secret system of resource allocation between official institutions and individual actor-groups.

Under the reform process networking and the black markets have survived in a new form, the bazaar economy. The bazaar economy is, as previously mentioned, dominated by social relation and asymmetric information about prices, quality and quantity of the products available. The bazaar may create some fundamental conditions of growth. Because of its arena orientation (as previously defined), it may also undermine other social and political institutions that – under the conditions of incomplete markets – could take care of the transactions. The focus of this economy is on short-term concerns like: where to do the lobbying? who to get in contact with? who to bribe? who to deal with? Most decisions and agreements are kept in an informal, oral language. There are no standards for contracts or other business transactions.

In this egoistic economy, it is difficult to introduce strategic games or negotiations that can help define norms and standards. As previously mentioned, one problem is that strategic interactions – from an individualistic point of view – lead to suboptimal solutions because the single actor is dependent on the actions and preferences of other actors. The bazaar economy is problematic because in general it will not motivate actors to take the action of other actors into consideration (like in strategic games), but to search actors that match individual preferences.

5. CONCLUSIONS

The problem in Eastern and Central Europe is to come from a chaotic situation to an evolutionary one. This problem may – along the lines suggested here – be translated into a problem of introducing norms and standards and more stable social relations or 'strategic games'. How to do this is unfortunately still a

difficult problem that probably will require the existence of, for example, independent international institutions that bring with them certain rules from home.

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