

Making Capitalism Without Capitalists: Szelényi's Homage to Bourdieu's Theory of the Forms of Capital

Many sociologists have been trying to draw from Bourdieu's very rich theoretical treasury, particularly students of the reproduction of educational inequality and scholars engaged in social stratification research. Bourdieu's theory of various forms of capital, one of his shortest (and sharpest) works, has found its heartiest response among scholars striving to understand the post-communist transformation. Bourdieu's concept of convertibility among economic, cultural and social capitals has given birth to a number of vital hypotheses on the change in social stratification, determinants of life-success, and the formation of new elites in transforming societies.

Those who have ever tried to test hypotheses derived from Bourdieu's theory are aware of the great difficulties involved in doing so. Bourdieu's thoughts, penetrating the deepest layers of social reality, are not easy to transform into testable hypotheses, and even success in the first step of empirical verification does not necessarily lead to the accomplishment of the whole exercise, because even the most suitable data and the finest analytical tools may still be unable to reach the substance of the processes of social reproduction which Bourdieu addressed. This shows that an equally important condition of success in dealing with such hypotheses is the researcher's courage and passion to go beyond the data and apply the kind of sociological and historical insight that touches the substance and reveals the story of the interaction between the social, economic, cultural and political dimensions in social reproduction.

If one had to name the best example of success in the application of such a demanding approach, the book *Making Capitalism Without Capitalists. The New Ruling Elites in Eastern Europe*, written by Gil Eyal, Iván Szelényi and Eleanor Townsley, would certainly rank very high among the favourites in this contest. This is no surprise. Iván Szelényi has been one of the most passionate students and commentators of communist political regimes and societies. In the times when reliable empirical data on communist societies were rather rare, his books and articles, based on

sharp sociological and political insights, were for decades a source of irritation for communist leaders. His first book, *The Intellectuals on the Road to Class Power*, which he wrote with George Konrád and which was published in 1979, indicated what would be his main scholarly and research interests for many years to come: the reproduction of social inequality, the formation of class structure and political systems in communist and post-communist societies. Most of his publications on state-socialist society e.g. *Social Inequalities in State Socialist Redistributive Economies* (1978), *Prospects and Limits of the East European New Class Project* (1986), *Socialism in an Epoch of Crisis* (1988), *Socialist Entrepreneurs* (1988) addressed the key issues which sociologists who had to live, work and publish in communist countries were prevented from addressing without ideological constraints.

When the communist regimes in Central and Eastern Europe collapsed in 1989, Szelényi became an equally zealous student of the post-communist transformation, which in fact has been an ideal laboratory for testing Bourdieu's hypotheses regarding the role of various forms of capital and their conversions in the reproduction of inequality and in shaping life-success. Szelényi's contribution to the study of transforming societies consisted not only in his research, sharply focused on the most important processes that have shaped post-communist societies (market transition and its consequences for the development of inequality and social stratification in the early stage of the transformation, the formation of new political, economic and cultural elites, the crystallisation of the new political culture, the political spectrum and the development of patterns of voting behaviour), but also in introducing his post-graduate students to research projects addressing this unique process.

The book *Making Capitalism Without Capitalists*, which Iván Szelényi wrote with Gil Eyal and Eleanor Townsley, arose out of an extensive comparative research project entitled 'Social Stratification in Eastern Europe and Circulation of Elites' which Szelényi directed together with Donald J. Treiman. However, aware of the complexity of the phenomena they set out to explain (and not only describe), the authors did not limit themselves to the empirical data on elite re-

cruitment in five post-communist countries. Instead, they set for themselves a much more ambitious plan: "[to] offer a new theory of the transition to capitalism, by telling the story of how capitalism is being built without capitalists in post-communist countries". (p. 1).

Indeed, a novelty the theory the authors offer is its provocative hypothesis that capitalism built in post-communist Central Europe, at least in its initial stages, is historically a new form of 'capitalism without capitalists', or capitalism built on the 'spirit of managerialism'. In their view, the post-communist transformation is a "distinctive new strategy of transition adopted by technocratic-intellectual elites in societies where no class of private owners existed prior to the introduction of market mechanisms". (p. 1).

From the theoretical point of view the book aspires to arrive at a synthesis of two competing theories of social change applied to the post-communist transformation: *evolutionary theory* (state-socialist institutions are replaced by new ones known to work in market economies, and the system begins to work in a similar way because the actors learn how to operate within the new constraints) and *path-dependency theory* (the functioning of new institutions is constrained by the values, habits and patterns of behaviour inherited from the old system).

To achieve the promised synthesis, the authors draw on Bourdieu's theory of the forms of capital. Their central claim is that "those who maintained their relative social trajectories in the face of change were those who possessed more than one kind of capital, and were able to convert resources when the social assets defining 'success' were altered. [...] The logic and laws of Central European social stratification have changed profoundly in this century. People who are now over fifty or sixty years of age have lived in at least three distinct social structures: in pre-communist society, under communism, and since 1989 [...] in post-communism. These three different 'space structures' were characterised by strikingly different criteria of ascent and descent, so a person would have had to possess quite different types of capital to remain successful over time. In order to stay on a trajectory to the 'top' an individual had to learn to navigate these changing 'space structures': to learn

how to dispose of devalued types of capital and acquire those types of capital that had increased in value; they also had to learn how to convert old, now devalued capital into a new, more valued type." (p. 22).

Simply put, applying and slightly reworking Bourdieu's theory of various forms of capital allows the authors to build on the general assumption that in the course of the transformation, people try to reshuffle the portfolio of various forms of capital (economic, cultural, social, political), to get rid of forms of capital which are losing value (former political capital), and to convert them into forms that are becoming more valuable (e.g. economic capital). Thus, in contrast to the evolutionary theory, the authors emphasise that in order to succeed, individuals should be able to adjust their social trajectory and behaviour to the new conditions, in which elements of the past are still present.

Five main theses are presented and elaborated to support the proposed theory. The first thesis actually builds on the role of 'learning' to cope with the new conditions: 'learning is not *copying* but *copying*', the authors argue, and present the hypothesis that cultural capital is the main source of power, prestige, and privilege at the early stage of the post-communist transformation. Addressing the advocates of 'political capitalism' (who argued that the old cadres would become the new capitalists simply by converting former political capital into economic capital), Eyal, Szelenyi and Townsley (EST hereafter) emphasise that the possession of economic capital (regardless of its main source) places actors only in the middle of the social hierarchy, and that the direct conversion of former political capital into economic capital is only exceptionally a successful strategy. Success in the conversion of communist privilege into its post-communist equivalent comes only if social actors possess a significant stock of cultural capital (education). Less educated cadres of the nomenclature who relied just on the direct conversion of their former political capital without being able to adapt to new conditions were more likely to experience downward mobility or early retirement.

The emphasis EST put on the role of cultural capital is consistent with their second the-

sis, according to which the leading group of the early stage of the post-communist transformation recruited primarily from among the intellectuals and the well-educated former socialist technocrats. As an explanation for this proposition they argue that state socialism constrained the development of a class of private proprietors, and the 'cultural bourgeoisie' had to assume the historic mission of creating capitalist society and a corresponding economic order.

To understand this argument and the very nature and role of the 'cultural bourgeoisie', whose mission was already anticipated in Szeleányi's first book (*The Intellectuals on the Road to Class Power*), EST make a historical excursus to the role of the 'Bildungsbürgertum', a social class whose importance in the history of Central Europe has been emphasised by the German historian Jurgen Kocka. Intellectuals in Central Europe, as Kocka argued, have long been attracted to various ambitious historical projects of modernisation through reshaping their societies. The first 'project' of this educated middle class aimed at fostering the modernisation process of the 19th century, when the 'Wirtschaftsbürgertum' (the business middle class) was still too weak to fulfill this role alone.

The second historical project of the 'Bildungsbürgertum', this time inspired by Marxism, aimed to promote the idea of modernisation through bypassing capitalist development. The anti-bourgeois ideology found very strong support after World War II particularly in East Central Europe. Finally, the third intellectual modernisation project undertaken in Central Europe was conceived during the communist era by dissident intellectuals. Their aim was to overthrow the communist order and to modernise society by creating capitalism without capitalists.

The collapse of the communist regimes in fact opened the door for this third historical project of the Central European educated middle class. However, it very soon became clear that no single segment of the 'intelligentsia' could undertake it alone. For this reason, an uneasy alliance of former dissidents, reform economic technocrats (monetarists), and former socialist managers was formed. The dissidents had the *moral* legitimacy to become the political leaders

of the transformation, and economic technocrats possessed the *theoretical* know-how for the economic transformation (monetarism), while former managers of socialist enterprises offered their *practical* experience to run the enterprises and to navigate them through the stormy waters of the privatisation period. This uneasy 'marriage of convenience rather than love', as EST describe this 'coalition', gained the necessary power to become the leading force behind the transformation.

The third thesis claims that this alliance of dissidents, economic technocrats and former socialist managers, gave birth to a spirit of managerialism – the specific ideology of the post-communist transformation. As EST emphasise, managerialism does not necessarily mean that managers or economic technocrats actually govern, it rather means that acting together they generate a particular *govern-mentality*. Managerialism found its main inspiration in the monetarism developed by the Chicago school in the early 1970s. The idea was to pursue the 'liberal art of government' by reducing government's economic role, which has to be limited in order to use monetary means in the regulation of the economy. Also, many social phenomena can get a monetary representation to become 'self-regulated'. Monetary control 'from afar' assumes that individuals are entrepreneurial, efficient units that seek to appraise their human and economic capital, so they will react appropriately to the opportunities offered by the monetary rules. As a consequence, monetarism has led to the concentration of real economic power in the 'hubs' of monetarist technology and the centres of 'economic truth': banks.

Another important condition that enabled the spirit of managerialism to thrive was the ideology of civil society. EST argue that since socialism has been delegitimised as an irrational system based on command and communist paternalism, the civil society, which is to flourish on its ruins, will be the very opposite: a society governed by reason and procedural rationality, a society of adult citizens who follow the intellectuals, whose only mission is to *light the way* and *reveal the truth*. This particular idea of civil society in fact led to the birth and growth of an ideology of anti-politics, which had a good deal in common with the monetarists' idea that by

making room for the operation of monetary rules in order to reveal the *economic truth* the government's economic policy would become largely superfluous. In other words, the authors come to the conclusion that the *monetarism* of economic technocrats and the *anti-politics* promoted by dissident intellectuals had one common denominator: the key condition for making the transition successful is to offer people 'living with the truth'. Their only mission is to create conditions in which individuals will be able to govern themselves: through *rational prices* and the *morality of civil society*. Once these conditions are created, individuals as 'adult citizens' will be able to make meaningful decisions and the transformation will be accomplished.

What may have looked like an ideal project for creating a new (modern) version of capitalism ran into two obstacles: managers and citizens. The latter soon learned that the new system is not new enough to prevent them from employing old habits and strategies. One should not be surprised then that most institutions remained governed by the same or similar spirit as that in the old regime. As for the managers, the third partner in the 'uneasy coalition', they pushed the political elites to limit the leverage of the true market and monetary rules. Their bargaining position was strong, since - unlike the economic technocrats who possessed only symbolic mastery of economic rules - they possessed one of the most valuable commodities of post-communism: hands-on knowledge of state firms, without which the political elite would be unable to convert privatisation from lofty theory to pedestrian practice.

This is why it was this particular segment of the post-communist elites - managers, mostly former communist functionaries, and members of the nomenclature - who brought the elites to a compromise. The nature of the compromise between technocrats and managers consisted in the establishment of two conditions under which managers were willing to continue playing their role: a) maintaining the soft-budget constraints by preventing market mechanisms from replacing a hidden budget-bargaining, and b) preventing privatisation from a real takeover of the firm by the new 'strong' owner. The state-owned banks which remained heavily under the control of the political elite made fulfilling the first con-

dition possible, while the privatisation process designed by the same political elite allowed for establishing and maintaining a dispersed property model, stalling the birth of a true capitalist class. Managers, who obtained what they needed to secure their power and privileges at the expense of establishing capitalism with real capitalists, generously sponsored the political elite.

For these reasons, according to the fourth thesis, the big winners in the post-communist transition were the former managers of socialist enterprises. Unlike the members of the communist elite, who lost their privilege, power and prestige, the younger, well-educated managers and 'lower level cadres' of the communist regime were most likely to be found among the real winners in the transition. The data showed that five years after the collapse of the communist regimes most of the economic command positions in the post-communist corporate sector were occupied by former communist technocrats, who were younger and better educated than the senior cadres - their former bosses - who in turn were generously offered to enjoy early retirement. Thus, not even the group of successful managers followed the path suggested by the theory of political capitalism. It is true that they were installed to exercise managerial authority, but there is little evidence that they have become large proprietors and members of a true capitalist class.

The fifth thesis concludes that the formation of classes during the post-communist transformation is a highly contested process. Though there are many candidates who could constitute a new propertied class - a technocratic-managerial elite, foreign investors, and small entrepreneurs striving to become larger - its re-birth has been put off. Thus in 1998, when the book was published, the evidence was still in favour of the hypothesis that the real winners in the transformation were the members of the technocratic-managerial elite who, although the banks have been gradually privatised and pushed out of the political game, were able to maintain their positions, power and privileges without having to take the responsibility of real owners.

From the point of view of social stratification, the book offers a highly consistent and creative application of Bourdieu's theory of the var-

ious forms of capital. It explains why the real winners in the transformation were those who were able to combine the political capital of the past (nomenclature cadres, communist technocrats) with cultural capital (education, knowledge). Political capital made it possible to build social networks and useful ties. Cultural capital made people flexible enough to put all these assets to work under the new conditions.

The chosen topic, along with the way in which provocative hypotheses are presented and elaborated, make this book one of the best sociological pieces written on the post-communist transformation. The advantage of the book is that its style makes it potentially attractive to scholars and students, sociologists, historians and political scientists. There is, however, one group whose members might feel irritated by the presented arguments and conclusions: members of the ruling elites in post-communist countries, who only with great difficulty will be able to hide their indignation over how close Széleányi, his co-authors and his former graduate students have come to the truth in their description and explanation of the strategies that the old and new elites chose to create 'capitalism without capitalists'.

Indeed, the many facts and suspicions surrounding privatisation, as well as evidence only now fully revealed on the role of the banks, on the real destination of classified loans and credits, and on the decisions to provide state subsidies to inefficient semi-privatised enterprises, and the truth on investment funds and yet to be clarified cases of political-party financing, are all particular and seemingly unrelated pieces of evidence that can form a single sensible story if we take into account the hypotheses and explanations suggested by Széleányi and his colleagues.

The book therefore shows that sociology may enter the domain of public debate and take a critical stance while still remaining on scientific ground. The authors themselves admitted that they were balancing at the very edge of the dividing line between academic sociology and investigative journalism. "Our search for answers [...] transformed us from empirical sociologists into detectives. As we gathered and began to analyze data, our list of suspects began to

grow, but the culprits continued to elude us. We kept reformulating our hypotheses, and we are still in the process of doing so. We invite our readers to join us for an hour or so – or for however long it takes to solve this mystery – in our search for Whodunit (and what did they do)? To put it in Goffman's terms: although book usually present readers with the 'front stage' of the drama [...] we would like to invite you to come 'backstage'. [...] Instead of showing you the most polished theory supported by the data available to us, we want to document the process of how one theory after another collapsed, as we dug deeper into the data, and suspect after suspect was eliminated. Indeed, as we write this chapter we are still digging. We do not claim to have arrived at the final truth. To be frank we do not believe in final truth. The great historical transformation we are studying is still unfolding" (p. 115).

Reading these words, another book on the post-communist transformation came to my mind, one equally challenging and equally difficult to classify – Dahrendorf's *Reflections on the Revolutions in Europe*. Addressing the development after the fall of communism, Dahrendorf was in 1990 already able to write: "What we are facing here is one of the more vexing issues of modern history, which is the relationship between political and economic reform, with social change thrown in at both ends" (Dahrendorf 1990:82). Like Széleányi and his colleagues, Dahrendorf rejected the idea pushed forward by the political leaders of the transformation that the historical task of the transition from socialism to capitalism can be accomplished once freedom has been guaranteed by the new constitution, the market has replaced the plan, and privatisation has re-established private property. Széleányi and his colleagues, equipped with Bourdieu's theory, valuable data, historical knowledge, and courage to tell the whole story rather than remaining within the conventional limits of academic sociology, have made a very significant step forward in exploring the forces that render the process of transformation open to various paths.

The plan to tell the main story by emphasising the shared elements of elite formation in post-communist countries overshadowed some important cross-national differences. A more extensive presentation of the survey data and the

interpretation of differences in patterns of elite recruitment among individual countries could have brought greater satisfaction to those readers who do not rely on historical interpretations and wish to check them against empirical evidence. The lack of sophisticated analytical evidence to support the hypotheses and conclusions, and relatively little attention devoted to cross-national differences could be seen as the main weaknesses of the book.

One of the differences the data show actually provides even stronger support for the hypothesis of the 'path-dependent' character of the transformation. The data suggest that, indeed, the transformation of ownership has not occurred in Poland and the Czech Republic, where only a small fraction of the elites in privatised companies report even partial ownership of a business. In Hungary, however, the story was different: a larger proportion of the directors of state and privatised companies reported such ownership. This suggests that the economic reforms which were implemented in Hungary before the collapse of communism had the effect of decentralising the power over economic resources, allowing managers to dominate the privatisation process once the collapse of state socialism occurred. It shows that the transformation of Eastern European elites into a propertied bourgeoisie was also very much a path-dependent process, in the sense that the ability of elites to acquire productive assets rested on policies which were enacted during the state socialist period. Failure to enact economic reforms, as in the Czech Republic, has largely prevented elites from acquiring individual ownership rights over productive assets. For the same reason it would have been worthwhile to show that the extent of elite circulation in the post-communist period was directly related to the extent of elite circulation that took place in the last decade of communist rule. Circulation before 1989 had the effect of improving the technical competence of elites, increasing their likelihood of surviving the transition to democracy and markets, and diminishing the likelihood of a skilled counter-elite coming into existence.

Survey data actually support this hypothesis. Hungary, which experienced greater elite circulation during the 1980s than either Poland or the Czech Republic, also displayed higher rates

of elite reproduction than either of the other countries and among both the political and the economic elites. The Czech Republic, on the other hand, which experienced relatively low rates of elite circulation in the 1980s, also displayed the lowest rates of elite reproduction after 1989. These cross-national differences in elite circulation and/or reproduction in different stages of development may contribute not only to a better understanding of different methods of privatisation, but also to the explanation of current differences in the economic performance of individual countries. Companies which were privatised by selling to the new (foreign) owners, no matter what kind of deal was made between the 'old' manager and the new owner, today demonstrate a significantly higher economic performance than companies in which the shareholders are not strong enough to eliminate the dominant role of the state, even in the position of minority owner.

Including these details could have made the book more informative, but probably also less 'dramatic'. Certainly it could not have changed anything in the main message of the book. Though the path leading to *capitalism with capitalists* seems to be the most likely one for all post-communist countries, there is no clear answer to the question of when this process will be accomplished. As far as the Czech Republic is concerned, in spite of the fact that most banks have been privatised and the political elite has lost control over their operations, not much has changed with respect to the creation of a genuine capitalist class since the book '*Capitalism without Capitalists*' came out.

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