

# 10

## 'Natural' States and the Development of Democracy

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### Abstract

*Douglass C. North, John Joseph Wallis, Barry R. Weingast have developed a parsimonious theory of the relationship between political order and economic development. North et al. argue that most states in human history have been 'limited access orders' (LAO) or 'natural states', rather than 'open access orders' (OAO). North et al. state that this framework can be used to analyze constraints on economic development and the development of political order across recorded human history. This paper looks at how cases from the former Soviet bloc can be integrated into their theory. The paper reviews North et al.'s ideas and maintains that the LAO schema can be adapted to describe Soviet-type systems. It argues that some of the variance between Soviet-type systems and their ability to move from LAO to OAO can be accounted for by the way that the logic of being an LAO led them to engage with the global economy.*

**Keywords:** *social order approach, natural states, state socialism, the USSR.*

### Introduction

Douglass C. North, John Joseph Wallis, Barry R. Weingast (hereafter NWW) (2009) develop a parsimonious general theory of the relationship between political order and economic development in their book *Violence and Social Orders*. NWW argue that most states in human history have been 'limited access orders (LAO)' or 'natural states', rather than 'open access orders' (OAO). NWW state that their framework can be used to analyze constraints on economic development and the development of political order across recorded human history. However, fulfilling this potential requires a fuller conceptualization of LAO (Connolly 2012; Seeberg 2012). NWW (2009 and 2013a) only deal with cases from early modern Europe and the post-colonial developing world. This paper adds cases from the former Soviet bloc. It reviews NWW's ideas of LAO and OAO, and the movement between LAO and OAO and argues that the LAO schema can be adapted to describe Soviet-type systems and that some of the variance between them and their ability to move from LAO

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to OAO can be accounted for by the way that the logic of being an LAO led them to engage with the global economy.

### **LAOs and OAOs**

All social orders are defined by the ways in which they constrain violence. In an LAO the constraint of violence is achieved when specialists in violence form a coalition (NWW 2009: 18). This coalition recognizes the harm that members of it can do to each other. Joining the coalition reduces the prospect of violence and enables the distribution of rent – ‘a return to an economic asset that exceeds the return the asset can receive in its best alternative use’ (NWW 2009: 19; North *et al.* 2013b: 6) – between coalition members. The coalition between specialists in violence becomes more sustainable as the credibility of their commitment to it is extended by the inclusion of other specialists. These other specialists – for example religious leaders, politicians – facilitate the organization and mobilization of the population generally to develop rent flows, and together with specialists in violence constitute the elite. This elite accesses rents, which the population as a whole is not able to do: the elite coalition excludes them from access to rent except as clients. Under such coalitions political and economic organizations (POs and EOs) overlap to a high degree and the relationships between coalition members are based on personal ties and understandings between coalition members. Such ties and understandings have to be renewed continually. They are not monitored or guaranteed by third parties and are consequently liable to break down, leading to conflict.

OAOs control violence by placing it under civilian control: ‘political and social arrangements identify a set of military and police organizations that can legitimately use violence and a set of political organizations that control the use of violence by the military and the police’ (NWW 2009: 110). Limits on the use of violence guarantees that access to political and economic organization can be competitive and open. This open access to politics and competition, and the competitive acquisition and use of rents, reinforces social and political arrangements that place constraints on the use of violence so that a virtuous and ‘mutually reinforcing’ pattern emerges (NWW 2009: 111). Relations between and within elites and society are impersonal and subject to regulation by organizations that are ‘perpetually lived’, that extend ‘beyond the life of its individual members’ to create durable patterns of relations that can be trusted by elite and society alike. These ‘perpetually lived organizations’ are also regulated impersonally by the rule of law and are not dependent on any particularistic arrangement between elite members (NWW 2009: 152).

The transition from LAO to OAO is complex. NWW do not specify any particular pathway from LAO to OAO. There are also possible transitions within the category of LAO, from very simple (‘fragile’) forms of LAO to more complex ‘mature forms’. The LAO spectrum and OAOs are summarized in Table 1.

The move along the spectrum of LAOs from 'fragile' through 'basic' to 'mature' is marked by the development of more complex organizations, a degree of separation between POs and EOs, and between POs and EOs and organizations that have violence capacity (VC). At the 'mature' end of the LAO spectrum there is a greater number and variety of organizations and some, possibly many, of these can exist independently of the state and government. These are, however, mostly exclusively elite organizations. Whilst these private elite organizations may press for longer-term commitments to policy and 'rules of the game' these commitments are not guaranteed by third party arrangements, or by perpetually lived organizations, and as a consequence are fragile. They do not constitute, in other words, self-sustaining systems of social order such as can be found in an OAO; the '[e]xtent to which mature LAOs have more durable government institutions than basic ones is a matter of degree rather than of kind' (North *et al.* 2013b: 13).

**Table 1.** The spectrum of LAOs and OAO

Type	Economic Organizations (EO)	Political Organizations (PO)	Violence Capacity (VC)
Fragile LAO	EOs and POs are not clearly distinguishable (except, perhaps, multinationals)		All surviving organizations have VC. No clear distinction between civil and military organizations
Basic LAO	All EOs are linked with coalition; some are linked to multinationals	Most POs controlled by the state, opposition under threat	Many VC organizations are part of government, yet significant nongovernment organizations have VC
Mature LAO	Many private, but limited entry and dependent on political connections	Multiple POs, but dependent on central permission. Democratic process, if it exists, cannot challenge major economic forces	Government controls most organizations with VC, exceptions are common
OAO	Mostly private. Non-discriminatory rules for starting EOs, government and legal support for creating EOs	Non-discriminatory rules for starting or joining POs	Civilian government controls all organizations with VC

Note: Adapted from North *et al.* 2013b: 14.

Developing beyond a 'mature' LAO to an OAO occurs after achieving three 'doorstep conditions' (NWW 2009: 150–181). These doorstep conditions are:

1. Rule of law for elites.
2. Support for perpetually lived organizations (including the state), both public and private.
3. Consolidated political control of the organizations with violence capacity including military and police forces (NWW 2009: 26; North *et al.* 2013b: 17).

The development of these doorstep conditions follows from the logic of an LAO. Rule of law comes from a desire to regularize interactions and provide security for elite members within the dominant coalition. Perpetually lived organizations arise as elite members seek to create mechanisms that can regularize and stabilize rent flows to reduce conflict. Control over violence grows to reduce the frequency of violence and disruption to established privileges (North *et al.* 2013b: 18–19). Once achieved the three doorstep conditions enable the impersonal relations within the elite, and also free the elite from time and resource consuming activities that limit elite organizations and constrain economic and political development. Constraint on violence frees elite members from having to maintain relationships with specialists in violence, and to devote resources to alliances with groups that have VC. Rule of law creates new forms of more extensive and permanent mutual dependency than could exist before, and at lower cost to elite members. Together the creation of perpetually lived organizations and rule of law create EOs and POs that are able to engage in a wider range of activities (NWW 2009: 26–27).

Cumulatively the doorstep conditions also create incentives for elites to open up ruling coalitions by expanding 'impersonal exchange and, therefore, increase[ing] access' (North *et al.* 2013b: 17). This comes as elites transform privileges into rights that others can then lay claim to using the rule of law, and by widening access to the institutions that elites develop to extend and protect their rights, political parties and corporations. Once the rights of citizens are impersonally defined, the logic of open access suggests that those rights will be easier to sustain under conditions of wider political and economic competition' (NWW 2009: 191).

NWW are vague on how this increasing impersonality happens generally. Partly this is because of the incremental nature of change in most of the cases that they initially study in *Violence and social orders. A conceptual framework for interpreting recorded human history* (NWW 2009). The move from LAO to OAO during the transition from early modern Europe took a long time and consisted of a series of cumulative incremental changes that then crystallized into OAOs once a certain point was reached. Even then the development of rights was uneven country-by-country, took centuries to spread from civil to other rights, and was resisted and rolled back along the way. The implication of the NWW model generally, however, is that increasing impersonality is driven by

interest, by the desire of elite members to increase their security and wealth by, for example, developing access to new forms of income such as tradable shares in EOs that require expanding markets and widening the protection of property rights (see examples in NWW 2009: 153).

### **LAOs and Soviet-Type Systems**

North and his co-authors have not seriously considered how the model outlined above can be applied to Soviet-type systems. The former USSR is cursorily listed as a 'basic' LAO in the table on which Table 1 based; contemporary Russia is described as an LAO that is regressing, but from what to where is not stated (North *et al.* 2013b: 13–14).

The definition of the USSR (and by implication the rest of the Soviet bloc) as a basic LAO is at first glance a good fit. All EOs were attached to the elite that ran the USSR given political control over the economy, all POs were controlled by the state and opposition, almost to the end, was repressed. No significant nongovernment organizations had VC after the suppression of opposition forces at the onset of Soviet power, but this looks to be a minor variation. But on closer examination Soviet-type systems have features that make them different to NWW's expectations about basic LAOs. They possessed some characteristics of 'mature' LAOs that distinguish them from 'basic' LAOs, and were actually defined by a feature of 'mature' LAOs that NWW see as being possible but unusual in a 'mature' LAO: 'durable institutional structures for the state and the ability to support elite organization outside the immediate framework of the state', and the possibility that '[a]t the limit, a mature natural state is able to create and sustain perpetually lived organizations, but that is not a common feature of mature natural states' (NWW 2009: 47).

At first glance this might seem counterintuitive: how durable were the institutional structures for the state in Soviet-type societies given they have now collapsed and seeing that some of them (in Eastern Europe) only lasted for about forty years? Durability cannot be measured solely in terms of time, however. Durability is relative across the LAO spectrum. Governance institutions in Soviet-type systems were durable in comparison to the institutional structures of basic LAOs in that they did not change fundamentally with the death of leaders, or when there was a changeover in elites as happened in the USSR (in the 1920s, 1930s, and 1950s and 1960s), or in Eastern Europe (at various times). The institutional structures that made up Soviet-type political systems were, therefore, not dependent on personal relationships, but were to a significant degree impersonal, which sets them apart from the basic LAO category. This relative durability was because they contained an organization that was supposed to be perpetually lived, the ruling communist party. The LAO in Soviet-type system was not just unusual in that they had perpetually lived organizations but that they were defined the existence of the party, a perpetually lived organization.

How far were communist parties perpetually lived organizations? They were not immune to personalism, but they cannot at the same time be reduced to it as organizations at one end of the LAO spectrum are. Personalism had two dimensions to it but neither could supplant the party.

First, there was personalism in the form of individual dominance of the Soviet-type state. However, although an individual could dominate the communist party, as the rule of Stalin and his Eastern European epigones showed at the extreme, this rule was institutionally framed and limited. Evidence of this is the 'return' of the party to a more central position in the political systems of Soviet-type polities after Stalin's death in 1953, and after too much power had built up in the hands of other party leaders like Nikita Khrushchev and Leonid Brezhnev. After Stalin, the 'cult of personality' was attacked and there were moves to restore some measure of collegiality in leadership and 'socialist legality'; Khrushchev was removed in order to restore collective leadership; and one reaction to the Brezhnev 'stagnation' was an effort to restore Leninist norms in party work (Robinson 1995). It was possible for a leader in a Soviet-type society to co-opt some of the charisma of the party as an institution, and vest it in themselves (as Stalin, Khrushchev, and Brezhnev did, and as Mao did in China), or in other institutions (as Stalin partly did by trying to invest the state with some of the party's roles as an agent of class warfare). But the substitution of the party by individual leaders or by the state was never a process that could be completed to stop the party being a perpetually lived organization. In the logic of Soviet ideology, only the party could end its existence as a perpetually lived organization by achieving its historic tasks and securing the withering away of the state (that is of all forms of rule and domination). Within the discourse of Soviet-type socialism the party could never be fully supplanted because even though it might practically be matched by the state or a leader for a time its existence was both contemporaneous and beyond history in a way that a human being could not be. Being above history, indeed being the organization that collectively defined history and the relationship of the present and its needs to it, the party was not 'mortal', it outlasted its principal members' lifetimes.

Second, there was a high degree of personal relations in the party and the wider Soviet state. These personal relations were created by the high degree of uncertainty under which officials worked. Tasked to achieve extensive social management and transformation and unable to challenge the orders they were given officials were vulnerable to censure (Urban 1985). To ward off the threat of censure for either failures of policy implementation officials improvised administration, reinterpreted policy priorities locally and built informal networks to facilitate this and cover it up from higher authorities. These networks stabilised overtime and became ubiquitous. However, they had no independent existence from the party and state until party and state began to enter terminal decline. Prior to these they were not able to organize or articulate their interests independently

of the party, or acquire any sort of corporate form. The durability of state institutions in Soviet-type systems was not compatible with elite organizations that were formally separate to the state, another point of variation to the NWW 'mature' LAO. At most, the networks that existed were stabilized by the decline of violence and by the flagging intensity and extensity of economic development plans.

The existence and character of the party as a perpetually lived organization was important in insuring civilian control over organizations with VC. These were generally tied to and regulated by the party, which had an abiding fear of Bonapartism. Although there were instances when there was competition between different branches of security forces for political influence there was generally harmony between military and party policy (Colton 1979).

The party's character as a perpetually lived organization also created a form of bureaucratic impersonalism, which had important implications for the creation and use of rents. This impersonalism was different to both market impersonalism and Weberian bureaucratic impersonalism, but it was a form of impersonalism all the same. This impersonalism was rooted in ideology again, in the notion that the party, as the vanguard of the working class, represented universal values that were above particularistic individual or group interests. The party worked not to rational-legal principles but to what has been called goal-rationality, with goals being justified by reference to the teleological goal of building communism (Rigby 1982). This form of impersonalism was a very specific solution to controlling problem of violence for development that North *et al.* identify as a (possibly the) most significant obstacle to securing economic development. Violence was put squarely at the service of development under the party's 'neutral' guidance, and achieved significant results, at least initially (Gerschenkron 1970; Popov 2007). The party as specialists in mobilization were, in the short run at least, much more effective in mobilizing-cum-forcing certain kinds of resources, particularly labour resources, into the economy than mobilization specialists in other economies (Ellman 1989). The use of violence to achieve this mobilization also gave a different character to violence: violence itself can be conceived of as impersonal in Soviet-type systems, enacted to achieve the end of history rather than the private ends of elite members. There was, of course, the use of rent for elite consumption, both officially and unofficially, but this was constrained by the need to develop the system. Developing the system meant investment in the productive capacity initially. Once this productive capacity had been declared as equivalent to a socialist level of development, and once the party had worked through the Stalinist 'cult of personality' to develop collective leadership and declare the political system a 'state of the whole people', more resources were directed towards popular consumption. There was, in short, an ideological imperative that constrained the use of rent party and the elite, and which gave access to rent to the population as a whole.

This was an access that was controlled by the party's decisions on how the economy should develop, and which was controlling since shortages gave power to officials to manage people through the definition and satisfaction of their needs (Fehér, Heller, and Márkus 1983). However, it was still access and was defined in large part as welfare rights – to health care, education, pensions, employment, housing – that the population enjoyed as citizens.

**Table 2.** The spectrum of Soviet-type LAOs

Type	Economic Organizations (EO)	Political Organizations (PO)	Violence Capacity (VC)
1	2	3	4
Fragile LAO early Soviet period, 1917–1928	EOs and POs are not clearly distinguishable, but some private economic activity licensed by POs (such as during NEP in the 1920s)		Nominal civilian government controls of all organizations with VC, but many organizations have VC. No clear distinction between civil and military organizations
Soviet-type Basic LAO  Stalinist period and immediately after	EOs and POs are not clearly distinguishable		Government controls all organizations with VC
Soviet-type Mature LAO  Gradually and unevenly developing over post-Stalin period	EOs and POs are not clearly distinguishable. Some private EOs, but limited entry and dependent on political connections and political definition of development priorities. Some room allowed for opposition, but still subject to repression		Government controls all organizations with VC
Post-communist mature LAO  Russia post-2000, Romania and Bulgaria in early transition period	Many private, but limited entry and dependent on political connections. Some multinational presence	Multiple POs, but dependent on central permission. Democratic process, if it exists, cannot challenge major economic forces	Government controls most organizations with VC, exceptions are common



Table 2 (continued)

1	2	3	4
OAO Eastern Europe	Mostly private. Nondiscriminatory rules for starting EOs, government and legal support for creating EOs.	Nondiscriminatory rules for starting or joining POs.	Civilian govern- ment controls all organizations with VC.

The impersonalism the party was supposed to embody and to enforce in political and economic affairs was not the same as the rule of law for elites. Access to rent as rights was also not the same as access to rent in an OAO; access may have been expressed as rights but that right was not one that was negotiated between rulers and ruled, and these rights could be radically curtailed, as they were (unsuccessfully) in Poland in the 1970s and in Romania in the 1980s. OAO type institutions thus performed differently in the Soviet LAO than they do in OAOs, which is consistent with the NWW model. Still, the existence of these unusual (for an LAO) features demonstrates some variance on the NWW LAO model. Table 2 summarizes some of these points and develops a LAO spectrum for communist cases. We have not discussed the development of Soviet type systems at length, but during initial stages of development, when party sovereignty is violently contested as it was in parts of Central Asia, or during the communist takeover of Poland, they are toward the fragile end of the spectrum and are most alike the same category of LAO in the NWW schema. The expansion of the party, the resolution of violent contestation of party power, and the establishment of greater control over the economy, moves the Soviet-type LAO away from fragility to a basic form of LAO. This basic form of Soviet LAO differs from the NWW model in that the party exists as a perpetually lived organization and there is government control over violence. Still, the personalism associated with leader power, the resolution of intra-elite competition using violence as control over violence was consolidated and as elite links to organizations with VC was weakened, and the use of violence as a means of securing a form of development meant that the complexity of Soviet-type LAOs was less than it was to become. They are therefore labelled as basic in Table 2. The time period associated with this schema is roughly the period during which violence is consolidated and the term of office of the leader who consolidates this violence, although it was possible to move beyond it without leadership change.

### **Mature Soviet LAOs and Doorstep Conditions**

The move to a more mature form of Soviet-type LAO occurred as violence paid off in terms of development and as the party took back some of its powers from its leaders. As we have discussed above, leaders never fully lost their desire

to consolidate personal power, but did become more submerged in collective leadership and were less able to use violence to consolidate their power. This mature form of Soviet LAO was on a spectrum with the basic LAO, as in the NWW schema, and movement towards it could be small and were reversible. There was considerable variance across the Soviet bloc in where states were on this spectrum.

Where they were on the spectrum has to be accounted for using the LAO logic for Soviet-type societies to be consistent with the NWW model. Such an account also has to take into consideration that the nature of Soviet-type LAOs was not conducive to creating all of the doorstep conditions that NWW argue underpin OAOs. Only one doorstep condition was in anyway present at the end of communism. All Soviet bloc states had civilian control over the military to a great extent. There was some slippage in control over violence at times during the actual collapse of communist power across the region, and this led to violence: for example in the Baltics, in the Caucasus. For the most part, however, these conflicts ended quickly (the major exception would be Tajikistan), were settled by the creation of new basic LAOs in places like Transdnestria (King 2010: 103–132), or were not the most significant factor in post-communist politics. Violence, for the most part, was criminal and although perpetrators of this violence had links to elites it would be difficult to say that it was the incidence of violence that determined whether or not there was movement from mature Soviet-type LAO to OAO. Criminal violence – and the use of such by elite members – was a response to the failure to insure order at least as much as it was the cause of the failure to secure OAO (Varese 2001). The other two doorstep conditions were missing to a great extent. The existence of the party blocked both the establishment of the rule of law and the establishment of perpetually lived organizations that were no licensed by it.

The general absence of doorstep conditions at the end of communism meant that they had to be created and accounting for this is a problem. What was there within Soviet-type systems as they collapsed that created demand for alternative perpetually lived organization to the party and for the rule of law? Moreover, what was there that can account for differences in the post-communist development of Soviet-type LAOs? Variance between those states that moved toward OAO and between the different forms of LAO indicates that there were very different possibilities for development at the end of communism. The literature on variation amongst post-communist states deals with this under the very general theme of 'legacies', but these are not generally linked to specific factors that might help explain the rise of OAOs in the region, or variance in the forms of LAOs (Kitschelt 2003; Møller 2009). Explanation based in the LAO framework has to show how incentives to develop other forms of perpetually lived organization and to create the rule of law, and from these to develop impersonalism and open access, or to limit LAO formation, were created.

This means looking for something that created differences between Soviet-type LAOs. What created these differences should be something that was created by the elite coalitions that ran those LAOs, and what created these differences has to show be linked plausibly to support for impersonalism. The source of difference has to fit with the logics that govern relations generated by the party as a perpetually lived organization under constraints to develop and facilitate some access to rents by wider society, and to meet the needs of elites to mobilize rents to preserve relations between them.

The most obvious difference is in the policy choices that were made from the 1960s onwards with regard to the position of Soviet-type LAOs in the global economy. Central planning generated a large amount of rent for a time, but at the cost of low total factor productivity. This low total factor productivity, and the other problems associated with planning, meant that overtime the economy stagnated so that systemic ability to generate rent declined. This tendency of rent to fall overtime was compounded by collusion between bureaucrats and the existence of soft-budget constraints, both of which negatively affected state finances by creating a situation in which a high level of rent had to be diverted to combat the misappropriation of state resources, or by preventing the maximization of rent generation through the promotion of efficiency (Kornai 1992). Coercion protected the state's ability to extract rent, but it was not enough to resolve all of the principal-agent control problems created by the vastness of the state's holdings. As a result, not all decisions that were made in the economy were economically rational. The setting of prices and the shortages that resulted from this and from breakdowns in production lead to administratively generated rents, which could be used to buy political support at the cost of economic efficiency. This was, however, self-defeating. The inefficient allocation of resources meant that growth slowed and the amount of rent available for reallocation shrank relative to demand. In turn, this threatened a net reduction in political loyalty amongst the population at large since it challenged the ideological imperative to show progress. Moreover, those actors who did not share in the exchange of gifts for loyalty tried to appropriate a part of administratively generated rents for their own use. Both of these problems exacerbated the problem of investment hunger that was intrinsic to the communist order due to its desire for modernization and the absence of self-restraint on demands for investment such as exist in capitalist economies where investment, in the form of borrowed money, has to be repaid through the generation of profit (Kornai 1992: 162–163). The shortage of investment resources delayed the completion of investment projects and led to high investment levels at the cost of consumption and general economic performance.

From the late 1960s, and increasingly in the 1970s, some Soviet-type LAOs dealt with these problems by increasing economic openness and compensating for the systemic problems of mobilizing their populations to generate

rent by taking rent in the form of foreign loans and from increased foreign trade. The greater the extent of dependency on these exogenously sourced rents, the more elites were dependent on maintaining resources flows from abroad to maintain social peace and manage relations between them. This made maintaining the credibility of economic reform important so that access to aid and investment was not compromised as political structures changed. Moreover, the fact that rents were earned on a broad selection of goods in Eastern Europe provided for some basic economic pluralism (Connolly 2012). The more sources of rent in a country, the more they are likely to balance out patrimonial tendencies built on control over a single rent source; the more diverse trade was, the more competing sources of power emerged. Diversity also created incentives to co-operate, and to insure a level political playing field in which the state provides public not private goods. Such a political arena can reduce the vulnerability of economic agents to changes in international demand for their goods. The provision of public goods such as low inflation, efficient and equitable economic arbitration *etc.* can help to balance international with domestic demand by creating conditions for domestic economic growth. The same is true of rent gathered in the form of loans and aid. The use of these is constrained, first, by lenders setting conditions of use and by their often-public nature. Public claims on these may not always be honoured or effective due to asymmetries in information and influence, but they provide more scope for the balancing out of patrimonial interests than rent from the trade of a narrow range of commodities. Second, elites are constrained in that they frequently need to be able to roll debt over or defer repayment. Consequently, they need to insure a degree of stability in order to avoid default. Finally, the liberalization of trade controls can amplify these effects. Those sectors of the economy that did not enjoy access to foreign markets were desirous of sharing the resources and potential to increase consumption that openness might bring. The prospect that they might lose through increased liberalization both through competition and because of the end of implicit subsidies provided via the redistribution of rent by central planners was hidden by the manipulation of domestic prices before the introduction of stabilization policies. The fact that there might be some penetration of international price incentives into domestic economy would also lend weight to moves to collect taxes in money and the creation of money as a universal, transferable, transparent means of exchange.

The way that relations with the global economy were constructed could thus create something akin to domestic constituencies for change and as a result neutralize the collective action problems of reform (Hellman 1998; Robinson 2001). As a result, it created the potential not only for moving beyond being a basic LAO, but also for the development of OAOs. Where rent seeking from the global economy was extensive and involved a mix of commodities and debt/loans, reform could be locked in as both state actors and economic agents

would be unable to perpetuate taking rent as a source of patrimonial power. In this co-operation and in the breakdown of patrimonial power that it entailed lay the seeds of new OAOs. The demise of patrimonial power and the willingness to cede decision-making to the state in the hope that it might provide stability and insure access to resources were essential to the construction of state autonomy within new political limits. Material incentives created by the undermining of central planning embedded the new state autonomy in social consensus – no matter how rudimentary – about change, and connected that consensus to material as well as emotive, anti-communist interests. Where connections to the global economy were low or skewed towards rent from the sale of a single or small number of commodities, incentives are more likely to be to extend some form of patrimonialism in order to protect the riches that accrue from trade by buying loyalty. This was the case in parts of the FSU, although the fragmentation of the Soviet economic space has meant that there has not been a straightforward course to new forms of LAO across the region, a point that we will return to below.

The essential difference in how this process unfolded was between the USSR and Eastern Europe. The USSR's external trade was relatively uniform in that the bulk of its exports were and export revenue derived from the sale of energy abroad. As development gains from control over violence and its application slowed in the 1970s this trade structure – thanks to high oil prices – funded consumption. Trade between Eastern Europe and market economies played the same function, but was of a very different structure, magnitude and impact. The extent to which eastern European states traded outside of the communist bloc increased in general from the 1960s onwards. The amount contributed to national income by exports rose significantly across the region in the 1970s, but with a marked difference between the USSR and Eastern Europe in terms of its contribution to national income (Collins and Rodrik 1991: 31–33). The structure of trade was very different to that between the USSR and industrialized market economies. The spread of traded goods was much broader in Eastern Europe, although with intra-regional variation, than for the USSR. Hungary, Czechoslovakia and Poland had relatively diverse trade structures, with a balance between the exports of consumer, machinery, raw materials and semi-manufactures, and agricultural goods. Bulgaria and Romania were more similar to the USSR in that their export trade outside the socialist bloc was more dependent on primary goods and was relatively uniform in structure. As a result, the degree to which their economies were penetrated by external economic forces was more limited. Overall, however, the impact of foreign trade on Eastern Europe was much greater than it was in the USSR. This combined with the structure of commodities traded, made Eastern European economies far more vulnerable to changes in world markets. Although they spread the risk

far more than the USSR did with its energy dependent trade, the terms of trade for Eastern European states were much worse than for the USSR in the late 1970s. Economic downturn in the West after 1973 and the rise in oil prices meant that the USSR's terms of trade improved by over 100 per cent between 1974 and 1980, whereas for Eastern Europe they deteriorated by 20–25 per cent (Lavigne 1990: 41)

The centrality of exports to national income in Eastern Europe and the decline in the terms of trade in the 1970s exacerbated the systemic tendency for trade between communist and capitalist states to lead to the former's indebtedness because of the low quality of production in communist states and the hunger for imports caused by investment shortages (Kornai 1992: 349–350). As the terms of trade declined, trade rents were increasingly buttressed by loans from capitalist states. The spread of the debt burden was very uneven, with Hungary and Poland particularly hard hit (Baylis 1994: 251–252). The USSR's foreign debt also grew rapidly during this period, but proportionately it was much less than the debt of nearly all the Eastern European states through the period, and was actually a smaller amount than Poland's debt. Debts for the most part continued to grow in the 1980s, and ability to service debt declined as debt-service ratios grew. Again, the USSR bucked the trend, its debt-service ratio being below 5 per cent for the period (Lavigne 1990: 328).

The mix of strategies created different foreign trade regimes in the region, with some states moving toward decentralization. However, we can define a basic pattern of interaction with the global economy, of high, medium or low, according to the balance between the ratio of exports to national income, debt and debt-service ratio, and the degree to which the economy was penetrated by the global economy through diversity in commodity export structures. There is not space here to go through the various ways in which the different patterns of interaction with the global economy worked out case by case, and we do not need to discuss the issue at length anyway. As we all know, the states described above as having a high or medium penetration of the planned economy by the global economy broke down their LAOs more easily than those whose economies were so not penetrated by the global economy. There was, in short, support for reform where there was a diverse set of sectors involved in exports so that there was penetration of the domestic economy across a broad front. Poland and Hungary were thus in the best position to implement reforms, whilst the Soviet successor states and Romania had less to support a reform drive. A high degree of penetration with a diverse trade structure eased the path of reform in the first years of transition. In Russia, the CIS, and Romania, with their low mixes, or weak penetration by the global economy, progress towards reform was slower, although the latter opened up its economy more speedily than Russia and the CIS.

## Conclusion

Soviet-type systems differ from the NWW spectrum of LAOs because of communist party rule and the way that this party and its legitimation resolves the issue of controlling violence in a novel fashion. At first this control over violence came through its redirection internally for developmental ends. This shows another dimension of the relationship between violence and development to that highlighted in the LAO spectrum. This redirection of violence is adapted overtime in most Soviet-type systems, but they do not develop many other OAO traits despite their increased complexity. The logic of LAO development can, as some East European cases show, lead them to develop needs for externally sourced rents that can create social interests that are supportive of OAO development despite the formal absence of most of the doorstep conditions that NWW identify.

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