

# A Theoretical Framework for Understanding (Lack of) Change in Post-Soviet Countries: from Democratic Transition to Rule Persistence

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## Abstract

Since collapse of communism, some theoretical and empirical knowledge has been accumulated which make it possible to elaborate certain observations over the processes of post-Communist transformation in post-Soviet countries. Despite the heavy criticism and uncovered fallacies of transitology in the academic literature, its ideas on sources of change based on neoliberal presumptions of linearity of change sustain in policy-making and academic circles, while many countries that supposedly embarked on the path of democratic transition towards this “endpoint” have stalled in their progress. To address this issue, in this paper we highlight that the transformation or persistence of rules depends on a number of interdependent factors. To assess the degree of transformation or persistence of rules, first it is pointed at the prevalence of politics over economy and hazardous impact of homogenization attitudes towards institutional change. Second, four interrelated issues are particularly highlighted as necessary factors for understanding the prospect and potential sustainability of change in the region: the level of inclusiveness of political institutions (political democracy), development of institutions and their capacities to regulate, level of inclusiveness of economic institutions (market economy) and strength of civil society and external factors, such as the ongoing EU-Russia competition in the case of the post-soviet countries.

**Keywords:** ex-Soviet countries, post-communist transition, post-soviet studies, transformation

## Introduction

This paper looks at the issue of the persistence of rules in post-soviet space with the aim of better understanding post-soviet transformations. By underlining the importance of institutions and legacies, it brings the discussion beyond debate on transitology, which emerged in 1990s and tries to connect the former debate with current research on post-soviet transformations with aim to point at the reoccurring mistakes in prescribing solutions for the post-soviet malaises. Transitology as special study emerged in the wake of the fall of communism in Europe and represents a specific term for a field

of post-communism transition studies. Besides it constitutes a subdiscipline of social science concerned with guiding policy recommendations in a process of democratization and market liberalization in the Central and East European post-socialist countries (CEE) and in the former USSR. To achieve that, it had sought to develop theories capable of explaining transitions from authoritarianism to democracy and underdevelopment to modern developed European statehood.

However, what it mainly achieved is a provision of a gen-

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eral overview of the transition process without in-depth analysis of countries' peculiarities. No special emphasis was made to political culture, levels of economic development, demographic-ethnic balance, and styles of political leadership, and institutions and legacies and Russia's dominance in the six post-Soviet countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine). The process of change, which was underway since early 90s in the post-communist region, has been quite painful, unexpectedly long, with plenty of internal and external factors affecting speed of development and Eurocentric tendencies in the EU Eastern Partnership (EaP) member countries.

So, while the literature has arrived to a conclusion of transitology to become too extended in scope to potentially even end up as a pseudo-science to guide the way from one regime to another or from some form of autocracy to some form of democracy (Schmitter P. , 2011). Its conclusions are still widely used to explain the contemporary events of post-soviet colour revolutions or even the Arab Spring. The media and policymaking circles use it for an objective to promote Western-like democracy and market reforms. And again as in 1990s, in 2010s their suggestions and practical recommendations do not match the experience many post-communist countries gained and fail to explain the emerging outcomes.

As it is presented in this review article, the transformation or persistence of rules depends on a number of interdependent factors. To assess the degree of transformation or persistence of rules, four interrelated issues are particularly highlighted: the level of inclusiveness of political institutions (political democracy), development of institutions and their capacities to regulate, level of inclusiveness of economic institutions (market economy) and strength of civil society and external factors. Besides, it is significant to underline the importance and determination of each actor's ability to adjust to the new transforming rules of the game. Furthermore, it points at the prevalence of politics to economy and hazardous impact of homogenization projects of institutional change.

This article is built on a following way: first, it briefly outlines and refutes the key assumption of the transitology literature. Then it reviews the key findings in the literatures on regime change, international development and political economy to highlight the three broad factors which help to explain the rule persistence and finally support them with the examples from the region.

### **Debating Post-Soviet Transformation: Reoccurring Fallacies of Transitology:**

Of all the elements of the international wave of democratization that began some two decades ago, the outcomes of the transformation of communist political and economic systems are the most dramatic and also puzzling. Since 1989, more than two dozen countries within the former Soviet bloc have dismantled, with varying results, the communist political system and socialist economic planning. In many cases this transformation has led to a reinvention of debate about the diffusion of liberal institutions and transition toward the establishment of a liberal-democratic order (Dawisha & Parrott, 1997)

However, the forthcoming divergence of outcomes on transition towards democracy and market economy in post-soviet space has started a debate on the sources of change and persistence of old rules and sustainability of new ones. As it is observed 25 years after the start of transition, while Baltic states became full-fledged democracies, joined the EU and built market economies, Belarus, Azerbaijan and Central Asian states except Kyrgyzstan built a different kinds of authoritarian regimes. Meanwhile Ukraine, Moldova, Georgia, Russia and Armenia balanced between different regimes. This divergence has sparked abundance of research, among which in early 1990s transitology vs transformation debate stood out.

One of the key elements that came out of the above-mentioned debate is that with some notable exceptions, Western thinking about attempts to democratize these polities has generally been based on the experience of the countries in other regions – of North America, Western and Southern Europe, and Latin America (Schmitter & Karl, 1994). Among scholars and policymakers alike, there has been an unconscious tendency to view post-communist political developments through interpretive lenses derived from the experiences of countries that have not undergone the same historical transformations and hence derive the solutions on the basis of that (see, for example, Washington Consensus) (Dawisha & Parrott, 1997). Yet, while this literature on transitology has widely criticised already in mid-1990s, the literature on democracy and reforms has received a new life with the economic and political liberalization reforms in 2000s including studies on the relationship between different types of democracies and structural reforms and the EU attempted transformation of post-soviet countries through Association Agreements (Amin & Djankov, 2014).

Despite the fallacies, still some of the assumptions are repeated in the debates on reforms in the post-soviet space, which result in unintended policy consequences of such reforms. These assumptions are based on the arguments developed during previous decades, which particularly highlight that:

- *Historical progress is a final destination to liberal democracy (Jordan, 2004).*

- *Any country moving away from dictatorship can be considered as a country in transition to democracy (Carothers, 2002).*

- *The eastern European countries and the republics of the ex-Soviet Union overlap considerably with the previous cases of transition occurred in other regions (Latin America and Southern Europe), which is tended to be repeated in the propositions of borrowing and emulating reforms from other regions (Schmitter & Karl, 1994).*

- *The transition consists of specific sequence of stages, so-called linearity of democratization: opening (liberalization), breakthrough and transition to new regime and consolidation characterized by political party development, strengthening of civil society, judiciary reform and free media (Rupnik, 2007).*

- *Transfer of power through the election process as a source of legitimacy for government that broadens political*

*participation and accountability (Carothers, 2002).*

- *Certain factors as culture, history, institutional practice and experience, ethnic and religious traditions do not represent primary factors influencing transition to liberal democracy (Schmitter & Karl, 1994)*

- *Economic liberalization will improve political one (Non-neman, 1996).*

Here, it is important to once again highlight a few crucial points. First, above-mentioned assumptions imply the existence of institutional homogeneity and linearity of history, which leads towards a particular end-point, hence making comparisons with other regions and countries. As transition thoughts suggest, the democratization in Eastern Europe should be compared with South Europe and Latin America experience (Schmitter & Karl, 1994). However, it neglects the existing cultural, historic, geopolitical and national peculiarities, which should be taken into consideration in both understanding the process of change and designing reforms.

Second, it is an assumption of the dominance of the Western knowledge. For example, according to the advisor to the economic reforms of early 1990s in Russia, later heavily criticised by Jeffrey Sachs, basic steps to the transformation of Eastern Europe's and former Soviet Union's centrally planned economies are two: ex-communist countries must reject any ideas about a "third way", such as a "market socialism" based on public ownership or worker self-management, and go straight for a western-style market economy (Sachs, 1990). Besides, there should be four basic points for rapid market transformation program: a) liberalization of prices based on free trade; b) set the private sector free by removing bureaucratic restrictions; c) bring the state sector under control, by denationalization and privatization and by imposing tougher disciplines on such state firms as remain; d) maintain overall macroeconomic stability through restrictive credit and balanced budgets (Sachs, 1990). Yet, generalized to every case reform proposal does not fit the local specificities and hence adapt to local peculiarities and needs.

As a continuation of this point, the third issue is the prevalence of market reform as a pre-condition for creating democratic system. The Western advisors have long prioritised the economic reforms as a necessity to build liberal democracy. Overall, the empirical evidence on the link between democracy and reforms is unclear. Economic history provides us with examples of both authoritarian and democratic regimes that implemented major economic reforms. For example, successful economic liberalization was achieved under authoritarian regimes in China, Saudi Arabia and Azerbaijan and the military regimes as in Argentina, Chile and Brazil (Amin & Djankov, 2014). However, as the post-soviet transformation has shown, in absence of strong state institutions, it led to state capture and pervasive corruption. Hence, economic institutions are collective choices and therefore, the outcome of a political process and the emergence of wild capitalism in 1990s and later state capitalism in 2000s represent the occurred political transformations (North & Weingast, 1989).

Differential economic development, therefore, is a consequence of differential political development. Explaining comparative development entails an account of why some parts of

the world developed political and institutional equilibria, which empowered those who were interested in socially desirable economic institutions and placed constraints on those who were not (Acemoglu & Robinson, 2008). As Dawisha describes, it was Putin and his security elite, who launched a plan to remake the Presidential Administration and through it the Russian state from the earliest days of 2000 (Dawisha, 2015). As she points, the leaked document Reform of the Administration of the President of the Russian Federation stated in writing what Putin ended up doing in practice: replacing the "self-regulating" nature of a democratic, market-driven, and rule-by-law system with manual control from the top. Written before he was even inaugurated, the document stated that the president did not need to rely on a self-regulating political system that would later necessitate creation of state monopolies.

Fourth, it raises the issue of the role of legacies and complexity of institutions, which is actually ignored. Contrary to the Schmitter and Karl's, Bunce is suggesting that there is a contradiction between the rational offered for comparing democratization, east and south, and the approaches transitionologies take when carrying their studies (Schmitter & Karl, 1994), (Bunce, 1995). The author then concludes that differences are quite deep between post communism and the transitions in the South than Schmitter and Karl can offer and it was a nature of the authoritarian rule: what distinguished the state socialism from bureaucratic authoritarianism and dictatorship in Latin America and in South its ideology, political economy, configuration of political and military elites, etc.

Yet, the domestic context in which transformation was attempted was a very specific with a particular type of legacies and institutions. Until dissolution of the Soviet Union little contemporary thought had been given to the institutional capacities required for well-functioning democratic and economic institutions. At the beginning of transition black markets, lawlessness and wild capitalism absorbed ex-communist countries. Judicial system was very weak: there were no rights to own and dispose of property; bankruptcy, competition, anti-monopoly legislation and essential infrastructure of a market economy were missing. Law enforcement agencies did not have any experience in protecting and supporting of private property. Privatization process in early state of transition was always painful, on the other hand, the right to property in market economies is morally rooted in its culture and authorities have all tools to ensure those market "rights." For former Soviet Union republics (in contrast with Central and Eastern European ex-communist countries) the scenario was even worse: everything was governed from Moscow, local republican level administration was very weak, with no independent state institutions.

Finally, North offers that economic change depends in general on "adaptive efficiency", a society's effectiveness in creating institutions to be transformed/replaced in response to the request of political and economic agenda (North, 2005). As he explains, institutions as the formal and informal rules that constrain human economic behavior affect the economic change. North introduces intentionality as the crucial variable and proceeds to demonstrate how intentionality emerges as the product of social learning and how it then shapes the economy's institutional foundations and its capacity to adapt to the changing political and economic environment. We wish

to add here that “adaptive efficiency” and capacity to adapt to the new realities in many instances depends on the level of society’s “human development index” and socio-cultural peculiarities and national features.

## Explaining Post-Soviet Persistence: State of Elites, Society and International Influence:

Taking these points, the study expands on the literature based on the democracy-reforms nexus studying the importance of an expansion of political rights for regulatory reforms, government efficiency and economic growth (Amin & Djankov, 2014). While observing the post-soviet reforms trajectories, the particular focus has been made on change in distribution of rights and hence the introduction and enforcement of rules. Regulations shape distribution of opportunities and wealth as well as allocation of rights and obligations among socio-economic actors, hence are a subject of contestation from actors to reshape their design and impact their implementation upon the regime change (Gel'man, 2015), (Bruszt & McDermott, 2014). As Bruszt and McDermott point, regulation is not just about market making and/or state making, not just about reduction of transaction costs but about protection of newly acquired rights (Bruszt & McDermott, 2014).

Moreover, unlike transitionology suggests, institutional legacies are a key component that affect the direction of change as virtually everything is affected by the ruinous conditions and habits of the old regime. Legacies and history affect three conditions: (1) the state of material resources and their organization; (2) the “inner environment” of mental residues, including the cognitive and normative culture, human capital, work habits, and social and political aspirations, collective identities and their potential for social conflict; and (3) the established elites and their informal power resources - the agents of the old regime, have not been defeated (Elster, Offe, & Preuss, 1998).

To evaluate better the persistence of rules and the trajectory of change, following Gel'man, Acemoglu and Robinson, as well as Levitsky and Way, a number of potential factors affect the distribution of power in political and economic institutions: the state of the elites, the degree of cooperation or conflict within them, the state of the society and its ability to demand or preserve its acquired rights, which are in turn interdependent with existing culture and legacies, and finally geopolitics and international influence, the level of linkage and leverage with the regional powers and their strategies (Gel'man, 2015), (Acemoglu & Robinson, 2008), (Levitsky & Way, 2005). In this regard, change is not about liberalization of trade or holding free elections, but about creating a level playing field by opening up markets to reduce costs and impose the same rules for all actors, which is accompanied by creating regulatory capacities to enforce the rules or exceeding costs of access to international markets (Bruszt & Holzhaecker, 2009).

The transformation of both economy and society depends on building of institutional environment and the institutions of governance (Williamson, 1998). As a consolidated political regime is in equilibrium, the process of regime changes, which is

based upon changes of the sets of actors, or institutions, or (often) both, is disequilibrium by definition. In this regard, the focus is on the newly emerging institutions and how political rights expand and are sustained. This is crucial to the study of post-soviet transformation and explaining persistence of post-Sovietism in the countries of the former USSR. At the same time, this is not to study the change in formal rules just, as the informal rules can play an equally important role (North, 1990). In this regard, it should be noted distinguishes between the social embeddedness, which includes informal institutions, customs, traditions, norms, and religion (Williamson, 2000). Institutions at this level change very slowly and the institutional environment, which includes formal rules of the game – constitution, laws, judiciary, bureaucracy etc. Formal rules (e.g., constitutions and laws) might be very different from informal institutional arrangements, and sometimes even less important than the latter. Hence, the conditions and (sometimes) outcomes of the struggle for creating new institutions depend upon a set of formal and informal “rules of the game,” namely political institutions (Gel'man, 2015).

All these factors point at the ability to limit the existing power holders, demand and/or obtain the expansion of rights top-down and bottom-up during the process of regime change. However, speaking about the failures in post-soviet space, these factors were limited or non-existent (as in Turkmenistan) after the dissolution of the USSR. In case of Belarus, the political conflicts within elites were resolved by the rise of Lukashenka and redistribution of carrots and punishment of defectors. The role of society was minimal as it was bought by the relative prosperity through the social contract with the elites due to oil bonanza in 2000s. Moreover, while at times in 1990s it was dissatisfied with the government, the society didn't consider any alternatives to that accepting the existing status quo. Finally, external influence from the West was not only minimal but completely overtaken by Russia's support. The leverage and linkage to Russia was strong compared to the West's.

In case of Georgia there were two main stages of post-communism transformation. At the beginning Georgia under president Shevardnadze (despite the numerous domestic problems and irregularities) was trying to keep balance between the West and Russia and with fine diplomatic efforts slowly but steadily was pushing forward the EU integration process and the society in general followed him. However by 2003 widespread corruption, poverty and disbelieves with the political elites to improve the situation with the falling down country forced people to went to the streets and overthrow the government. After the Rose Revolution of November 2003 president Saakashvili gained full support from population and the West who started quite actively, sometimes even aggressively implementing political and economic reforms, catalyzed as much as he could the EU and NATO integration process, but simultaneously Russia's linkage was diminished. Tbilisi finally spoiled relationship with the Kremlin, waged the war in August 2008 with Russia with heavy consequences for the country. We can see here the fragile equilibrium of internal and external factors affecting the entire transformation process, which we will discuss in details below.

### **The Role of Elites:**

Political power consists of *de jure* power regulated by formal political institutions and *de facto* political power, which comes from the ability of various social groups to solve their collective action problems through different means (e.g. from bribes to political parties). Changes in specific political institutions, for example, a change from non-democracy to democracy, affects the distribution of *de jure* political power. This, however, may induce cohesive (and small) groups, such as elites, to increase their investments in *de facto* political power to offset their loss of *de jure* political power (Acemoglu & Robinson, 2008). As it has been shown in post-soviet space, elites tend to resist the changes in political power distribution.

Overall, as it is shown, the extent and character of political elite integration and differentiation are one of the key elements to understand the domestic politics. Here a particular focus goes on extent of integration and differentiation within the elites, and how each is likely to change (Higley, Bayulgen, & George, 2003). Yet, it may fall into logic of Iron Law of Oligarchy, which shows that even when the identity of the elite' changes, new elites can adopt policies in line with the worst practices of their predecessors (Acemoglu & Robinson, 2012).

As Higley et al. show, strong integration and wide differentiation originated in a compromise through an elite settlement is a precondition for a lasting democratization laying the basis for elite and creating shared rules for restrained political competitions. It necessitates long experience of costly but inconclusive elite conflict, an abrupt political crisis that threatens to enflame this conflict, inter-elite negotiations aimed at defusing the immediate crisis and avoiding future ones through compromises on basic issues, as well as authoritative and skilled leaders who can get allies and supporters to accept such compromises (Higley, Bayulgen, & George, 2003).

Political elite in Georgia are mostly organized around powerful leaders and they are not important decision-makers and do not represent citizen-group interests. Georgian parties are quite volatile organizations: out of five parties, that dominated parliamentary politics under Shevardnadze, three collapsed (the Citizen Union of Georgia, the Union of Democratic Revival and the National Democratic Party) and the other two – the Industry Will Save Georgia and the New Rightists Party – became marginal by 2012 (Jones, 2015). Since the Revolution of Roses the only exception is the United National Movement which after departure of Saakashvili in 2013 remained active in opposition and represents quite a challenge to the ruling Georgian Dream Coalition. Nearly all Georgian leaders neglect collaboration with opposition forces and this represents serious impediment to the further democratic development of the country. The current political landscape of Georgia is dominated by billionaire and former prime-minister Bidzina Ivanishvili who actually runs the country from shadow. Thus, certain informal elites in Georgia gained unlimited access to power, while entire government, in their deeds, is trying to meet requests of the newborn “*éminence grise*”.

In Russia, the building of monopolies by Russia's rulers became the essence of regime change. When the dominant political actors in Russia faced weak constraints to power maximization, they opted to guide further regime changes

along the road of disillusionment toward the rise of authoritarianism. At the same time, they could not completely abandon certain democratic institutions (first and foremost, elections) not only because of the legacy of late-Soviet democratization (when these institutions emerged) but also because of the need for legitimation of their powers. Instead, they attempted to adjust these institutions to their own interests and purposes— very much in spite of Sobchak's above-mentioned understating of democracy (Gel'man, 2015).

### **The Role of Society:**

While the elite-based explanations can explain the direction of the regime change, they do not produce full and compelling explanations on the institutional change as the role of deeper and more entrenched actors as culture and informal rules are neglected. Moreover, elite are equally affected by legacies and institutions. Comparative political economists argue that increasing returns support institutional heterogeneity against isomorphic pressures, so institutions gravitate toward inertia because the existing distribution of resources tends to produce the kind of political decisions in elites that reinforce them. The more entrenched a specific institution is, the more difficult it becomes to dismantle it because the institution distributes power resources in a way that supports its continuity (Beckert, 2010).

Furthermore, because of contingent events or influences, issues can become more relevant to elite groups which might trigger their willingness to support and to further enable changes from below. (Wegerich, 2001). But a mere focus on elites disregards a supply side institutional change from the top level can cause resistance or only partial adaptation on the lower levels. This could arise because of regional or local level resistance to change from above.

In this light, it becomes essential to consider **culture and national identity** in assuming western values and European integration processes. Here should be underlined the correlation between the religion and ethnicity in Orthodox Christianity and how the latter poses obstacle to the democratization of the country and the emergence of civil society (Rupnik, 1999). In case of the Russian Federation and Georgia Orthodox Church plays negative role in protecting rights of religious and sexual minorities (on 17 May 2013 several thousands of ultra-Orthodox supporters led by Orthodox priests were clashing with gay rights activists in Tbilisi).

**History** represents a core point of many disputes and current problems facing today many ex-communist countries. Thorny topics include Russia's tireless bullying the EaP countries for their European aspirations, different pace of reforms in many Eastern European countries, fierce rows in such countries as Poland and Romania on how far to probe communist-era collaboration, disagreements between Greeks and Turks over Cyprus, etc.(The Economist, 2007). Burden of history constantly mattered Russia during the last several centuries. Kremlin often tends to look at current events through the lens of the past – and this is very symptomatic. This situation always creates a risk: a shadow of history can be so firmly grasp consciousness that it will affect the decision-making at the present (Hedlund, 2012). Here particularly should be stressed that only Russia (till 1917) and partially Georgia (till its annexa-

tion in 1801) retained historic memory and experience of statehood and functioning independent state institutions (except Baltic countries), others with no institutional memory just represented a part or provinces of different empires and major European powers.

**The path dependence theory** in economics (or rail track gauge effect) deals with situations where solutions to the present problems become as a hostage of decisions taken earlier. It may be technological innovations, from which hard to refuse, it may be geographical location of businesses and cities where there are alternatives, but they are unattainable. In the area of socio-economic development the similar situations can be observed: potentially beneficial policies and reforms can be blocked or distorted due to historical prejudices, beliefs and traditions. The existing practice suggests that the vicissitudes of attempts to reform in Russia is difficult to explain without making references to the past. Even a superficial glance at the Russian history shows that certain institutional arrangements tend to be repeated from time to time (Hedlund, 2012).

Kennedy in 2002 coined a new term “**transition culture**” – the ability of states to mobilize society to undertake action for realization of their strategic needs during post-communism transformation (Kennedy M. , 2002). According to him, transition culture assumes that publics emerged from communist rule need to be educated in the values of capitalism and democracy and persuade the society into necessity of reforms and mobilize state power for implementing fundamental changes. Elite agencies and institutions are the principal actors of transition culture, and building of European type institutions represents a core element in successful transition process. It is very difficult to measure the level of “transition culture” among post-Soviet republics, but in many instances the transition culture was much higher in case of Estonia, Lithuania and Latvia, which was then translated into the successful transition process and high speed of their European and Euro-Atlantic integration. Here we should mention the political will of ruling elites to speed up the transformation process and make everything possible to implement EU/IMF recommendations. Champion of post-communism transformation and top-down Europeanization in EU Eastern partner countries became Mikheil Saakashvili who was aggressively demanding (sometime it was more PR than in-depth reforms) implementation of reforms first in Georgia (2003-2012) then in Ukraine (2014-2015).

### **External Influence:**

As we mentioned above many works on transitology made generalization on the transformations in Eastern and Central Europe as one whole, including e.g. the Russian Federation, the Baltic States and the EaP countries. The generalizing approach has been based on assumptions that these countries share certain geopolitically determined historical and cultural characteristics that make them all “Eastern European”, there are structural and cultural similarities among all these countries given by their common Communist past which are very important in the analysis and prediction of their post-Communist development (Illner, 1996).

Roland admits that **geopolitics** played an important role

for economies being in transition and which was underestimated by many economists (Roland, 1997). No doubt transition represents a global “shift toward democracy and market” and a very important geopolitical move of Central and Eastern European countries towards the West. For many post-Soviet republics integration into European institutions became a unique historic opportunity to leave the communist past and Russian influence for good and this process catalyzed transition process for certain EU Eastern Partnership countries (particularly, Georgia, Moldova and Ukraine) which was ended by concluding the Association agreements with the European Union in 2014.

The European post-Soviet space became a subject for competition between the West and Russia for influence over the European post-Soviet countries. The transition process in the mentioned countries was heavily influenced by the West-Russia relationship and rivalry. Since dissolution of the Soviet Union, the EU and the US offered assistance to the post-Soviet countries in a quite different way. External pressures, in the form of diffusion, political conditionality, democracy assistance and promotion programs, planting transnational human rights and democracy networks were more substantial in some regions (Baltic countries) than in others (Belarus, Moldova, Ukraine and South Caucasus countries).

Levitsky and Way divided the post-Cold War international environment into two dimensions: Western leverage (governments’ vulnerability to external pressure) and linkage to the West (the density of a country’s cooperation with the US, the EU, and Western-led international organizations) (Levitsky & Way, 2005). Authors used both leverage and linkage for measuring the level of authoritarianism during the post-Cold War period. However, mechanisms of leverage (diplomatic pressure, political conditionality, and military intervention) were not commonly used to democratize post-Cold War autocracies. In contrary, as empirical evidences show, diffuse effects of linkage contributed more consistently to democratization.

Levitsky and Way categorize some post-Soviet countries, particularly Georgia and Moldova, as low-linkage and high-leverage countries, both of which have been governed by “unstable competitive authoritarian regimes” since dissolution of the Soviet Union (Levitsky & Way, 2005). The mentioned countries are described as poor and dependent on foreign assistance, which are weakly integrated into the global economy and have only limited ties with the West. In each case, autocratic governments fell three times since regaining the independence, but neither country democratized. In case of Georgia, both domestic and international pressure forced Eduard Shevardnadze to step down in 2003, and then Saakashvili to cede power in 2012, but electoral manipulation, embezzlement, wide spread of human rights harassment and persecution of political rivals caused little international response, and domestically it triggered mass protests and demands for “restoration of justice”. It is not surprisingly that the former Prime Ministers of Moldova and Georgia, Vlad Filat and Vano Merabishvili respectively were recently arrested under different charges.

On the other hand, Russia was trying to keep its influence over post-Soviet republics by all possible means (political and economic conditionality, trade sanctions and import

bans, cutting energy supplies and direct military intervention). In December 1991 under Russia's leadership was founded the Commonwealth of Independent States (CIS) a successor organization of the USSR: 12 former Soviet Republics joined the CIS (all except the Baltic States). The CIS originally envisaged integration in one economic space including closed cooperation in the field of trade, finance, lawmaking and security. But already in mid of 90s it became evident that Russia wanted to use any possibility to extend its weakened influence over the post-Soviet area. Transition process for CIS countries was quite painful, with intra- and inter-state conflicts, revolutions and economic crises, regime change and new state building problems. In many instances behind all these developments Russia's long arm can be detected. Besides for Russia western liberal-democratic changes on the post-Soviet space was considered as a threat to Russia's stability and instead the Kremlin was promoting the principle of "the managed democracy", thus supporting the autocratic regimes of Lukashenka, Yanukovich, Aliiev, Karimov, Nazarbaev etc.

Due to the geostrategic importance of the post-Soviet East European space, the Kremlin continues to take advantage of ethnic divisions and tensions in Ukraine, Moldova and the South Caucasus to advance its imperial policies and resists by all means to the European and Euro-Atlantic integration of the mentioned countries, thus impeding all attempts for successful post-communist transformation. After the 2008 Russian invasion of Georgia and occupation of Abkhazia and South Ossetia, annexation of Crimea and deliberate instigation of a war in South-East Ukraine, supporting independence of the Moldovan Transnistrian region it became clear that Russia was playing its own game: restoration of Russia's imperial greatness and vassalage in neighborhood by all means. On top of that, instability in the Nagorno – Karabakh region, where Armenia continues to occupy 20 percent of what is internationally recognized as part of Azerbaijan's territory, benefits Moscow because it allows the Russian regime to leverage its influence – especially in Armenia. Erevan, being under the heavy pressure from Russia, has recently refused to continue negotiations over the Association Agreement with the EU and joined the Russian-led Eurasian Economic Union.

### ***Prevalence of Political Rules Over Economic Arrangements:***

Political constraints play a major role in decisions on reforms. The best known example is the design of the Russian privatization plan, where the main justification for distribution of state assets in Russia was not economic but political one (Roland, 2000.). Williamson making references to the study of Levy and Spiller regarding privatization in five countries concludes that privatization depends on many cases on the efficiency and quality of judicial independence, distribution of powers between different branches, the competence of regulatory institutions and contractual safeguards (Levy & Spiller, 1994), (Levy & Spiller, 1996), (Williamson, 2000). As it was revealed the "triumphant completion" of privatization in Russia was quite inadequate assessment: if privatization was a success for small firms, it was undoubtedly problematic for other companies and especially natural monopolies.

Here we wished to make references to the work of Olson

according to whom the large differences in per capita income and economic performance cannot be explained by differences in access to the world's stock of productive knowledge, or to its capital markets, or by differences in the quality of marketable human capital or personal culture (Olson, 1996). According to Olson "the only remaining plausible explanation is that the great differences in the wealth of nations are mainly due to differences in the quality of their institutions and economic policies" (Olson, 1996, p. 19). That explains some of the phenomenon, but, in our point of view, it is too complex for such a single explanation. His conclusions over postwar economic performances in divided China, Germany and Korea – where countries being under communist regimes had worst economic indicators than the same cultural groups from proper China, Germany and Korea, "could surely not be explained by differences in the marketable human capital of the populations at issue" (Olson, 1996, p. 19) In our opinion, this comparison shows outcome of economic performance of societies based on ideological differences as well as differences in economical structures and in systems in general (planning economy versus market economy) and this explains causes of so poor outcome of economic performance of countries being under the communist rule.

At the same time, the economic reforms were prioritized opening the leeway for apologists of the Washington Consensus. According to Roland facts have vindicated evolutionary-institutionalist perspective and proved that the Washington Consensus was detrimental (Roland, 2000.). He explains some failures in transition process in former Soviet republics by certain unforeseen circumstances: asset stripping during mass privatization, development of organized crime directly connected with authorities, increase in size of shadow economy, resistance of large enterprises to tax collection, insurmountable rampant corruption and etc. All mentioned events were not predicted neither by the Washington Consensus advocates nor the evolutionary-institutionalist perspective supporters. On the other hand, the IMF in 90s "often disregards the history, cultural traditions, and national peculiarities of the countries in which it was operating" (Papava, 2005). Here we would like to make references to the recommendation offered by the IMF delegation to Georgia in 1992-1993 requesting the government stay in the ruble zone, which caused quite a negative reaction from the political elite who had ambitions to uproot the Soviet imperial legacy as soon as possible. Certainly one can consider other reasons for the IMF ruble preference at that time, but this only reinforces the point about the imbalance of expertise in transition process, particularly for post-Soviet European countries (Kennedy, 2014). As Jones puts it, "the IMF's design for post-Soviet states, almost Bolshevik in scope and conviction, contributed to the political instability and economic decline it was designed to avoid, and intensified the tension between economic and political liberalization of Georgia" (Jones, 2015).

### **Conclusion**

Despite the heavy criticism and uncovered fallacies of transitionology in the academic literature, its ideas on sources of change based on neoliberal presumptions of linearity of change sustain in media, policy-making and even academic circles, while many countries that supposedly embarked on

the path of democratic transition towards this “endpoint” have stalled in their progress. Moreover, what is observed is that the old institutions and rules continue to shape the political-economic interactions within the societies turning these countries into “competitive authoritarian regimes”.

To address this issue, in this paper we highlight that the transformation or persistence of rules depends on a number of interdependent factors. To assess the degree of transformation or persistence of rules, we emphasize the importance not only elites as a factor but also legacies, institutions and external interventions (leverage and linkage) in explaining post-soviet transformations. Importance of legacies and institutions in guiding subsequent choices and allocation of resources is underlined by the primary fact that neither of the countries of the region represents an institutional “tabula rasa”. In post-soviet countries unlike CEE countries or Southeastern Europe upon the demise of communism weak institutional and political constraints emerged setting a solid foundation for domestic actors to pursue their goals much more successfully in fortifying their political and economic power and their actions were guided by the norms and rules dominant at that period of time. Hence, their subsequent demise when happened led to the continuation of their policies by their successors. In this regard, the influence of the existing political and economic institutions is paramount in understanding the dominant rules of the game, allocation of power and resources within the system.

In post-soviet countries, there are many examples of regime change which led to little change. Yet, regimes, their sets of actors and rules can and do change over time. To understand how and why it happens, this review article tries to point at the intertwining factors and multifaceted nature of institutional change. To evaluate better the persistence of rules and the trajectory of change, we point at importance of the elites, the state of the society and its ability to demand or preserve its acquired rights, which are in turn interdependent with existing culture and legacies, and finally geopolitics and international influence, the level of linkage and leverage with the regional powers and their strategies as key factors. These potential factors affect the distribution of power in political and economic institutions, which suggests that change is about creating a level playing field by imposing the same rules for all actors.

Exploring the interplay of these factors is an important area of study and it should be explored more in depth to understand better why and when institutional change takes place in future research.

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