

### The elite character, development and type of capitalism: Slovenia and Estonia in a comparative perspective

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# The elite character, development and type of capitalism

Slovenia and Estonia in a comparative perspective

*Frane Adam, Matevž Tomšič and Primož Kristan*

## The composition of the elite in transition countries

One characteristic of post-socialist political elites is their heterogeneity. Namely, they are made up of individuals and groups with various social and historical origins and ideological orientations: former dissidents with diverse roots, more or less reformist members of the ex-communist nomenclature, members of professional groups (so-called technocrats), people from the sphere of the Church and even some members of pre-war political elites.<sup>1</sup> According to Agh, the transitional political elite possesses a number of common characteristics such as its distance from the non-elite and a lack of professionalism. For this reason, society perceives it as a unified actor which »monopolises politics and exerts control over all social life« (Agh 1996: 45). But several antagonisms and conflicts exist among the various elite segments, especially the competition for control over key resources which the actors are trying to obtain through different social linkages (the search for allies, various »coalitions«); all of this means we are not dealing with a uniform group.

The social conditions in the countries of the former communist bloc are largely characterised by the *relationship between so-called old and new elites; id est*, between elites derived from the ranks of the former regime and the relatively heterogeneous elites formed during the process of system transition. It must, however, be stressed that it is often difficult to make a clear-cut division between the old and new elites. Even the former nomenclature has in fact experienced various transformations and part of it has embraced (at least formally) democratic principles and norms, thus the thought and action patterns which are essentially a relic of the former undemocratic system are often found in recently-founded political parties.

Nevertheless, a key question of post-socialist transformations concerns the position and role of the former holders of monopolistic social power such as the members of former communist elites: in other words, whether and to what extent

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<sup>1</sup> Attila Agh defines five characteristic transitional types of politician: politicians of morality, politicians of historical vision, politicians of coincidence, the old nomenclature and the emerging professional political elite. For more details, see Agh (1996).

they were able to retain key social resources and thereby continue to influence the development of these societies. In view of this, there are two interpretations of post-socialist conditions. The theory of elite reproduction holds that changes in Central and Eastern Europe did not have an impact on the composition of elites since the nomenclature was able to stay at the top of the social structure and become the new grand *bourgeoisie*. According to Hankiss (1990), the communist elites (at least their »reformed« parts) used their political capital to acquire economic assets (through processes like »spontaneous privatisation«). During the transition process, the *nomenclature* managed to stay in its positions because it succeeded in a particular rapid conversion (Matonyte/Mink 2003). The socio-economic structure of post-communist societies is thus argued to be designed according to the needs of this elite, described in terms like »political capitalism« (Staniszki 1991) or »crony capitalism« (Hanley 2000). According to the theory of elite circulation, however, these transformations are brought about by structural changes at the top of the social hierarchy, *id est*, the key positions occupied by new people on the basis of new principles (Szelenyi/Szelenyi 1995: 616).

Yet in some interpretations the findings of empirical research do not categorically corroborate either the theory of reproduction or the theory of circulation (see Szelenyi/Szelenyi 1995: 636).<sup>2</sup> It is evident that in the process of post-socialist transition no revolutionary changes occurred in this region in general. Thus, part of the old elite – mainly its bureaucratic faction – left the elite, although a large part of the elite of the late 1980s retained their key positions. On the other hand, a large share of post-socialist elites is made up of people who did not belong to the nomenclature. However, with these new members usually no great »structural shifts« occurred since most of them came from the ranks of professionals and mid-level bureaucracy, *id est*, those who at the end of the 1980s wielded at least some power (ibid.: 622–624).

The reproduction of elites in Russia is understandable since the social changes in that country occurred more slowly, were less fundamental and no strong counter-elite had existed that could have pushed the communist party personnel out. Thus,

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2 A lengthy international comparative study of national elites (which formed part of the research project »Social Stratification in Eastern Europe«) was conducted in several countries of the post-socialist transition in the 1990 to 94 period. It was carried out by Ivan Szelenyi and his colleagues and initiated in 1990. By mid-1994, surveys had been completed in six countries: Bulgaria, Czech Republic, Slovakia, Hungary, Poland and Russia. During 1993 and 1994, they conducted interviews with approximately 40.000 respondents. In each country, they interviewed 2.000 elite members: 1,000 of them were in nomenclature positions in 1988, 600 were members of the 1993 economic elite, and 400 were members of the 1993 political or cultural elite. In addition, a comparative sample of 5.000 randomly selected members of the entire population was taken in each country. By the end of 1993, data were available for three countries: Hungary, Poland and Russia. Some articles based on that data were published in *Theory and Society*, vol. 24: 5 (1995) (special issue).

in the conditions of relative social instability, where democratic institutions do not function properly, communist party personnel have the advantage over the new players. In the cases of Hungary and Poland, the principle of the circulation of elites holds greater weight.<sup>3</sup> This can be accounted for by the relatively well-developed civil societies there (in comparison to Russia) and a strong political counter-elite, which defeated the former communists in the first free elections.

A research study of the profile of the national elite was also conducted in the Czech Republic. The results indicate that in terms of the economic elite the level of reproduction is quite high, while in terms of political, administrative and cultural elites we can speak of circulation (Srubar 1998).<sup>4</sup> One should also mention here a comparative study of national elites carried out in the Baltic countries which concludes that with the Baltic elites there is a combination of continuity and change. Here, Anton Steen, the author of the study, uses the term 'elite recirculation' (Steen 1997).<sup>5</sup>

It is thus evident that the configuration of national elites, meaning the relative position and size of various elite circles in the constellation of power (Dogan 2003a: 1), differs considerably from one post-socialist country to another, and the same is true for the balance between the reproduction and circulation of elites. It is precisely the balance and relations among the recently emerged factions of the post-socialist elite that decisively determine the character of political regimes (primarily in

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3 Wasilewski's 1998 study of the current Polish elite (573 interviews were conducted with representatives of political, administrative and economic elites) gives somewhat different results in terms of the reproduction of the Polish elite: among the new elite, supposedly over a quarter (27 per cent) of those belonged to the elite during the communist rule. According to the author, this share represents a »significant reproduction of the old elite« (Wasilewski 1999: 4).

4 40 percent of the Czech transitional economic elite occupied elite positions before 1989. Of these 40 percent, 85 percent were ex-communist party members, while 57 percent of the new economic elite were former communist party members (the percentage of 'party members' in the economic elite is considerably greater than the percentages in the political and cultural elites). In current managerial structures, only 23 percent of managers in fact held general manager positions before 1989, however, 50 percent of them were at that time deputy general managers or members of the board of directors (*id est*, they belonged to some kind of second-rank managerial staff). 30 percent of the cultural elite held elite positions during communism. The results are similar in the case of the political elite, thus displaying a relatively low level of continuity. 35 percent of the members of the new political elite used to be communist party members (Srubar 1998).

5 The proportion of the elites who were members of the Communist Party and who held high positions in the former regime are: 55 percent in Latvia, 54 percent in Estonia and in 44 percent Lithuania (Steen 1997: 158). One reason for the smaller proportion of ex-Communist Party members in new Lithuanian elites may lie in the more pronounced left-right political cleavage (which has stimulated a more critical focus on the past), while in the case of the other two countries ethnic cleavages between the indigenous and Russophone populations were prevalent. In Estonia and Latvia, an intensive De-Russification of the elites occurred, meaning that the ethnicity of candidates for elite positions was more important than their political background.

terms of the division of power in society, *id est*, the level of its dispersal or concentration, as well as in terms of the social order as a whole). The types of elites in post-socialist societies differ from one another in a similar way as do the configurations of elites. The character of a political system in fact depends largely on the type of relations among the various political elites (Field et al 1990; Higley/ Burton 1998). This is particularly true in the case of a system transformation in which elites play the role of institution-builders (Kaminski/Kurczewska 1994). In their classification, Higley, Pakulski and Wesolowski specify four types of political elites on the basis of two factors: the level of integration and differentiation of elites: consensual, fragmented, divided and ideocratic elites.<sup>6</sup> In countries with a consensual elite (Visegrad countries, Baltic countries, Slovenia) where all the key political players abide by the rules and where a relative balance of power between different factions of political elite exists, the entrenchment of long-term political stability is most likely. However, in most countries of the former Soviet Union, of the Federal Republic of Yugoslavia (Serbia and Montenegro) and in Albania, where there is practically no consensus on the fundamental norms of political activity, a specific part of the political elite is explicitly dominant. Accordingly, the chances of successful political transformation, meaning the establishment of a stable polyarchical democracy (as well as the reforming of the remaining societal spheres), are relatively small, at least in the near future.

However, it should be pointed out that consensus and quasi-solidarity among political elites could lead to clientelism and the irresponsibility for national development on the part of these elites. There are even some examples from developed Western democracies that testify to this. The problem is not only a lack of elite integration but also the elite overlapping and interlocking or even a colonisation of the elite sector by one of its sectors.<sup>7</sup> It enhances elitism in the sense of a lack of responsiveness and responsibility towards the citizens. The convergence between political and civil society elites, coupled with a missing link between leaders and the masses in both politics and civil society which is, some say, characteristic of post-communist societies (Korkut 2005) hampers the development of democratic political life and a vibrant civil sphere. In this light, the relationship between consensus, conflict and competition should be re-defined.

The majority of research on elites in post-socialist societies has generally been of a descriptive nature and focused on formal positions and characteristics (Bozoki

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6 For detailed information on their conceptualisation, see Higley et al 1998.

7 In France, researchers stress the central role of the bureaucratic faction of the national elite which dominates not only political life but sometimes even the business sphere since people from the top of the state administration frequently assume positions of CEOs in big companies (Dogan 2003b). Some signs of the bureaucratisation of big business are also observed in Germany (Scheuch 2003), indicating the growing role of political and administrative elites.

2003). At the same time, it offers empirical evidence for further elaboration and stimulates criticism and new investigations. Our review of the evidence on the formation and dynamics of positional elites in post-socialist societies clearly indicates there is neither pure reproduction nor pure circulation, but we can speak of a greater inclination to one or other form in these countries. For the cases of Slovenia, the most economically developed, and Estonia, the fastest developing, post-communist country we will seek to define these mixed forms more precisely, for example, the relations between reproduction and circulation, and their consequences for modernisation<sup>8</sup> and socio-economic development.

### Elites and political dynamics: a comparison of Slovenia and Estonia

Besides being former communist countries, Slovenia and Estonia share several similar characteristics. First, they are both small countries in terms of the size of their territory and number of inhabitants. Second, they are new countries that gained independence only after the collapse of communist regimes. (In the case of Estonia, independence was, in fact, regained since it was a sovereign country in the period between two World Wars.) Third, they were the most economically developed regions in former multi-national settings (although Slovenia was at the considerably higher level in this regard) with the most Western contacts due to their geographical closeness to Western Europe: Slovenia borders Austria and Italy and Estonia has a maritime border with Finland.

However, the nature of the communist regimes in these two countries differed considerably in some aspects. The Slovenian regime was, in general, much more open and Slovenia enjoyed more regional autonomy, while with Estonia the oppressiveness of the Soviet regime remained strong up until the beginning of *perestroika* and Estonians were exposed to a severe process of Russification – the result of which was about one-third of Estonia's population inhabited with Russian-speaking people (who mostly settled during the Soviet period) at the time of establishing the country's independence.

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8 Here we understand modernisation as a complex process of social changes in various fields (politics, the economy, science etc.) in the function of catching up with the so-called developmental core, meaning those states perceived to be the most developed. From the viewpoint of post-socialist states, such a referential framework mainly comprises the most developed member states of the European Union.

The two new EU members, despite the abovementioned similarities, experienced different dynamics of their systemic transformation. They established varying types of socio-economic regulation and different institutional settings which consequently determined the results of the transition process. Our analysis intends to show how these differences were determined partly by the logic of »path-dependence«, in other words, the conditions at the start of the transition process as well as by the character of the main actors, namely the elites, especially political ones, the relations between them and their strategic choices. In the following part of the text, we will briefly outline political developments in both countries in the post-communist period, the elite configurations and their consequences for socio-economic development.

### Slovenia

The Slovenian political space is characterised by a bipolar division into two political blocs. The first is the so-called »left-liberal« and the second the so-called »right« bloc, with neither being fully internally homogeneous. They can be most clearly divided regarding their institutional origins. The main two parties of the first camp – the Liberal Democracy of Slovenia (LDS) and the Social Democrats (SD) (until 2005 the United List of Social Democrats) have their organisational roots in the old (socialist) regime – the latter is the successor to the former ruling Communist Party.<sup>9</sup> The other bloc consists of three main parties – the Slovenian Democratic Party (SDS) which is the dominant party here, the Slovenian People's Party (SLS) and New Slovenia (NSi) – which were established during the process of democratisation. The distinction between the »old« and »new« parties as they are often labelled in public discourse largely covers the left-right cleavage (»left« as the »old« and »right« as the »new« parties).<sup>10</sup> At first, the cleavage mostly referred to the positions of both camps in the past, meaning both the period between the two world wars and the

9 It has to be mentioned that the LDS acquired some special features. Regarding the origin of its membership it is quite a heterogeneous party. Its dominant core originates from the former Socialist Youth Organisation which, in the second half of the 1980s, became even more critical of the regime; it can be said that it was an opposition within the (communist) party and its members had contacts with dissident circles (opposition outside the communist party). In 1994, a small but very significant section of members of two parties from the new political elite (members of the Demos coalition that governed from 1990 to 1992) joined the Liberal Democracy of Slovenia.

10 The labelling of both political blocs as »the left« (first camp) and »the right« (second camp) which is common in public discourse has been a paradox for a long time (and to some extent it has blurred the picture of the Slovenian political space) since members of the business elite belong to proponents of »the left«, mostly the LDS, while many of those who considered themselves de-privileged (which is often described in terms of injustices suffered under the communist regime) have supported »the right«.

communist period as well as to some other positions of a symbolic and ideological nature like the role of religion and the Catholic Church in society. (In this regard, the ›left‹ takes a quite lenient attitude to the communist period while it is sceptical and not rejective of the public engagement of the Church, while the ›right‹ is strongly critical of communism yet relatively supportive of the Church.) While this ›cultural war‹ still has some potential for political mobilisation (although it has declined in the last few years), the issue of socio-economic regulation is gaining in importance and becoming the main point of controversy since the new government, mostly comprising parties of the ›right‹, launched a comprehensive programme of social and economic reforms directed at liberalisation and de-etatisation that should enhance the competitiveness and innovativeness of the Slovenian economy and society at large. These reforms are encountering considerable reluctance on the part of the opposition (especially the LDS) which warns against an increase in social inequality and the impoverishment of a considerable share of the population – meaning it is demonstrating its ›leftist nature‹ in terms of its social orientation and scepticism of ›unleashed‹ capitalism.

The victory of the ›right‹ in the last parliamentary elections (in 2004) brought a major change in the constellation of political forces. For the most of the post-communist period, the Slovenian political space was dominated by a ›left-liberal‹ bloc in which the LDS played a central part. From the first parliamentary elections in 1990 onwards, there were five ›political turns‹ (including the establishment of the first non-communist government in 1990, and the current one), in other words, changes of the political options in power (and five different heads of government, including the current one). However, in this (14-year) period governments not dominated by ›left-liberal‹ parties were in place for just two and a half years. Although all LDS-led governments were composed of parties from different camps, this party dominated them and ›spring parties‹ only played a marginal role in these coalitions.

The political domination of the ›left-liberal‹ bloc was strongly related to the configuration of the general elite in post-communist Slovenia. Research conducted in 1995 on Slovenian functional elites in politics, culture and the business sector<sup>11</sup> provided some data on the relations between the old (people who occupied high positions before 1988 and were able to preserve them) and the new elites (those assuming elite positions after 1988). In fact, this showed a fairly high level of repro-

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11 It should be stated that, regarding the research on elites in Slovenia carried out in 1995, a positional determination of the elites was performed. In this context, individuals are part of an elite if they occupy key positions in three main social areas: in politics (e.g. ministers, representatives in parliament, high state administrators, party leaders), in the economy (managers in leading companies) and in the cultural sphere (leading staff in cultural and scientific institutions, media establishments and professional associations).



duction in all elite sectors (the highest in the business sector),<sup>12</sup> much higher than in other comparable Central European countries (Czech Republic, Hungary and Poland) where the change in the regime resulted in fundamental changes to the elite positions and thus the circulation of elites was higher. The consequence was that the vast majority of the elite gravitated (regarding its voting preferences) towards the political part of the retention elite, represented by the LDS and SD. This faction of the political elite had much better connections with various strategic groups within society, above all the management, business and academic sphere, the social sciences circles and the media. Its advantage thus lay in its intellectual and cadre potential as well as financial resources, which led to its disproportionate influence and informal power within society. This informal power contributed to the dominance of the left more than their legitimate power, *id est* support among the population, since both the blocs were more or less in balance until the last parliamentary elections in 2000.

### Estonia

The political space in post-communist Estonia has been characterised by the fact that, unlike in most other Central and Eastern European countries (Poland, Hungary, Slovenia, Lithuania), the former communist elite did not manage to politically survive, at least not in the form of a strong communist successor party. Moreover, there is no strong left in Estonian political life. Among the political parties currently represented in parliament, only one – the smallest of six parliamentary parties (the Social Democratic Party, the former People's Party Moderates) – may be considered as centre-leftist-oriented.<sup>13</sup> The others are labelled centrist or centre-rightist.<sup>14</sup> This means that it is mostly liberal and conservative forces competing for political sup-

12 The rate of reproduction amounts on average to 77 percent, with the highest individual level being in the business sector (84 per cent) and the lowest in politics (66 per cent), while in culture it reaches 78 percent (Kramberger 1998, 1999; Igljić/Rus 2000).

13 But even the orientation of this party seems to bear some traits of the New Labour (Lagerspetz/Vogt 2004: 65) and is thus not similar to the classical social-democratic parties.

14 The Centre Party received the highest number of votes in the last parliamentary election and is labelled by some as left leaning (Pettai 2004: 993). However, it is a member of the European Liberal, Democratic and Reform Party. The Estonian People's Union is also sometimes described as a left of centre party, which refers to its more left-oriented (by Estonian standards) social and economic policies advocating more state regulation and subsidising. However, in cultural terms it is conservatively oriented, proclaiming national and traditional values. This demonstrates how difficult it is for many post-communist parties to be located in the categories of left and right. As observed by some political analysts, the classical left-right cleavage has not yet evolved in Estonian political life (Grofman et al 2001).

port and an exchange in positions of political power. (However, at the elections for the European Parliament in 2004 the Social Democrats won the largest share of votes, which might indicate a certain change in the configuration of the Estonian political space).

Estonian political life has been characterised by high political dynamics in terms of the frequent changes of power-holders. Since 1990 there have been eleven governments and eight different people have headed up the government (the longest duration of government was three years – between 1999 and 2002 when it was led by Mart Laar). Most governments have been centre-rightist-oriented. Only one Prime Minister can be declared a social democrat (Andres Tarand, then not a party affiliate but who later led the Moderates) but even the government he led was not left-centre-oriented in general due to the fact that the coalition parties come from centrist and centre-rightist political options.

It is obvious that Estonian politics is, notwithstanding the quite frequent change of governments, dominated by a conservative-liberal option (Vogt 2003). This relates to the configuration of elites which has experienced the considerable circulation of the key positions. The circulation was, as mentioned before, not very deep (meaning that (mostly the younger) people recruited to the elite positions have not been complete newcomers since they occupied positions of some importance even at the end of the communist period (Steen 1997; Steen/Ruus 2002).<sup>15</sup> However, this influences the ideological composition of the political sphere and society at large since the vast majority of them embrace a neo-liberal ideology.

Although Estonia has had, at least in the first years of its independence, considerable continuity in terms of the communist pedigree of the political elite, this has not had an impact on the rightist character of the political space.<sup>16</sup> One of the authors, on the other side, in his recent study argues that the elites' strong rightist orientations are levelling out or even declining (Steen 2007).<sup>17</sup> What is surprising

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15 As stated by Steen, »While the nomenclature was largely removed from power, the younger, well educated, mid-level leaders from the former regime are continuing and are now occupying most of the top positions« (Steen 1997: 166).

16 As stated by Ruus and Taru in their study on members of the Riigikogu (Estonian parliament): »A majority of all Estonian MPs have right-wing orientations, and consequently, their previous membership of the Communist Party has only a minor impact on leftist attitudes« (Ruus/Taru 2003: 67).

17 In a study of elites' beliefs and economic reforms in the Baltic states and Russia (280–315 face-to-face interviews of top leaders – parliamentary deputies, administrative officials, directors of major private companies and state enterprises, NGO leaders, the judiciary, culture institutions and local government – were conducted in every state and combined with the World Bank and IMF statistical material), Steen comes to the conclusion that »(...) the elites' rightist orientations were strong during the initial phase of reforms and are fairly stable during the 1994–2003 period. The elite support for private ownership was extremely high in the beginning among all elite groups but is apparently declining gradually as the effects of capitalism, e.g. income inequality hits population. The state option

here is the notion that the state option for resolving traditional collective problems found strong support among all elite groups in the period between 1994 and 2003. Considering Estonia's low healthcare expenditure and its falling rate of total expenditure on social protection, a return to the state option seems very unlikely.<sup>18</sup> In fact, even political parties belonging to the left side of the Estonian political spectrum are clearly pro-market, so much so that in many countries they might qualify as steadfast right-wingers (Vogt 2003: 83). The change in ideological affiliation also occurred to some top functionaries of the former regime. A typical example is Arnold Ruutel, the current president of the republic who was the last president of the Supreme Soviet of Estonia but later became a leading figure of one new political party (Estonian People's Union) that claims to represent national-conservative values. Evidently the position in the former regime's power structure did not determine ideological preferences in the post-communist situation as happened in some other countries like Slovenia.

### The politico-ideological hegemony and its consequences

One could say that both Slovenia and Estonia have for most of the post-communist period been characterised by politico-ideological hegemony. What differs is the content and bearer of this hegemony. While in Slovenia it was undertaken by a 'leftist-liberal' camp (Adam/Tomsic 2002) and oriented to maintaining the status quo, in Estonia it was conducted by a conservative-liberal option and directed at radical change in the sense of the liberalisation of society (Lagerspetz 2001; Lagerspetz/Vogt 2004). Hegemony in Slovenia was maintained in conditions of a bipolar structure of the political space, despite the fact that the electoral support for both camps was often quite in balance, mainly through informal elite networks. Hegemony in Estonia was, despite the absence of a dominant political entity and the relative fragmentation of the political space, maintained through a wide value and policy consensus of the main political actors.

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for solving traditional collective problems has strong support among all elite groups during the entire period« (Steen 2007: 96).

18 Regarding healthcare expenditure, in 2003 Estonia with 4.2 percent of GDP was only placed higher than Lithuania (3.9) and Latvia (3.0). Slovenia, for example, spent almost twice as much (7.8), while other figures are Czech Republic (7.1), Hungary (6.2), Slovakia (5.8) and Poland (4.3). The total expenditure on social protection in Estonia decreased from 14.4 percent of GDP in 2000, 13.6 percent of GDP in 2001, 13.2 percent of GDP in 2002 to 13.4 percent of GDP in 2003 (Source: Eurostat Yearbook 2006–07).

It seems that the presence of an »external threat« in the form of Russia as a strong neighbour and former oppressor as well as the large Russophone population acted as a homogeniser of Estonian elites on the basis of a national and neo-liberal ideological platform. In the case of Slovenia, the absence of such a strong ongoing threat (despite the fact that its Ex-Yugoslav neighbours were at war) prevented such homogenisation. Instead, the so-called »soft transition« with the important role of the »old« elite which managed to stay in many key positions in society, combined with traditions of strong ideological polarisation, maintained the state of a bipolar constellation and the domination of one political bloc.

The composition of Slovenian elites and dynamics of the political space have been the subject of dispute among scholars. Some consider this situation to be unproblematic, stressing the benign effect of elite reproduction, especially political and social stability – Slovenia experienced less social turbulence than any other transition country – while at the same time relativising the significance of the data indicates a high level of elite continuity (Iglič/Rus 2000; Kramberger/Vehovar 2000) or attributing that to the positive role of the old communist elite in the democratisation process (Miheljak/Toš 2005). However, other more critical interpretations exist, including those advocated by the authors of this article (Adam/Tomsic 2000, 2002; Tomsic 2002). According to them, the high level of elite reproduction is producing a long-term malignant effect (although this might not be apparent in the short term), including a possible shift towards an oligarchic democracy or delegative democracy (see O'Donnell 1998), and the establishment of monopolies and rent-seeking behaviour.

Similarly, assessments of Estonian political development are not univocal. It is generally accepted that the country achieved great progress in the last fifteen years in terms of the development of its economy, society and political life. The tempo of its systemic modernisation is probably the fastest in the region and is thus often labelled the »model pupil« of the applicants for EU accession (Smith 2002). For this achievement, the political actors in this period certainly deserve credit. In spite of this, certain observers detect some considerable deficiencies characterising Estonian politics and society like increasing social inequality, political egotism and a lack of responsibility, widespread clientelism etc.<sup>19</sup> The main problem perceived is the elitist behaviour of political leaders and their insensitivity to the interests and preferences of ordinary people.<sup>20</sup> The differing experience of certain social and ethnic groups

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19 In April 2001, a group of Estonian social researchers addressed the public in an appeal raising their concerns about the course of the country's development. In their view, Estonia had drifted into a political, social and ethical crisis. They described the notion of »Two Estonias, which symbolise a wide gap between power elite and disempowered ordinary citizens« (Lagerspetz/Vogt 2004: 57).

20 This elite-centeredness, based on the principles of speed, efficiency and expertise, is argued to also be characteristic of the process of Estonia's integration into the European Union (Raik 2002).

results in polarised assessments of the democratic process in terms of their satisfaction with the state of democracy (Evans/Lipsmeyer 2001).

The specific configurations of the Slovenian and Estonian elites led to gradual changes and a high degree in continuity in the first case and to changes of great speed and depth in the second. Slovenia managed to avoid abrupt social tensions that could have resulted from a big increase in the inequality and impoverishment of larger segments of the population. It achieved a relatively high quality of life as indicated by, for example, the Human Development Index. In the meantime, the high elite reproduction related to excessive political control over key areas and the marginalisation of alternative options (not only in the political sphere) led to growing inertia and staggering systemic reforms resulting in the low efficiency of the government and shrinking competitiveness of the economy (as indicated by low rankings in surveys like the World Competitiveness Yearbook and the Global Competitiveness Index). Estonia became the fastest growing former-communist country. Different comparative surveys see Estonian state/political institutions as being the most efficient and development-oriented (especially in terms of providing a business-friendly environment) in the region. But this happened at the expense of excluding certain segments of the population, which resulted in their frustration and cynicism. It is obvious that political hegemony, regardless of its ideological basis, produces some problematic effects for the proper functioning of a democracy, since it leads to the self-sufficiency of power-holders and a lack of responsiveness towards the citizenry, in turn generating their distrust of political institutions and, at worst, of the system as such.

### Conclusion: different elites, different types of capitalism

The course of political development and systemic transition is determined to some extent by »path-dependence«. After the breakdown of the Soviet regime, Estonia faced serious socio-economic conditions. They had a choice: to either stay trapped in a vicious circle of under-achievement at the Western periphery or to do something to break this circle and make a developmental breakthrough. Slovenia's situation was quite different. Its relative openness towards the West and its more market-oriented economy together with some degree of political and especially cultural autonomy (which was not the case in the Baltic countries) during the times of socialist Yugoslavia made the change in the socio-economic formation less traumatic. This led to the prevalence of a notion of the relative compatibility of the Slovenian institutional setting with the West which rejected a deep and sudden break with the past, arguing for a »soft transition«, in other words, piecemeal and

gradual institutional changes in order to preserve social stability. This soft transition was strongly connected with the abovementioned high elite reproduction, meaning that most old communist-era elites retained their positions under the new circumstances. However, the political actors still had to make their choices. The Estonian elite decided to modernise society through a widespread and rapid liberalisation and deregulation, while the Slovenian one embraced a gradualist approach that led to much slower and more cautious reforms.

Both transition models have proved to be successful. Estonia is considered to be the fastest-developing state that is rapidly approaching the EU average. Slovenia, on the other hand, has succeeded in maintaining the highest GDP in the region – despite having lower economic growth than Estonia – and economic stability, which enabled the acceptance of the common European currency – Euro (becoming the only new EU member state to do so). Here, two key factors need to be mentioned. The first refers to the structural, particularly historical and geo-political circumstances (path-dependence). The second has a »subjective« nature and largely depends on the decisions and composition of elite groups. Our thesis is that the type of capitalism in both states needs to be explained within this context. In the case of Slovenia *managerial capitalism* with a strong (significant) role of the government evolved, while in Estonia we can observe the emergence of *classical (market) capitalism* with only a small (marginal) role of the state. Whereas in Slovenia we can speak of a »corporatist welfare state« when it comes to Estonia one can at most observe a »residual welfare state« and a minimum state. What is interesting is that the Estonian elite did not take the nearby Scandinavian model of restricted capitalism and universal welfare state as a reference. The social order that emerged is thus much closer to the Anglo-Saxon model of entrepreneurship, free-market ideology and the limited role of the state.

However, the story of elites and capitalism in both states is not over yet. Recent events and observations tell us that Estonia went too far in the neo-liberal direction, while Slovenia exaggeratedly leaned in the corporatist direction. In the former the reforms were quick and ruthless while in the latter they were too slow. Estonia's »pure« or liberal type of capitalism introduced significant social inequalities, poverty and the exclusion of quite large social groups (mostly the Russophone minority). It is true that in Slovenia shifts in social stratification also occurred but a much more significant problem hindering the »meritocratic« principles and economic competitiveness seems to be the rigidity of the labour market and taxation system. Slovenia's new right-centre-oriented government has triggered some liberal reforms however they have been cautiously implemented. In Estonia a segment of the political elite has already started to consider a bigger role for the state (Steen 2007). In addition, we can detect the importance of the social learning factor of elites that, along with

path-dependence and the elites' creative responses to historical and geo-political limitations, is significantly influencing the course and quality of social development.

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