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The long-run weight of communism or the weight of long-run history?

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Working Paper No. 2010/83

The Long-Run Weight of Communism or the Weight of Long-Run History?

Gérard Roland*

July 2010

Abstract

This study provides evidence that culture understood as values and beliefs moves very slowly. Despite massive institutional change, values and beliefs in transition countries have not changed much over the last 20 years. Evidence suggests that culture is affected by the long run historical past, in particular the participation in empires for over 100 years. Current institutional evolutions in transition countries might be more affected by their long run past than by the communist experience of the twentieth century.

Keywords: culture, institutional change, transition, economic history.
JEL classification: N10, O57, P20, P30

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1 Introduction

If one were to have made in 1910 predictions about the outlook for Russia, Central Europe and China in 2010, what plausible scenarios could one imagine? Surprisingly, one can very well imagine scenarios that are very close to what we are observing today. Prediction is often nothing less than an extrapolation from the past. Russia was modernizing economically but was remaining politically very autocratic. Central Europe was economically very prosperous and well integrated to Western Europe but experiencing nationalistic tensions. China was waking up from its torpor and opening up to the outside world searching for modern institutions capable of unifying China, in all likelihood via a unified military command. A hundred years later, some of the trends one could observe in the early twentieth century can still be observed today. The remarkable thing is that during this century, these different regions of the world have all undergone several decades of living under a communist regime, something that in all likelihood would not have been predicted then. Seen in the very long run, it would seem however that these decades of communism have not left a great influence on the long-run trends one observes in these regions of the world. Was the communist experience, in the very long run, nothing else than a minor historical blip in the long-run evolution of these countries?[1]

There are many traits in post-socialist countries that we tend to attribute to the recent communist past. However, if we take a closer look, these traits might have more to do with the pre-communist historical past than with the communist experience itself. Is Putin's autocratic style and reliance on the secret service a communist trait or rather one that was associated with Russia already before the Bolshevik revolution, such as the role of the *Okhranka* and previous embodiments of the Tsar's secret service in keeping the state apparatus together? We know that communist ideology is mostly only a façade for the Chinese communist party and that it is more driven by the nationalistic ideals of Sun Yat-sen, the Kuomintang leader in 1909 than by the ideas of Karl Marx. The organization of the Chinese bureaucracy, its meritocratic system, even the moralizing campaigns have less to do with 'democratic centralism' and communist ideology than with the millennial mandarinal system that was relatively efficient most of the time throughout Chinese history. While it is very difficult to precisely disentangle the effects of communism versus those of long-run history, it would definitely be wrong to ignore the weight of long-run history.

In this study, I take a closer look at the weight of long-run history in the observed evolution of post-socialist countries and try to understand if past history really seems to influence these evolutions possibly more than the recent communist past, and why this might be the case. I start with a quite speculative, though in my view illuminating, exercise consisting in extrapolating the future of Russia, Central Europe and China from the perspective of 1909. We then provide some hard empirical evidence in showing the role of long-run history in shaping cultural values in Eastern and Central Europe. This evidence tends to show that culture, that is values and beliefs, moves very slowly and thus that the distant past affects countries historical path via their culture. We then look at the evolution of beliefs in transition countries since the beginning of the transition. While these countries have undergone massive institutional change, it is surprising to see how sticky values and beliefs have been in the last

[1] Four to seven decades are long in people's lives but short in a historical perspective.

twenty years. We argue in the final section that the long-run stickiness of values and belief is a major determinant of the institutional and economic evolution of countries.

2 The future of Russia, China and Central Europe seen from the perspective of 1909.

Economics is predictably bad at making predictions, let alone long-run predictions. People however cannot resist the temptation to make or try to make predictions, however shaky the foundations. In this section, I propose the following thought experiment. Assume we were in 1910 and did not know any of the history of the next hundred years. Assume one would want to make predictions about how Russia, Central Europe and China would look like hundred years onwards. What would the picture look like? This thought experiment must obviously be taken with a grain of salt because we are not operating behind a veil of ignorance. Moreover, such long-run predictions do not have a scientific basis and are generally nothing more than loose interpolations from the past. I will not pretend to do more. All I want is to produce some 'makeshift predictions' using interpolation that seem plausible from the perspective of 1910. Since it would have been very difficult to predict then that all these countries would spend a great part of the twentieth century under a communist-imposed socialist economy and since all these countries have since abandoned socialism, it is useful to see how far such simple interpolations could bring us in understanding where these countries are today. If this is the case, this would mean that we can understand much about those countries based on their long-run past. This thought experiment does not prove anything by itself. However, in the next section we will bring some evidence to bear on the weight of history.

Let us start with Russia. One could imagine in 1909 that Russia would continue its economic modernization process that started at the turn of the century under Count Witte and continued vigorously under Prime Minister Stolypin's reforms. Industrialization was encouraged and there was rapid expansion of the steel, industry, oil industry and the rapid construction of a large network of railroads. The agrarian reforms started under Stolypin included the development of solid private property of land in the countryside, lines of credit for private farmers, dissemination of methods of land improvement. Peasants were encouraged via the Trans-Siberian railroad to migrate east and take land in Siberia. Russia could have been predicted to have partly caught up with Western Europe (see Miller 1927 for a description of pre-1914 Russia). However, given the size of the country, modern industry was concentrated in a few rich urban centres like St. Petersburg, Moscow, Kiev, Kharkov, Vilna and Riga (Hooson 1968). Simultaneously, there remained huge pockets of rural and backward poverty since serfdom had only recently been abolished and peasants were living under forms of communal ownership. The strong growth in heavy industry relied a lot on foreign investment and Western technical assistance. To pay for all this, the Russian economy of the early twentieth century could rely on the export of energy, natural resources and especially agricultural products.

Since its rebirth under both Ivan the Terrible and Peter the Great, the Russian state was very centralized and relied on a strong repressive apparatus to ruthlessly quell any dissent. In the early twentieth century, the famous *Okhranka* secret police was quite skilled and efficient in chasing anarchists and revolutionaries of all kinds. In their efforts to build a secret organization that could protect them efficiently against the secret police, the Bolsheviks were able to create an organization that would allow them to seize and keep power in Russia in 1917.

Throughout the nineteenth century, Russia had been pushing its territory westwards, taking advantage of the weakening of the Ottoman Empire to gain influence and acquire territory in areas formerly controlled by the Ottoman Empire. This explains the push in the Balkans and in the Caucasus. Russia did not have good access to seas at its western borders. It could push geopolitically either in the northwest in the Baltics or in the Southwest by getting access to the Mediterranean via the Balkans. Under Tsar Nicolas II, both directions were tried without enough focus on either.

So, if we would extrapolate from 1909 over the next hundred years the observed tendencies in terms of economic fundamentals, broad institutional characteristics and geopolitical outlook, what could we reasonably expect? A 'reasonable' prediction would be that Russia would continue its economic modernization, possibly catch up, at least partly with the other industrialized nations. There would nevertheless remain large discrepancies between the more developed urban centres and a large backward countryside with huge pockets of poverty. Russia's comparative advantage would remain in the export of natural resources and raw materials. The political regime would be a Republic or a constitutional monarchy with strong centralized powers and an ever-present strong secret police. One could reasonably predict that Russia would have a stronger geopolitical role, possibly with a strong presence in the Balkans and in former areas of the Ottoman Empire, but probably less in the Baltics and to the east of Prussian Germany. This would have seemed rational at the time given the rapid modernization of Germany and its strong military build-up. [2]

This picture would seem very much to describe, with broad brushstrokes, Russia in 2010. Russia has industrialized strongly but this was under central planning. There are large discrepancies between the bigger richer urban centres and a poor countryside. The countryside was killed by collectivization and was never really able to recover despite the privatization drives of the 1990s. Transition in Russian agriculture is a sad story of failures and badly co-ordinated reforms. In 1910, one would have most likely overestimated the state of Russian agriculture in 2010 as well as the extent of its strength in Russian exports. Russia is a republic with centralized powers and the secret service is still the backbone of the state apparatus. When rebuilding the Russian state on the ashes of the disorganized bureaucracy of the Yeltsin years, Putin built directly on his former KGB network, making it possible to weaken the oligarchs and strengthen the power of the *siloviki*. Geopolitically, it is not clear whether Russia is more powerful in relative terms compared to the early twentieth century given its strong decline since the end of the Cold War. It has suffered major losses in territory after the breakup of the Soviet Union. Its power in Western Europe is lower than what it was hundred years ago and it is having a hard time dealing with local conflict in Chechnya and in the Caucasus. Post-Yeltsin Russia appears more powerful internationally than under Yeltsin but it does not fare much better than under the extraordinary lows of the 1990s when it seemed that Russian policy could be directly influenced by Washington.

Let us now turn to Central Europe. It is in a way more difficult to draw a consistent picture because the perspective might seem different seen from Budapest, Warsaw, or Prague. We will therefore take even more of a bird's eye view. In 1909, Central Europe was economically very prosperous and integrated to the world economy. Berlin, Prague, Vienna, Budapest were on equal terms large centres of culture, trade, and economic growth. This large economic

[2] Nicolas II did not make such a choice and focused equally on the Balkans and the Baltic. With hindsight, this seems to have been a mistake of historical consequences since the German push to the east in World War I eventually led to the downfall of the tsarist regime.

prosperity contrasted with the archaic political institutions governing most of Central Europe. The Austro-Hungarian Empire was governed by a weak, conservative and rigid multi-ethnic bureaucracy that was neither admired nor respected. The German Empire had a more efficient state apparatus but was being challenged from inside by a strong workers' movement fighting for democracy and universal suffrage. Geopolitically, nationalism was boiling everywhere, a trend that had started in the nineteenth century with the revolutionary uprisings of 1830 in Poland and in 1848 throughout most Europe. Nationalism associated with aspirations for more modern political institutions was making the Austro-Hungarian Empire burst at its seams and appear more and more weak and dysfunctional, its army appearing weaker than the Russian Army. Many territories under the control of the Austro-Hungarian Empire could thus appear to be a possible prey for Russian westward expansionism building on Pan-Slavic movements from Slovakia to Serbia.

If we extrapolate from 1910, one would reasonably expect Central Europe to remain economically very prosperous and integrated to a German and Czech economic powerhouse.[3] Institutionally, one would predict that the empires would be replaced with more modern republican and democratic institutions. The advent of nationalist democratic movements would however lead to a breakup of the multi-ethnic Austro-Hungarian Empire. The borders of a future Central Europe would however seem very hard to predict in 1909. One possibility is that of a merger between Austria and Germany. To recall, this merger had failed in the nineteenth century since the establishment of the Zollverein because the conservative Austrian monarchy was afraid the unified country would be governed by progressive forces (Dumke 1978). Another possibility is that of a very powerful Hungary being the big power in Central Europe and controlling large parts of Slovakia and Romania. It was uncertain whether Poland would gain independence, possibly creating a joint state with a greater Lithuania following the dreams of Pilsudski.

Overall, if we compare these plausible predictions with the reality of 2009, Central Europe probably looks today less prosperous than what might have been predicted in 1910. Of course, four decades of socialism are much to blame for this. Nevertheless, in the nineties, observers tended to marvel at how Central Europe was faring better under transition than in the former Soviet Union (FSU) and different explanations were put forward for that 'Great Divide' (see for example, Berglöf and Bolton 2002). In historical perspective, Central Europe lost many decades of prosperity when it was chained to the Soviet Empire. Politically, all Central European countries have become democracies like in Western Europe, albeit somewhat less stable for reasons we will discuss in section 4 of this study. Nevertheless, this appears to be a clean break from the situation of 1910. Geopolitically, Central Europe appears more fragmented than it might have been predicted to be. This fragmentation, established after World War I under the Wilsonian influence, would appear potentially very unstable given the many possible border conflicts and historical claims of some countries over territories of other countries. Nevertheless, the European Union (EU) has brought great stability to the borders of Central Europe by integrating these countries within the Union. Without the existence of the EU, the breaking away of Central Europe from the Soviet Union after 1989 would certainly have exacerbated local nationalisms and nationalist conflicts between Hungary, Slovakia and Romania, to give just one example.

[3] The Czech lands of Bohemia and Moravia were among the most prosperous regions of Europe until World War II.

Let us now turn to China. Early in the twentieth century, the Qing dynasty seemed moribund. The opium wars had forced China to cede territories to the British and to allow them to sell opium within China. Various colonizing countries were looking forward to sharing the spoils of the declining Chinese Empire. Internal revolts were further weakening the Celestial Empire. The Boxer revolt had shaken all of China only a few decades after the Taiping revolt. A more structured nationalist and republican movement, the Kuomintang was expanding fast under the leadership of Sun Yat-sen, a foreign-educated Westernizing intellectual who aspired to make China strong again by modernizing its institutions and reviving its economy which had been the most affluent in the world until the eighteenth century.

Seen from the perspective of 1910, a plausible scenario would be that Sun Yat-sen would succeed and win his gamble of modernizing China. China could then be seen hundred years down the road as a nationalist republic, plausibly with military characteristics.[4] The south of China could be seen to play a much larger role in the country in the future. Sun Yat-sen himself was from Guangzhou province and he spent several years in Hong Kong. The larger area surrounding the Pearl River delta had never played any major role in Chinese history but it was expanding very fast as a major locus of trade and commerce. Many of the supporters of Sun Yat-sen also came from that region.

Given its past traditions, China could be seen to become a major player in the world's exports of agricultural goods as well as of agriculture-intensive products, light industry and manufacturing with foreign trade being a major source of its economic revival. Compared to China in 2010, this extrapolation would seem pretty much on target. China has become a major powerhouse in the world economy due to its vigorous export of light manufacturing goods. Southern China and the coastal regions have played a major role in China's economic revival and its participation in world trade. China has got rid of the colonizing powers and taken back Hong Kong and Macau from the British and the Portuguese. It has been unified under a nationalist dictatorship with strong domestic military powers. The only difference is that the revival of the Chinese continent has happened not under the auspices of the Kuomintang but under those of the Chinese Communist Party, after many detours: an internal civil war, Japanese occupation, the Communist victory, and the disastrous Maoist years of the Great Leap forward and the Cultural Revolution. It is only in the last 32 years before 2010 that China started its economic revival. The Communist Party today looks however closer to a nationalist Kuomintang than to the ideologically fanatical organization that Mao had built between the 1920s and the Cultural Revolution. Today's China seems also closer than ever to Sun Yat-sen's goals of a slowly emerging democracy even though the goal of democracy is not shared by the communist leadership and one has reasons to doubt that democracy will be established in China for quite many decades, if only because democracy could jeopardize the unity of China and reinforce secessionist tendencies in various provinces.

What should we conclude from this thought experiment comparing possible extrapolations from 1910 to 2010 for Russia, Central Europe and China? The picture that emerges based purely on the reality of 1910 seems very close in many aspects to today's reality in those regions. Interestingly, if we had made a prediction for 1960 instead which would probably have looked very similar, we would have been wildly wrong. The difference is that all these countries became socialist economies in the decades after 1910 and socialism as an economic

[4] Sun Yat-sen was in favour of democracy but unifying China was his first goal. Towards that goal, he was in favour of a temporary military dictatorship in order to unify China and prepare it in the longer run for democracy.

system had all but disappeared by 2010, apart from North Korea and Cuba. It might thus seem that communism was a giant historical detour and that by 2010 most countries had at least partially recovered from that detour and gone back to the long-run trends of 1910. Thinking of these long-run trends, it seems that the geopolitical evolution is more uncertain than the long-run economic trends and basic domestic political institutional evolution. This is more true for Central Europe which given its ethnic diversity could have evolved in many different directions. At the margin, the borders of Russia would not have easily been predicted either. The loss of Ukraine in particular following the breakup of the Soviet Union would certainly have seemed like a low probability event. China appears to be an exception but it has had exceptional stability of its borders over the last centuries.

The natural endowments and geography of a country play a big role in shaping its comparative advantage together with its history. Some of the economic fundamentals would thus appear to be quite stable. None of these regions has been underdeveloped for all their history and thus they could count on accumulated human capital to grow.

The 'predictions' for the domestic political institutions are generally on target. Long-run trends thus seem to be discernible. Why could that be? A hypothesis that comes to mind is that there is some co-evolution of formal institutions and of a country's culture seen as the general set of values and beliefs about how the world works. Central Europe has a shared culture with Western Europe. It went through the Enlightenment period in which the modern culture that has shaped democratic institutions has emerged out of the ashes of the Dark Ages. Therefore, one could have thought that there would be in the long run historical convergence with institutions of Western Europe. This is happening despite some caveats to which we will come later. Russia in contrast missed the Enlightenment as it was living under Tatar rule. Modernization, be it under Peter the Great, Empress Catherine, or Stalin happened under an original mix of violence and centralized repression on one hand and aspiration towards Western-inspired values on the other hand, all in a sea of territorial immensity and large backwardness. The traces of this mix are very palpable in today's Russia. China has developed a civilization of its own with a Confucianist culture, a meritocratic and efficient system of administration with an obsession for political stability and a fear of heterogeneity. There is no place here to describe in detail the effects of Confucianist culture but there is no doubt that they are present in today's China, even if they co-exist with the legacy of the Cultural Revolution. How can we understand this long-run co-evolution of institutions and culture? Why is the weight of history so large despite the incredible historical detour given by the failed experiment of creating a socialist system? Before understanding this, it is useful to go beyond the impressionistic and speculative reasoning we have provided so far.

3 The weight of long-run history versus the communist past

Very intriguing empirical evidence exists to show that the weight of long-run history matters significantly in transition countries. Grosjean (2009) has used the *Life in Transition Survey* (LITS) conducted in 2006 by the European Bank for Reconstruction and Development and the World Bank in 28 post-transition countries and in Turkey in order to analyze the deter minants of cultural distance using a gravity model. The data include 21,000 households in 1,050 primary sampling units. Since the location of the surveys is known, she was able to build various distance measures based on all pairs of locations.

The basic specification regresses the distance between a pair of locations for a cultural variable against physical distance, taking into account the presence of mountains, as well as other distance measures and other variables. The other distance measures are (1) the dissimilarity in composition of social classes as measured by the proportion of rich, poor and middle income; (2) dissimilarity in educational achievement; and (3) dissimilarity in the composition of the main religions (Muslim, Christian, Jewish, atheist, and other). The regression includes location fixed effects as well as a dummy variable for whether the two localities are in the same country, a dummy variable for whether two localities belong to different but adjacent countries as well as a dummy for whether the two locations belonged to the same empire in the past for at least 100 years. The relevant empires are the Ottoman, the Austro-Hungarian, the Russian, and the Prussian. Given that borders of empires and countries have moved a lot across time, there is rich variation in the data.

The cultural dependent variable used is the question about 'generalized trust' that is also present in the World Values Surveys: 'Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?' Grosjean also looks at the distance between occupational compositions using the following categories: white collar, blue collar, service worker, farmer, farm worker, unemployed, housewife, pensioner, student. Interestingly, she finds that two locations that belonged to the same empire in the past tend to have a smaller cultural distance. However, belonging to the same country or to two adjacent countries does not have any significant effect. Having been integrated in the same empire for more than 100 years is the equivalent of reducing the distance between two locations by more than a third (367 km out of an average distance of 1,029 km in the sample). Similar results are obtained when using occupational distance as a regressor. When looking at the effect of time being together under the same empire, the effect is only significant after 400 years under the same Empire but always significant for the occupational variable.

These results are very interesting because they point to the long-run inertia of culture. Culture is transmitted vertically from parents to children and horizontally through influence from peers and the outside world. Physical distance reduces the possibilities of horizontal transmission and also channels of vertical transmission as one was less likely to marry people living at a further distance. The effect of living under a common empire in reducing cultural heterogeneity across space is however quite remarkable but this effect required several centuries to operate. Reduction of economic heterogeneity, as measured here by occupational dissimilarities, appears to require substantially less time.

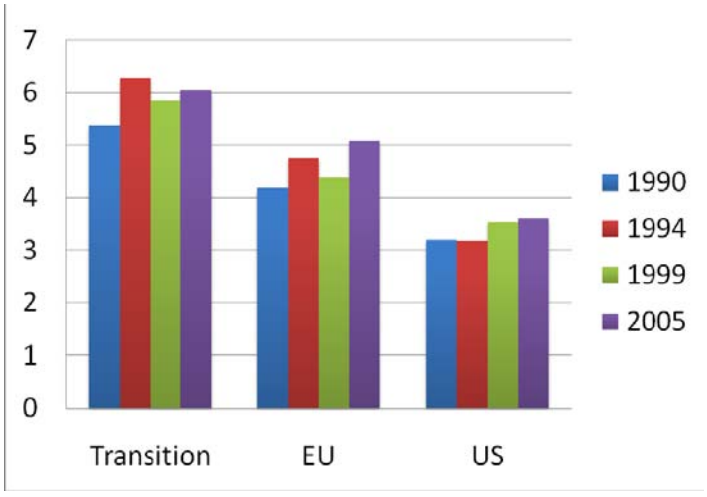
These findings become even more interesting and confirm the long-run inertia of culture when one considers the results obtained by adding to the regressions a dummy for whether two locations jointly belonged to the FSU or the former Yugoslavia. The results on cultural distance are not significant for the FSU and only marginally significant in the case of former Yugoslavia. There is a significant effect for occupational distance though. The effect of former empires generally remains strong and very significant. Moreover, the coefficients of former empires are much higher than those associated to the FSU or former Yugoslavia. A convergent finding is present when looking at the effect of having entered the EU; i.e. for pairs of locations that have become EU territory. The effect is not significant for cultural distance but significant for occupational distance. The research by Grosjean on Central and East European (CEE) transition countries and Turkey gives very suggestive evidence of the weight of long-run history and the century-long effect of having lived under a common empire. It is quite remarkable that these effects of the long-run past come out strongly in regressions.

4 Cultural inertia

One can understand better cultural inertia by looking at another set of data on beliefs. The World Values Survey was conducted in five waves and we have data on transition countries in CEE between 1989 and 2005. Since CEE countries went through such large-scale institutional change after 1989 with a complete transformation of the economic and political system, one would be tempted to believe that these enormous transformations would also affect the beliefs and values of the populations of those countries. Moreover, given the fact that institutional change aimed at establishing the market and democracy, one would think that these changes would bring values and beliefs closer to those of populations of advanced democracies and market economies. Surprisingly, none of these hypotheses turns out to be verified. There is a specific set of values and beliefs that existed in these countries prior to the transition process that has hardly changed. It is characterized in particular by a more authoritarian view of government and a preference for a larger responsibility of government in the economy. Moreover, these values and beliefs do not appear to have converged towards those existing in advanced democracies and market economies, be it the EU-15 (countries that were members of the EU before the admission of Central European countries) or the USA. We give a few illustrative examples below.

In Figure 1, we can see the evolution of attitudes towards public and private ownership in the economy. Two opposing views are formulated 'Private ownership of business and industry should be increased', and 'Government ownership of business and industry should be increased', with higher scores meaning support for the latter proposition and lower scores support for the former. It appears quite clearly that support for public ownership is strongly higher in transition countries relative to the EU-15 or the USA. Moreover, support for public ownership has increased and not decreased since the beginning of the transition process.

Figure 1
Public ownership should be increased

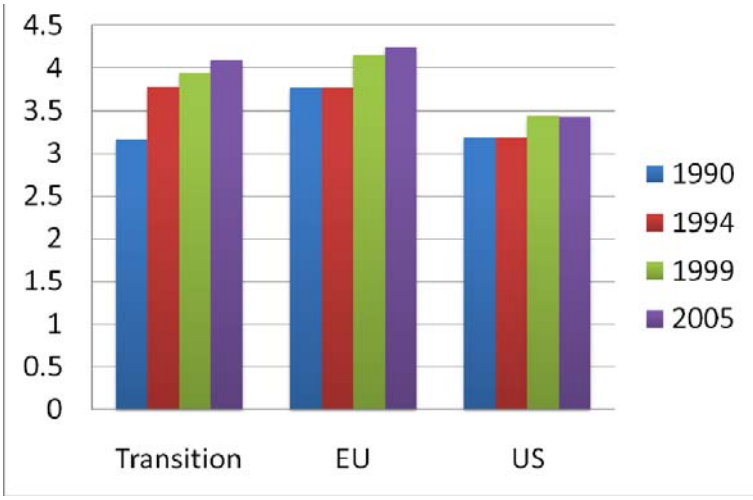


Source: World Values Survey.

Figure 2 looks at attitudes towards competition in the economy. The answers refer to a question stating either 'Competition is good. It stimulates people to work hard and develop

new ideas', or 'Competition is harmful. It brings out the worst in people'. A high score means agreement with the latter whereas a low score means agreement with the former. As we see, a negative attitude towards competition is higher among EU-15 countries than among transition countries, the USA having the most positive attitude. Note however that since 1989, views on competition in transition countries have become more negative, not more positive.

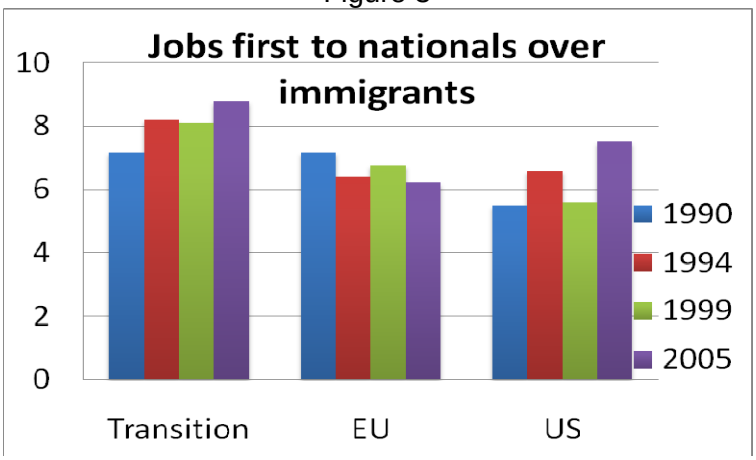
Figure 2
Competition is harmful



Source: World Values Survey.

Figure 3 shows the answer to whether nationals should have more right to a job in case of unemployment. The question was 'When jobs are scarce, employers should give priority to nationals over immigrants'. A higher score meant agreement with this proposition. As we can see, there is more agreement to this discriminatory proposition in transition countries compared to the EU-15 or the USA.[5] Moreover, positions have not changed very much in the last 20 years. There are even less signs of convergence.

Figure 3

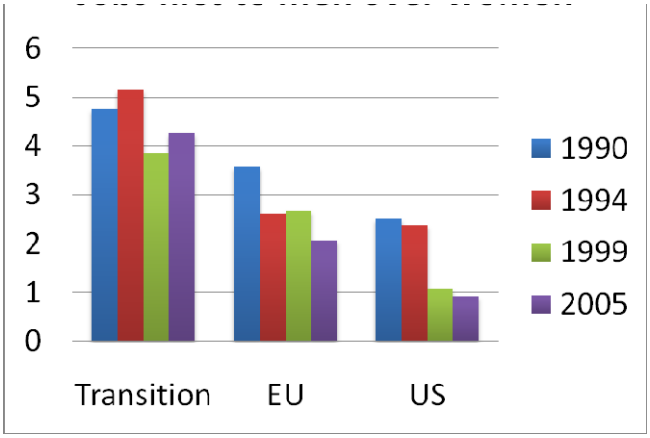


Source: World Values Survey.

[5] We weighed the countries by their population for both the EU-15 and transition countries.

In Figure 4, we see the answer to a similar question about reserving jobs for men relative to women in case of scarcity. Here again, the agreement on the discriminatory proposition is quite a bit higher for transition countries compared to the EU-15 or to the USA. The agreement with this proposition tends to decrease over time. However, this is also the case in the EU-15 and the USA.

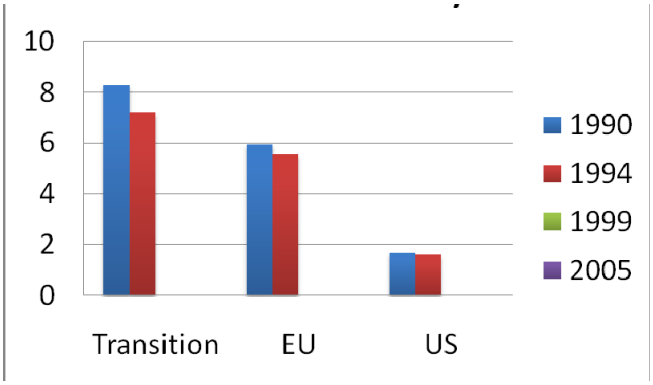
Figure 4
Jobs first to men over women



Source: World Values Survey

Figure 5 gives answers to a similar question about the job market. This time, agreement is measured with the following proposition: 'When jobs are scarce older people should be forced to retire from work early'. Agreement is highest in transition countries and lowest in the USA.

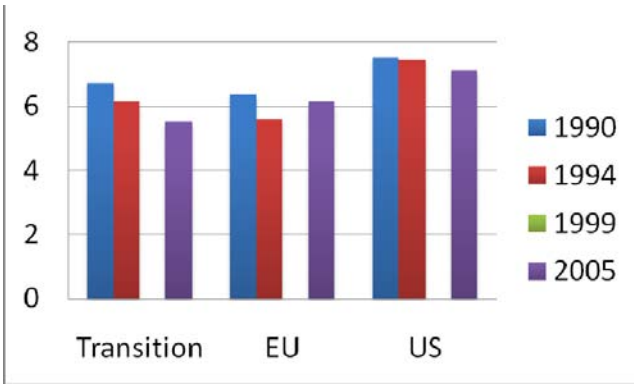
Figure 5
Unemployment: older people should retire early



Source: World Values Survey

While the previous questions were about whether there should or should not be discrimination on the job market, Figure 6 measures disagreement with the following proposition: 'Hard work doesn't generally bring success, it's more a matter of luck'. This question refers to a fundamental belief about the respective roles of effort versus luck in explaining success. As one can see from Figure 6, this belief is the strongest in the USA and is lower in transition countries and in the EU-15. Note however that in transition countries belief in effort appears to have declined since the transition.

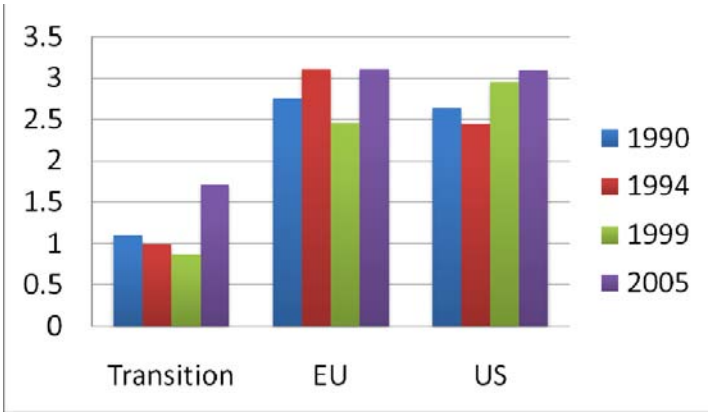
Figure 6
Success due to hard work, not luck



Source: World Values Survey.

Figure 7 displays attitudes on an important value, the importance of imagination as a quality for a child. This value can be interpreted in different ways. It can be interpreted as valuing creativity as a product of imagination nurtured in children but it could also be interpreted as valuing the freedom of thought. Here we see that this value is considerably less important in transition countries compared to the EU and the US though some progress can be observed in 2005 but the difference remains quite large.

Figure 7
Imagination is an important child quality



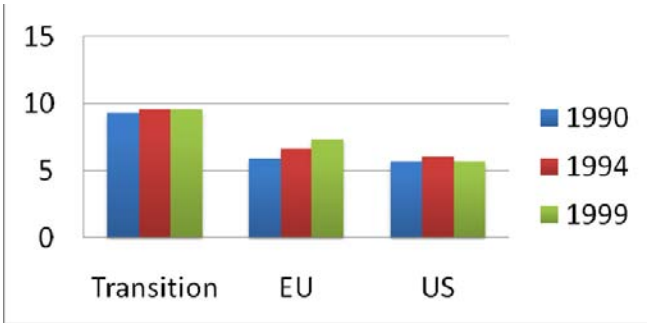
Source: World Values Survey.

The next figures illustrate beliefs on government. In Figure 8, we display support for the idea that order is the fundamental goal of government. As one can see, there is more support in transition countries compared to the EU and the USA suggesting that authoritarian values on the role of government are stronger in transition countries.

This is confirmed in answers to the following questions. In Figure 9 we see that support for democracy is less strong in transition countries than in the EU or the USA. Figure 10 gives answers to the following question 'Having experts, not government, make decisions according to what they think is best for the country'. A higher score means agreement with this proposition that lends support to technocratic rather than representative government. We see clearly that agreement is higher in transition countries than in the USA or in the EU-15.

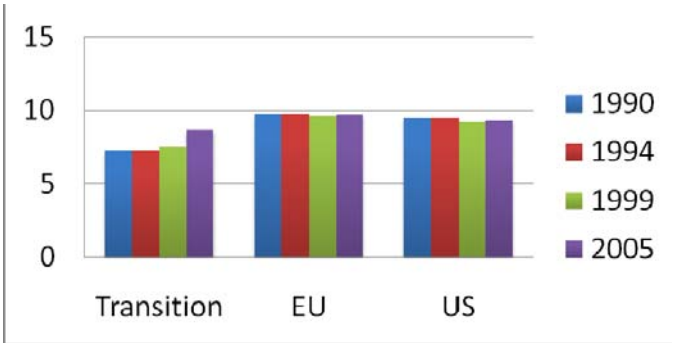
Figure 11 displays support for the following proposal: 'Having a strong leader who does not have to bother with parliament and elections'. As can be seen from Figure11, support for authoritarian government is higher in transition countries and it has even tended to increase. Overall, the last four figures tend to show that values in transition countries are more in favour of authoritarian government than in the EU-15 or in the USA.

Figure 8
Order fundamental goal of government



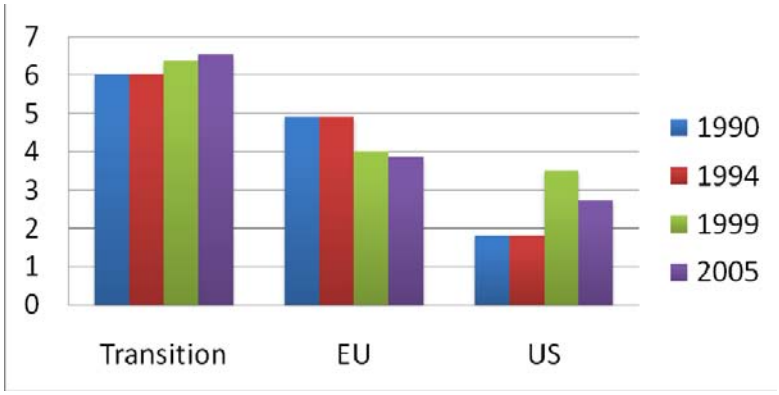
Source: World Values Survey.

Figure 9
Having a democratic political system is good



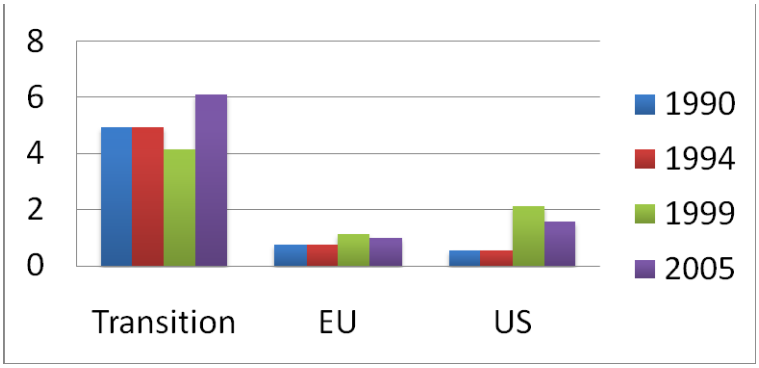
Source: World Value Surveys.

Figure 10
Having experts rather than government making decisions is good



Source: World Value Surveys.

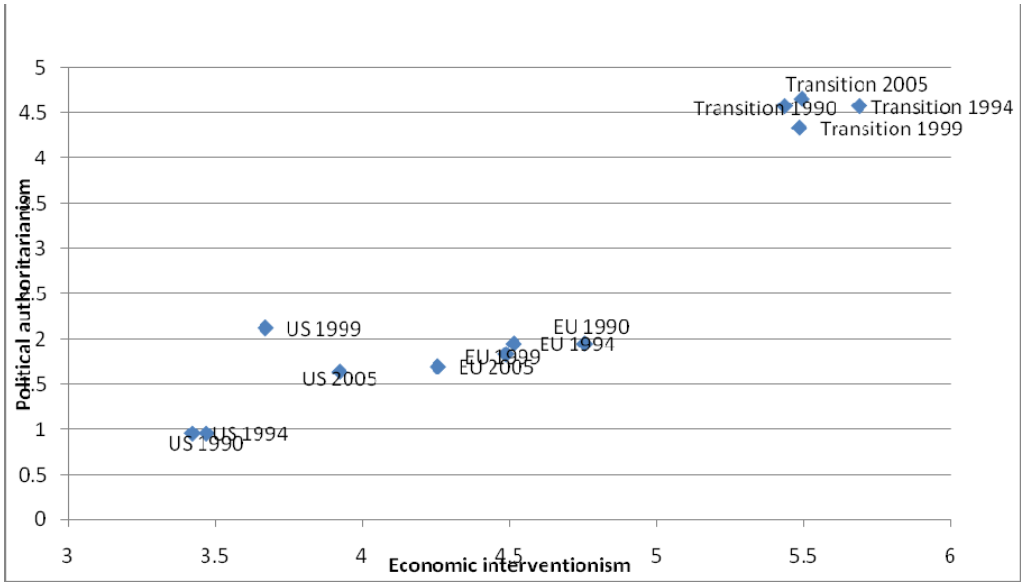
Figure 11
Having a strong authoritarian leader is good



Source: World Values Survey.

These data do convey both specific values and beliefs in transition countries as well as inertia of these values despite the massive changes that have been taking place in these countries since 1989. If we put these questions together[6] and measure as we do in Figure 12 on the horizontal axis values that favour more government interventionism either in the form of more discrimination, less competition or more public ownership and on the vertical axis higher support for authoritarianism, what do we get? Figure 12 shows a surprising inertia of values in the three groups of countries. In the USA, values have been consistently in favour of less economic interventionism and against authoritarianism. In the EU-15, support for economic intervention of government is somewhat higher but values are also relatively anti-authoritarian. In transition countries however, there is consistently more support for authoritarianism and economic intervention of government. The inertia in values is quite remarkable. Also remarkable is that the distance between these three groups of countries is much larger than the distance between values in any group of countries over time.

Figure 12
Inertia in economic and political values



Source: World Values Survey.

[6] We also add on the economic interventionism index disagreement with the idea that inequality is needed for incentives. Note that answers to that question do not differ substantially across the three country groups.

One might think that Central European countries have values that are closer to the EU-15 as compared to Eastern European countries. This is not the case. The EBRD 2007 report which contains findings on the Life in Transition survey (LITs) does not show a 'Great Divide' in values between Central Europe and FSU countries. While Central European countries have somewhat less authoritarian views than in FSU countries, these are still closer to the latter than to the EU-15. The rapid institutional change that led Central European transition countries to become new member states of the EU has hidden the fact that values in those countries remain more authoritarian and nationalistic viewing the government more as a repressive law and order machine. One should not forget that despite the economic prosperity of Central Europe before World War I, those countries for the most part never really had experience of democracy before 1989. One can thus predict that there will be for quite some time a tension between values and beliefs in those countries and the EU-style institutions that were adopted. These tensions have already started to appear with strong nationalistic tendencies and signs of political instability in Central Europe after their entry into the EU.

5 The long-run evolution of institutions

Let us step back and try to provide a conceptual framework to understand the basic facts we have uncovered and highlighted in this study. The post-communist world is a fascinating subject to improve our understanding of institutions and their long run evolution. Three regions of the world with a very distinct history (Russia, Central Europe, and China) were deeply transformed economically and institutionally in the twentieth century following the beliefs of communist ideology. The communist experiment proved to be a failure and these regions underwent another transformation to replace the socialist economic system with capitalism. The institutions that have emerged from the transition however turned out to be very different in these three regions and do not seem to converge in any way. The long-run institutional evolution in these regions seems to follow a long-run path that is very much shaped by a country's long-run history. In contrast, the recent history of communism does not seem to leave as many traces as the long-run history. Seen another way, if communism was the sole determinant of post-transition evolutions, the divergence between these groups of countries would not be as strong as observed.

An important clue to understanding this is the cultural inertia that we have documented in the previous section. In Roland (2004), I have argued that culture is a 'slow-moving' institution in contrast with 'fast-moving' institutions. Slow-moving institutions generally change slowly, incrementally and continuously, whereas fast-moving institutions are more given to rapid, discontinuous change in large steps. Political institutions, for example, have the potential for centralized decisional changes in large steps. In this sense, they can be fast-moving institutions, which change nearly overnight when there are revolutionary moments. In contrast, social norms are more often an example of slow-moving institutions. While some social norms and values can change very rapidly in historical terms (e.g., a society's tolerance for cigarettes), in general, social norms and values change slowly. Even individual social norms, such as attitudes towards the death penalty or acceptance of corruption, tend to change rather slowly, possibly because many norms are rooted in religions whose basic precepts have changed remarkably little for centuries and even millennia—the major world religions have shaped and still shape the basic values and preferences of individuals, what they consider important in life, and how they expect other people to behave toward them. One can always

find examples to the contrary, but values and social norms, seen as a whole, tend to change slowly.

One important reason why culture changes slowly is that many of the beliefs that comprise culture are hard to refute. Metaphysical beliefs are hard to refute but so are many beliefs about human behaviour and society. We know as social scientists that applying scientific methods to social science is more difficult than applying them to natural sciences. The obvious reason is that in contrast to natural sciences, in social sciences in many if not most cases it is difficult to conduct controlled experiments. Moreover, most people do not apply scientific reasoning in their everyday life and tend to follow the beliefs inculcated to them by their parents and environment. The important inertia of culture means that culture must be seen as an important determinant of other institutions in society such as legal and political institutions. It means that trying to transplant legal and political institutions that are alien to a local culture can only be self-defeating.

Why do we observe different long-term cultural evolutions in different regions of the world? Cultural evolution should be seen as a combination of autonomous and random emergence of belief systems. Catholicism emerged and became the official religion of the Roman Empire. It is often claimed that Catholicism was chosen because its universalism was favourable to cement the unity of the Roman Empire. According to the classic analysis of Gibbon (1776) however, Christianity was the main cause of the decline of the Roman Empire with its emphasis on chastity, otherworldliness and sectarian attitude towards other religions. Confucianism was first banned when China was unified, as the first Emperor Qin Shi Huang Di had the books of Confucianist scholars burned and Confucianist scholars executed. It was only in the Han dynasty that Confucianism became an official religion (or belief system) and has had a lasting influence ever since. The adoption of Confucianism with its insistence on social norms and limited and wise government stood in contrast with legalism, the doctrine established under the earlier Qin dynasty which justified autocratic rule and subordination to the emperor. However, we can imagine that another doctrine other than Confucianism could have emerged instead. The point is that systems of beliefs such as Christianity or Confucianism emerged in a way difficult to explain but once they were adopted as state religions of systems of beliefs, they had a lasting influence as they shaped the view of the world of citizens living under those empires and started having a life of their own and persisting long after these empires had disappeared, as is the obvious case for the Roman Empire. It is possible that certain systems of beliefs have a better quality of survival and transmission than others. This is a topic that is yet clearly not well understood.

6 Conclusions

The transition process from socialism to capitalism has been seen as the elimination of the planned economy and the communist political regime, and its replacement with a well-functioning market economy and democratic political institutions. Twenty years after the fall of the Berlin Wall, it appears that the transitions have been very diverse. While Central European countries have embraced democracy and entered the EU, China has not and has instead strengthened the power of the Communist Party. Russia and many other countries from the FSU have evolved as states with strong autocratic tendencies. While central planning was abandoned everywhere, the economic institutions emerging in the different countries are also quite diverse, reflecting the diversity in political transitions. We have argued in this study that these evolutions are easily understood in the light of the long-term

historical evolutions of transition countries and their long-run history. In other words, they are best explained by the weight of long-run history arguably more than by the long-run weight of communism. We have argued that this long-run weight of history can be explained by the inertia of culture understood as the general system of beliefs and values existing in a society. Empirical evidence shows that having lived together in an empire, be it Austro-Hungarian, Russian or Ottoman, explains cultural closeness between locations. We have also shown that values in CEE on a two-dimensional axis measuring preferences for political authoritarianism versus democracy and preferences for economic interventionism versus laissez-faire have remained consistently different for EU countries and the USA and have shown no sign of convergence but rather signs of divergence, illustrating the long-run inertia of culture.

Acknowledging and understanding countries' long-run cultural inertia as well as its influence on political and economic institutions is important for various important reasons. First of all, it helps in forming realistic expectations of future reforms in a country as well as the direction of reforms. Developing non-realistic expectations of short- and medium-run evolutions of countries is not very helpful for international collaboration with these countries. Second, one must precisely learn to coexist and collaborate with countries having different sets of core values and beliefs in a spirit of openness, tolerance and respect. Keeping openness not only to trade but also to other ideas, values and beliefs is the best one can do to facilitate cultural exchange. Cultural exchange will not lead to cultural convergence as culture moves too slowly but it will favour cultural evolution in a positive direction. Most importantly, it will create the basis for collaboration between national elites to jointly work towards the goals of peace, prosperity and a sustainable environment on our planet.

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