Socio-economic dualism in South Eastern Europe.

Exploratory Notes on Dualism and Its Repercussions for the States of the Region

Paul Dragos Aligica

National School for Political Science and Public Administration
Bucharest
and
Hudson Institute

United Nations Development Program
INTRODUCTION

The basic conjecture of this paper is the idea that the political societies, the civil societies and their impact on the structure and functioning of the states in South Eastern Europe are strongly determined by a long lasting specific feature of the economies of the region: their dualism. This feature has its origins in the modernization process, it is contemporary with it and has shaped in a distinctive way both the structure of the societies and of the states in these countries. The dualism of their economies is thus a key explanatory factor in any attempt to understand the nature, structure and functioning of the states of the region.
Thus my contribution to this workshop is not laying the emphasis on ethnicity, nationalism or religion as the mainstream approaches to the states and problems of the region usually do, but on the regional political economies and on what I consider to be their key structural problem. It is indeed difficult to imagine and analyze the Balkan problems making abstraction of the powerful ethnic and religious forces that shaped the destiny of the region but it is important to approach these problems from different and complementary angles. The analysis implies a simplification indeed but it is an instrumental and pragmatic one that helps us to discern and disentangle some patterns or configurations of factors relevant for our analytic and policy goals. The main objective of my contribution is to use a specific way of conceptualizing the political economy dynamics of the region in order to raise a set of questions regarding the problems faced by the S-E European states and while it is beyond the scope of my paper to articulate definitive answers to these questions, the starting point for the articulation of a possible set of solutions is explored.

CONCEPTUAL AND THEORETICAL BACKGROUND

The concepts of economic dualism or of dual economy are not new. They have a rather long intellectual history and today they are key concepts in development economics. This literature was originated by J. H. Boeke's studies in the early twentieth century of economic growth in underdeveloped nations. His main case study were the European-owned plantations in South East Asia, run along modern capitalist lines but that coexisted with an indigenous agrarian economy where peasants worked and lived along the traditional lines (Boeke,
1953). This was a dual economy having advanced and backward sectors which remained distinct. Europeans were motivated by economic needs whereas the local peasants had social needs. The basic implication was that economic laws valid for capitalist societies were not valid for dual economies where capitalism coexisted with a peasant economy embodying pre-capitalist social values and relationships. This theory was later extended from the economy to societies as a whole and the concept was used for the description of all economies and societies segmented into advanced and backward sectors (and sometimes for any economy that is split into two clear sectors, irrespective their nature) (Todaro, 1985, Lewis, 1983).

Therefore a dual economy is an economy comprising two very different systems where an advanced economy co-exists with a traditional economy and the two while having contact with each other are not integrated. In many less developed countries, a subsistence system operates side by side with, but quite independently of, cash cropping or even more modern secondary economic arrangements. The concept also applies to more developed economies, where core regions with large-scale, thriving industries compare with their less developed peripheries: northern Italy and the Mezzogiorno are often quoted as an example. Due to the potential of this basic way of conceptualizing economies and societies the model was extensively used in development and modernization theory (Todaro, 1985, Lewis, 1983).

The models of economic development have traditionally been dualistic. They have contrasted a traditional, agricultural, sector with a modern, industrial, sector. It was argued that different cultural patterns, norms and modes of behavior occur in the former relative to the latter, and that economic development involves the transfer of resources, broadly defined, to the modern
sector. It is in this sector where capital accumulation and productivity growth occur. Thus, development involves a displacement of the traditional sector and a change in cultural and social norms and behavior.

Even if we disregard the distinction between different types of behavior and we accept the argument that the underlying modes of behavior do not differ from sector to sector, the dualistic model still holds. Even if peasant farmers have a "capitalist" mindset and are as interested in economic return as are industrial entrepreneurs or commercial oriented farmers, the model still holds. The distinction between traditional and modern sectors can still be maintained, even if one drops all assumptions concerning differences in culture and modes of behavior. One can argue that modern sectors are those that have moved from social exchange, which has existed throughout most of history, to a market system and modern forms of socio-economic organization (Grabowski, 1995). The latter is characterized by a social and geographical integration of markets in which there is a tendency to converge toward uniformity and modern production and distribution organizational forms. Alternatively, traditional sectors of an economy represent areas where such integration has yet to occur, and are still organized on traditional bases (Grabowski, 1995).

The basic point is that even if we strip the concept of dualism of its cultural element the remaining social and economic elements are still powerful enough to offer a viable analytical framework. Moreover we can make a step even further by putting into parentheses the social element and letting a pure economic model emerge. In fact that was the mainstream approach to the problem.
Traditional models of economic dualism are probably best represented in the work of Lewis (1954, 1983). His work presumes the existence of a traditional and modern sector. Lewis maintains that the traditional sector may contain components of both agriculture and manufacturing, as does the modern sector. The real and main distinction between sectors is based upon how resources are allocated, and especially labor or human resources. In the modern sector, labor is hired up to the point where the marginal product equals the wage rate. In the traditional sector, labor is paid according to traditional rules or mechanisms. Usually farming or other activities are conducted on a family basis, with the output being distributed equally among members. Thus, labor in this sector is being paid its average rather than marginal product. The result is that the traditional sector is plagued with a labor market distortion because the marginal product of labor is thought to be below the average product. Since the marginal product represents the social opportunity cost of labor, the modern sector will have to pay too high of a wage to attract labor. It will have to pay a wage at least as high as the average product of labor in the traditional sector. Thus, too much labor remains in the latter sector and not enough in the modern sector. The traditional sector is characterized by surplus labor (Todaro, 1985; Lewis, 1983; Grabowski, 1995). That has serious implications not only for any economic strategy developed by the state but also for the very nature the state itself organizes in order to cope with that problem.

To sum up, in any of its avatars: cultural, social or economic, dualism offers a very powerful analytical and heuristic tool. It clearly reveals a set of realities that are intuitively understood by any researcher of modernization and/or
development. In addition to that, it creates the possibility to better articulate those intuitions through clearly defined models or theoretical frameworks and to open up the way for consistent conceptually based policy solutions.

DUALISM, DEVELOPMENT AND THE STATE

Even a superficial overview of the dualism issue reveals that its existence is a profound determinant of social, economic and political processes and a source of frictions, tensions and blockages: not only economic distortions but also social and cultural problems arise from its very nature. Nevertheless it should be stressed that dualism is unavoidable for any modernizing or developing country: dualism is just another face of development. If we adopt the conceptual lenses of the dualist theory one of the most intuitive answers to the development question is that development occurs as capital accumulation in the modern sector draws labor out of the traditional sector. The capital accumulation occurs as a result of the savings and investment activities of the owners of capital. Therefore, the modern sector is the engine of economic growth, which eventually displaces the traditional sector. The idea is intuitively straightforward: Modernization and development implies the displacement of the traditional sector accompanied by a change in cultural and social norms and behavior and an end of the dualism and segmentation of the economy. This is indeed a minimalist definition but it reveals the essence of the process as it is difficult to imagine a definition of development that does not imply the disappearance of the traditional sector.

The problem is that in practice things are not so easy to be done. There are, many complications that may serve to hinder the process of displacement,
starting from economic one like the terms of trade and ending with cultural ones like dysfunctional persistence of traditional values and resistance to change. The political system is affected by dualism, too. It is therefore not surprising that states were not only the subjects of pressures generated by dualism but also inevitably took an active role in acting against it. States had to envisage policies responding and dealing with these problems at all levels and on a large series of issue areas. What is to be done in those circumstances? The immediate answer is more development. A sustained and rapid advancement on the development ladder is a synonym for ending the traditional sector and the end of dualism.

States have always had a major role in this process although the nature of the role was different from state to state and from period to period. Even in England's case (England was the frontrunner on the path of modernization and development through laissez faire) there was a moment in which the state decision was pivotal in this respect. In fact the English experience has often been used to illustrate the traditional perspective concerning the process of dualistic development. The elimination of the Corn Laws in the mid XIX century, represented a turning of the terms of trade in favor of industry and against agriculture. The net result was a transfer of resources from the traditional, agricultural sector to the modern, industrial sector. This represented a means to transfer labor from where its productivity was low to where it was high. The state (and the state’s policy) was thus used as a mechanism by which the traditional sector was displaced by the modern sector (manufacturing).

To sum up: there is a circular relationship between the State and a dual socio-economic structure. The structure creates pressure on and shapes state's policies and organizations while the state reacts to that and tries to further the advancement of the modern sector. In some countries were economic
development was basically state and not market driven, we could also consider that dualism was the result of state's policies. Also in some cases the state tried to eliminate the tension created by dualism by stopping the advancement of the modern sector. But all these are variations on the same theme of the circular relationship between the state and the dualist structure.

DUALISM AND SOUTH EAST EUROPEAN COUNTRIES

It is clear that the dualist models apply indeed at one point or another to all countries during their histories, and the South East European ones are no exception. But while the majority of other European countries went through a transition period of economic dualism, overcome it and then entered a mature phase of industrial economy the Balkan countries development and modernization trajectory was deviated by dualism in a specific direction. For the countries that today are called advanced industrial democracies, dualism was a moment or a stage of economic and social development. For the Balkan countries, dualism was a constant and active deterring factor on the development path. That fact was noticed by the pioneers of development theory. Actually in fact the Balkans and South East Europe were their basic source of inspiration and case study before and immediately after the Second World War (Rosenstein Rodan, 1959; Love, 1996).

There is no doubt about the fact that S E Europe countries had in the past all the standard features of socio economic dualism. There was a strong traditional sector in Balkan countries and its absorbing was slow, incomplete,
imperfect and inefficient. As late, late industrializers the states of the region had many priorities: political independence, nation building ethnic and geopolitical challenges, basic political and economic institution building etc. and thus in spite of the fact that the dualism of their economic structure was important as a background factor it was only secondary on the agenda.

The dualism of the Balkans was evident to all foreign analysts of the region. The typical description of these countries by external observers was very well epitomized by a British diplomat: "In analyzing their national character you have two distinct classes to deal with - the governmental and commercial which wear coats, trousers and boots and the peasant which affect jackets, petticoats and sandals" (A. Hulme Bean, *Twenty Years in the Near East*, quoted in Mazover, 1998). The dualism was so blatant that it was reducible to pure human typologies. Moreover for the entire period of modernization there was an open and constant tension between the two sectors, a tension that was clear to all foreign observers of the region. For them, as for all local supporters of modernization, it was evident that peasants tried to resist the incursions of modernity. For centuries the village had been the main political, administrative and economic unit organizing the collective lives of rural inhabitants of Balkans. In the XIX century this isolated collectivity began to change in ways its inhabitants found hard to comprehend. For them money meant exploitation, shops and commerce implied degeneration (Mazover, 1996, 33).

The deepest problem was that peasants values offered no solution to the demographic and economic dilemmas facing the new Balkan states with the rise of the modern sector. The attempt to solve the problem through the land reforms in the ‘20 was in fact a fiasco. The new land distribution neither generated the modernization of the sector nor guaranteed peasants a living. On the contrary the
result was more fragmentation and more inefficiency. Statistics on the population employed in agriculture and traditional sector before the Second World War offer a clear and grim view as the countries of the region were all around 80% just before it erupted in 1939:

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<th>% national product from Agriculture (usually including forestry and fisheries)</th>
<th>% population employed in agriculture and traditional sector</th>
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<td>Bulgaria</td>
<td>40</td>
<td>80</td>
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<td>Greece</td>
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<td>Romania</td>
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<td>Turkey</td>
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<td>Yugoslavia</td>
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The same percentages pretty much describe the situation at the beginning of the Cold War. During the Cold War the countries of the region took on different paths: while Turkey and Greece had some continuity with their ante-war policies, in the rest of the region forced industrialization in various forms and degrees was imposed as a solution by the communist states and regimes. But this type of industrialization was a forced one and only apparently solved the problem. In fact it is safe to conjecture that it complicated the problems even more. The key conjecture is that after the collapse of communism the economies and societies of the region were challenged by a “double dualism” modern sector versus traditional (or at least surviving fragments of it) and communist sector/structures versus market sector/structures.
DUALISM IN THE BALKANS: QUESTIONS ON MEANING AND IMPLICATIONS

Given this background there are a series of questions that could and should be raised regarding the current situation of the region:

- Could the Balkan South East European societies and economies still be described as dualist? Is the region still riddled by dualism?
- On what criteria (economic, social, cultural) could they be described as such?
- Do the communist economic structures created by forced industrialization generate a new type of dualism in the relevant countries of the region in the light of the economic reform process?
- If dualism is not anymore a proper way of describing these societies, then are there any path dependent processes and features that survived it and that are still influencing the state of the political system?
- What is the relationship between traditional sector structures and the informal networks of trust and reciprocity?
- What is the relationship between traditional dualist structures and the so called "social capital"?
- What is the relationship between communist industrial and bureaucratic sector structures and the informal networks of trust and reciprocity?
• Has corruption anything to do with the “double dualist” structure?

• What are the implications of dualism for the civil and political society in the region?

• In what measure are the cleavages and the organized interest in the region shaped by dualist structures?

• What is the relationship between traditional dualist structures and the informal economy?

• What is the relationship between communist industrial and bureaucratic sector structures and the informal economy?

• Is governance under dualist conditions different from governance in advanced industrial democracies? If yes, are the governance models currently imported from the later viable in the Balkans?

• What are the implications of dualism for current state policies?

• What are the implications of dualism for the future European integration process in the region?

• What are the implications of dualism for the future of the nation state in the region?
EXPLORATORY OVERVIEW OF SOME IMPLICATIONS OF DUALISM

It is obvious that all these questions make up for an entire research program and it is not the objective of my paper to deal with such a tall order besides articulating its broad contours and trying to connect it in an exploratory way to our groups’ agenda. In the rest of my contribution I’ll settle for a more modest attempt to offer a starting point for dealing with some the abovementioned questions by following several of the implications of dualism for a number of the issues of interest to our present and future meetings. The basic assumption of the rest of my intervention is that the answer to the basic question is either a strong: “Yes, dualism is still a viable way of approaching and understanding the South Eastern European societies” or (at least) a weaker variant: "Dualism as such is not so relevant but its legacies and implications are”.

A cursory overview of relevant data supports at least the weak thesis: even now the agricultural sector (a good indicator for the size of the traditional sector as percent of the population and GDP) is extremely large: the regional average is 40%. Also the rural-urban balance is still tilted towards the rural in comparison to other European states while as the statistics show the efficiency and productivity of the agricultural sector is low and not reflected in the exports of the countries (a sign of the existing large disequilibrium between the primary sector and the other sectors):
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<td>Albania</td>
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<td>Bosnia and Herzegovina</td>
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<td>Bulgaria</td>
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<td>Greece</td>
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<td>Republic of Moldova</td>
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<td>The former Yugoslav Republic of Macedonia</td>
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<td>Textiles : 34</td>
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<td>Basic Metal : 2</td>
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If we accept the idea of the constant presence of a dualist factor determining the political, social and economic evolution of the region, then we could take a structural and long run view at the questions pertaining to the key concepts in the title of our conference (civil society, political society and the state) and see what are some of the lessons we could draw from it. While doing this we could also approach questions pertaining to the key concept in the title of our panel (organized interests and the state: sources and forms of corruption) and then other questions regarding the entire problematique outlined in the previous section.

Dualism has strong implications for the political culture and political societies of the Balkan states. From a cultural standpoint the existence of dualism implies the existence of an important segment of population with a specific traditional cultural and behavioral pattern. It is expected that in the region, the values associated to the traditional societies and cultures are much more present, will continue to be and that this reality will imply a tacit but significant resistance to change in the political culture of the countries of the region. It is important to stress the fact that the existence and the behavior of this segment is reinforced by
a specific economic background, in other words it is not floating freely at the margin of the modern system in a state of amorphous anomie. Neither the people are simply resistant to change due to pure irrational attachments to specific values. Culture in itself is not very potent. Its strengths comes when it is anchored in a specific economic and institutional structure that reinforces it. There is a deep and strong structural force that shapes the attitudes and values of the people of the region. In the measure in which political culture is a problem due do its specific values orientations it is important to note that it will be changed by structural transformations in the economy and not by preaching or by "cultural politics" and civic education campaigns.

As regarding the political society, it is important to stress that traditional societies are social exchange societies and not market exchange ones. The interpersonal networks are one of their key features. In a dualist system social exchange networks penetrate the entire society, including the modern sector. If market relations do not connect the traditional sector to the modern one, social networks do. But they do more than that, they penetrate the modern sector and affect its structure and functioning. The stronger the traditional sector the stronger the penetration. That is the reason why the ratio urban/rural, agriculture/industry we used above is not an entirely accurate indicator of the strengths of the traditional sector. Political society has its share of such penetration too. Moreover system of patronage and clientelism as mechanisms of linking the sectors may become a defining feature of the political society in dualist countries and in the case of the Balkan countries the perception is that they pretty much did it. Specific relationships, irrespective the way we call them (family, clan, group etc.) are interfering with the modern structures and
functioning of the formal institutions. Corruption is one of the outcomes but not the sole one.

In this respect one of the most insightful analysts of the region noted that after the '50 "Peasants moved away from the countryside and brought up children who went to school, developed new conceptions of consumption and leisure and earned enough money to take vacations by the Black Sea, the Adriatic or the Aegean. On the other hand, peasants retained their attachment to the village and soil even after moving into towns and changing their patterns of life (...) Villages still supplied fresh food, pigs and fruit more reliably and cheaply than the officially rationed distribution and retail system. Social networks were transplanted from the village or family into government the army and the economy. In other words, urbanization often meant the village being brought into the city. And perhaps in some ways taking it over too: the personalized interactions gifts and favors which lubricated dealings with state officialdom could be misinterpreted by the unaware as forms of “corruption” rather than a natural response to the impersonal mechanism of modern government.” (Mazover, 2000, 136)

Again in this case preaching, or legalistic, anti-corruption campaigns lead by the government are of little effect as long the dualist structure subsides. As long it is more effective to use social exchange networks instead of market ones, stopping the phenomenon is unlikely. Only the reduction of the traditional sector is a minimal guarantee of success, a necessary but not sufficient condition. Even so an inertial and path dependent trend might continue for some time. Thus the solution is a deliberate attempt by the state to have market systems, as opposed to social exchange one established. In other words, to penetrate and to destroy the social networks by market. Also it should be noted that marketization
seems also to be the sole long term viable solution for re-channeling and neutralizing the impact of ethnic and religious networks, ties and influence groups.

In connection to that is important to stress also the existence of cleavages created on the dualist basis besides the better know and studied, ethnic and religious ones. It is conceivable that the tensions generated by dualism are transferred (are defined) by the population in ethnic and religious terms. Sometimes the modern or developed areas coincide with the ethnic or religious ones but such situation is not typical. This cleavage is not obvious but always present and it might be of more explanatory and policy importance than we might think.

Conceptualizing the Balkan situation in terms of dualism leads to the idea that during their modern history the states from the region had to accommodate the political groups, movements and forces coming from the two different sectors. States had to behave in modern ways but with political forces and movements that had traditional bases. Moreover these forces manifested (and manifest) themselves in coalitions, parties and political movements that didn't want only to take control of the state but also to change the very nature of the state. The traditional sector generated movements and coalitions that had a basic uneasiness with specific features of the modern state in itself and not with this or that specific or minor institutional aspect or organizational form.

Therefore the main tension in the region, and its main cleavage was not between a socialist/revolutionary/Marxist left and a liberal conservative capitalist right but between a populist (usually an Agrarian) traditionalist movement and the pro-modernization political coalitions of the establishment. This has special
implications for the way political parties, movements and organized interests should be perceived in the region. Historically, agrarian populism was the main form of political reaction of the traditional sector: it opposed to the urban centers, urbanization tendencies and capitalism. Quite unsurprisingly on its positive agenda was the creation/preservation of small family holdings, sometimes the founding of cooperatives and strengthening the communities, and a self-governance ideology in which the peasant was considered to be the source of morality and agricultural life the basis of society (Ionescu and Gellner, 1969; Mudde, 2000). Initially in Eastern Europe due to its very social and cultural nature, and to the existing infrastructure, agrarian populist movements were unable to influence politics at the national level. The first movements were mainly regional and had a high violence potential in the sense that they easily involved clashes with the government authority.

Later in the 20th century, in most East European countries populism in its agrarian form became a powerful force of political organized interests and source of legitimacy for them. In a region where peasants and other traditional sector related people constituted the large majority of the population, agrarian populism soon became one of if not the dominant political trend(s). The more the modernization process stepped up the more the traditionalist-agrarian populism increased in influence. These movements were very diverse but all had in common the idea that “the peasants were biologically and morally the healthiest stratum of society and that they were destined to create a society more balanced and more just than the existing system which was dominated by the urban bourgeoisie and a corrupt bureaucracy dependent upon its favors (Dziewanowski, 1996 quoted in Mudde, 2000). They were strongly anti-capitalist and anti-liberal. Moreover in many cases they took a nationalist dimension by associating
capitalism and liberalism with alien nations or people. Modern institutions and capitalism were seen as an alien element forcefully imposed to East European societies by alien or anti-national elites.

Populist agrarian parties had a significant advance through electoral victories in the early 20th century (Ionescu, 1969; Held, 1996) but their governments were generally short-lived. When the Communists took power after World War II, peasant organizations were either forcefully integrated into the ruling Communist Party (for example in Bulgaria), or co-opted as so-called "bloc" or "satellite" parties. Later tradition-oriented Populism was used during Communism as part of the official ideological mix that included nationalism and socialism especially in the final period of the regime. After the fall of communism, not only that peasant parties reappeared in all East European countries but populism reasserted itself as a powerful force. Rural areas in many post-communist countries form the backbone of communist successor parties, that continue to build up on the ideological mix they cooked up in the '80. To sum up, the basic point is that populism (and in general agrarian populism with traditionalist and nationalist tones) is a constant in South Eastern European politics and this is one of the key symptoms of a strong dualist legacy.

It is clear that the states in dual economies and societies are in an uneasy position not only politically but also financially. They have to link, mediate and balance the two sectors while trying to undermine and diminish one of them (make the traditional to be absorbed by the modern). This is not an easy policy task and requires huge state efforts and many of its limited resources are used by it. Moreover as long that dualism exists, states have to allocate resources between the two systems in a strategic or planned way. Taxation becomes thus a special problem. The standard approach to the problem was squeezing the traditional
sector for the benefit of the modern; a fact that definitely contributed to the increase of the tensions between the two. Therefore as long that dualism exists, states have to react in many and sometimes contradictory ways and create special political economic institutional structures both to accommodate the continuous existence of the traditional sector and to try to economically and politically undermine and absorb it into the modern one. The problem gains a new dimension in a democratic system in which the traditional sector may generate public choice effects in the formal parliamentary system.

The basic question to be asked regarding the states’ strategy in this respect is in what measure the industrialization solution of the dualist problem was/is the right strategy. The typical approach advocated and implemented before Second World War was to stress the industry and the creation of an industrial basis. Communists were not innovators: in the Balkan states were they took control, they simply pushed the industrialization process already promoted by the previous regime ruthlessly in a “forced” industrialization direction.

The problem that should be emphasized is the misleading association of modernity directly with industry and its policy consequence: structuring the states’ strategy on the basis of this understanding. The reality is that the stress on industry is misguided. Industrialization is an externality, a secondary outcome of a deeper process. Not the transfer of resources from the traditional to the modern sector (that is defined in industrial terms) is the key. Instead, it is the transformation of a social exchange system to a market system which is the surest mark of economic development and modernization. Industry is an outcome of the process not the means of achieving it. Further, in the case of Balkan countries the traditional sector is overwhelmingly agricultural, and thus development should have involved the creation of a market economy within this
sector. In fact, on the basis of all we know today, marketization seems to be an essential condition for the eventual development of modern industry.

The establishment of market systems has, however, received far less attention from the economists than the analysis of the operation of such systems. Moreover the problem of marketization in the dualist agrarian Balkans has been until recently very low on the agenda. Systems of property rights and enforcement mechanisms for such rights must be established, but these alone are not enough. Viable market relationships between buyers and sellers can survive and expand only if formal rules are reinforced by systems of informal rules. The continuous interaction of the participants in the marketplace in itself is topical in this respect. In this process, the state has a particularly important role to play not so much in terms of creating and disseminating systems of informal rules but in terms of creating an environment in which formal and informal sets of market rules can develop. The key challenge is that should primary occur in agriculture and it is not at all clear how a) the marketization of agriculture and its increasing productivity, b) the surplus population resulting from it in condition of insufficient industrial absorption or immigration outlet and c) the EU integration process and EU policies may fit together without clashing. These three problems form the iron triangle of the regional states' policies in the future.

The process by which market systems, involving the bulk of the agricultural population, becomes established is conceptually clear but how you implement it in a dualist country and under the pressure of the rules, regulations and conditions of an EU unable itself to tackle its agricultural problems is not at all clear. It should also be noted that today too much is expected from economic integration. Economic integration (be it European or global) has gained the
dubious status of a sort of universal solution. But it might be wrong to stress "integration" as the "solution" as it happened in the past with "industrialization". The current danger is to simply substitute International or European integration for industrialization without taking into account what, where and how is integrated. Economic integration is seen as a solution without following the implications of what integration might mean for dual economies and societies and for that matter for the larger integrating entity. Assuming that the European integration proceeds further, the question is: Should the agrarian sector be preserved as the comparative advantage theory suggests or should it be gradually dismantled as modernization theory implies? Assuming the European integration proceeds further, the question is: Should the agrarian sector be preserved as the comparative advantage theory suggests or should it be gradually dismantled as modernization theory implies? If it is preserved in what form should that be? Could we conceive productive, modern agricultural sectors in the Balkans, employing around of 30% or even more of the population? Could we conceive them as viable in an integrated Europe? If the agriculture as a bastion of dualism should be reduced in terms of employment and impact, how should that be done in order to avoid social disruptions? The fact is that the agricultural sector grew in the last 10 years of transition and did not become smaller. In fact it was it the one that absorbed the industrial surplus and not the other way round!). These implications are even more challenging as these economies are not relatively isolated from the rest of the region as the Greek one was (for geopolitical and geo-economic reasons) by the time it started its integration process but form a regional block with important interdependencies between them.

All these problems have serious consequences of for states policies on their way towards integration. In a dualist framework it is conceivable that the
modern sector fully integrates in the global economy while the traditional remains behind creating deep pockets of poverty, backwardness and resent ready to inflame political movements, coalitions and hostile reactions. The deliberately neglect and marginalization of traditional sector in the national or global economy with the hope that it will vanish by itself, has serious costs and presents serious dangers. Today those marginalized are not powerless or un-harmful and the danger they pose is not to be neglected. In today's world dualism is not a pure internal problem of the states riddled by it or that bear its legacies. The problems and dysfunctions they create have not only a domestic dimension but also a serious international one. Especially in the case of a place with the history like the one the Balkans have.

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