

6. In order to know what interest rates to set, so that they can influence firms' investment decisions as they wish to, the planners in a market socialist economy must know all the parameters of their economy: the technologies of firms, the preferences and labor skills of citizens. But they can never have such information. The virtue of capitalist market economies is that no economic actor needs so much knowledge.

Although, strictly speaking, this is true, the central planners will at least have estimates of demand, good information about the skills available in the working population, and some knowledge of technologies. So while the equilibrium that markets find, given a fixed set of interest rates, will not be exactly what the planners were aiming at, it will come close. As the planners watch the markets, they will adjust interest rates, just as the Federal Reserve Board adjusts the discount rate in our own economy.

Conclusion

It is too soon to say that market socialism will emerge in an Eastern European country or in the Soviet Union. The nationalist turmoils in the U.S.S.R. make it impossible to predict the outcome of any experiments with political democracy and the widespread introduction of markets. As for Eastern Europe, the experience with "communism" in certain countries has produced a deep cynicism that may preclude market socialist experiments in the near future. The

conditions for the emergence of market socialism are therefore far from optimal.

Nevertheless, I think that market socialism is on the historical agenda, although it may first appear in Scandinavia or Western Europe. Despite the clamor about privatization in recent years, the last century has witnessed a pronounced secular trend towards the increasing participation of the state in the economies of advanced capitalist countries. The trend will continue, for in these countries the working class keenly desires economic security, and its members have come to expect much more than capitalism can provide. As the environmental movement grows stronger, democratic control of investment may well become the political order of the day.

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Post-Communist Constitutionalism

by Karol Sołtan

Timothy Garton Ash had the right idea when he ended a recent article on the Revolution of 1989 by quoting the opening lines of *Pan Tadeusz*, a famous Polish poem by Adam Mickiewicz: "Lithuania, my fatherland! You are like health. / How much to cherish you only those can know, who have lost you." The nations now emerging from communism have learned to cherish more deeply the tradition of constitutional republicanism because they lost it under communist rule. Replace Lithuania with Europe, Ash suggests, and you will understand the politics of the Revolution of 1989. And Europe is above all a symbol for the liberal, the democratic, and the constitutionalist political and economic ideals.

Faith in these ideals shines through the events of 1989 in Eastern and Central Europe. In the West this faith is less intense after long years of the secure acceptance and successful functioning of independent courts, free markets, democratic politics, and other institutions of constitutional republicanism. In the East constitutional republicanism is now a deeply cherished faith, while in the West it is an institutional reality, accepted but perhaps less deeply loved. From the East we can relearn the value of constitutionalism, but its meaning must still be learned in the West. What the West, and the United States in particular, lacks in constitutionalist passion, it makes up for in the practical experience necessary for designing stable institutions. Those practical lessons will be especially important in Eastern and Central Europe when the

democratic faith runs into serious crises and begins to weaken.

A True Political Test

The moment of disillusionment is likely to arrive soon, especially where communism collapsed most dramatically. The nonviolent mass politics of idealism will be replaced by day-to-day politics: manipulation, pandering to special interests, interminable squabbling, senseless last-minute compromises. Disillusionment may also arise from economic failure, or from bitter conflict between nationalities and ethnic groups, or in response to old and new forms of hatred and irrationality. The idealists will adapt, or they will be outmaneuvered, or they will withdraw to better-protected higher terrain.

The moment of disillusionment will be dangerous — a true political test. Constitutionalist commitments will then either disintegrate, or they will be transformed and take root. At that moment it will not be enough to have in place a democratically elected parliament or a market. Such institutions by themselves have often been borrowed in the past, but have succumbed to dictatorship or degenerated, in new settings, into caricatures of their former selves. Constitutionalism is a broader answer to political disillusionment, not confined to a few institutions. It is a collection of strategies that limit the politics of narrow interest in order to serve larger ideals,

but it is also a living tradition committed to the development of new strategies as they become required.

The sequence of events in the American colonies at the end of the eighteenth century was in some ways prototypical of the constitutionalist experience. Institutions that spring up in moments of enthusiasm as the old order collapses become corrupt, ineffective, and conflict-ridden. As narrow interests and manipulative politics take over, enthusiasm is followed by despair. Thus, America's crucial constitutional moment was 1787, not 1776.

Revolutions are extraordinary in at least two ways. First, they represent an unprecedented breakdown of the restraining force of social inertia. Institutions that seemed eternal, that have survived for decades or even centuries, collapse in hours; and good seems to triumph over evil almost effortlessly. Second, revolutions bring an extraordinary activation of human idealism. For once optimism about human nature seems vindicated: even despicable toadies of the old regime turn into idealistic reformers; fear and greed temporarily recede. Masses of people gain a rare courage and a willingness to sacrifice for their shared ideals.

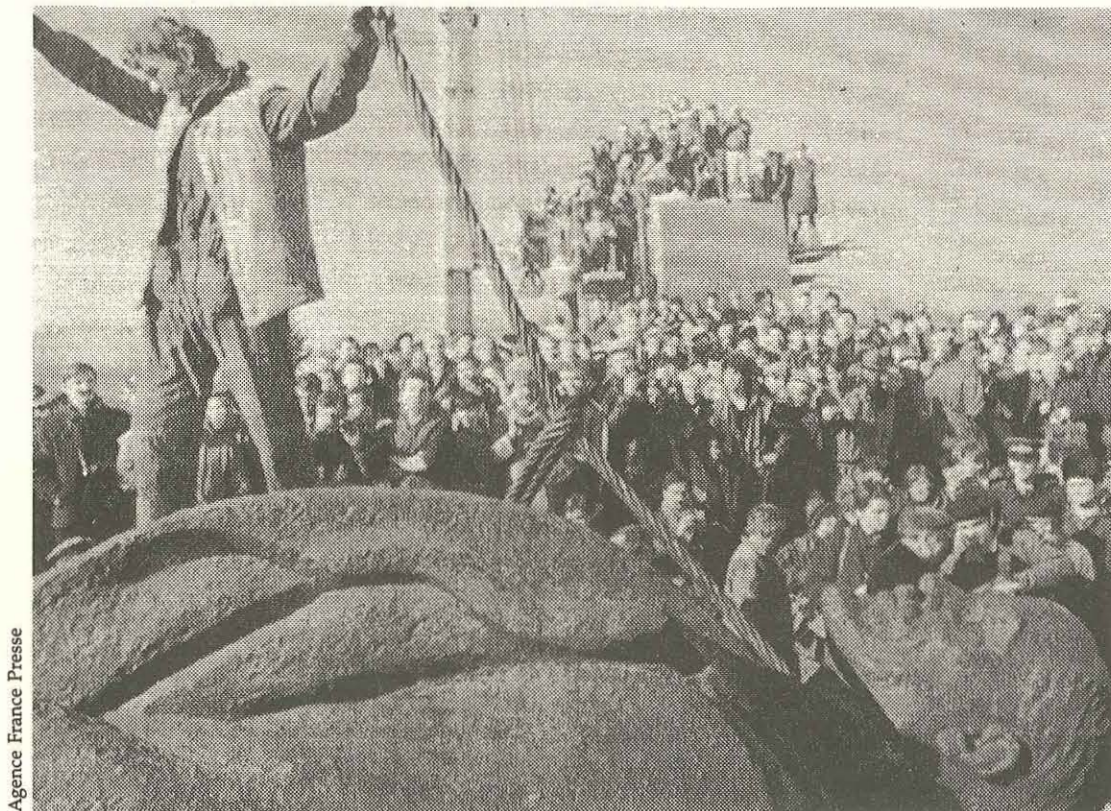
It will not last. The institutions emerging from the extraordinary moment of revolution will need to be modified at a later, more sober time. They will need to allow for the strength of institutional inertia and the weakness of idealism during periods of ordinary politics, as well as during periods of crisis and political despair. Revolutions need to be demystified and new institutions put in place that are adequate insurance against the vagaries of human nature. It is then, when the collapse of the old regime recedes in memory, that the serious business of establishing a self-governing republic begins.

The Democratic Ideal

The ideal of a self-governing republic — often called the democratic ideal — is sufficiently open-ended to give force to a wide range of political theories and programs, from radical participatory democracy to Madisonian constitutionalism. But I believe the central feature of the ideal is implicit in the very words *res publica*, "the public thing." The goal is to establish a set of institutions in which the power of narrow private interests, or "factions," as Madison called them, is limited so that the public good and impartial standards can more fully influence collective decisions.

The pursuit of the public good may require the protection of national unity, the establishment of justice, a guarantee of internal and external security, the promotion of national wealth, and the protection of individual rights, to cite only the goals the people of the United States set for themselves in their own constitution. It is arguably the main guiding principle of the U.S. Constitution to promote these goals by limiting the powers of faction. Much of American constitutional history can even be seen as the increasingly effective development of this basic idea. Thus, the special privileges of elite factions were weakened over the last two hundred years by the progressive democratization of the American constitutional system. More dramatically, the special privileges of the white faction relative to blacks were formally abolished; and they continue to be, however slowly and incompletely, eradicated in fact.

The basic institutional devices of American constitutionalism are designed chiefly to limit the power of faction, thus making more room for promotion of the public good. This is true of the separation of powers, checks and balances,



Agence France Presse

A crowd watches in Bucharest as workers, using a U.S.-built crane, remove a 30-foot bronze statue of Lenin.

the federal system, representative legislative institutions, and regular elections to all positions of power. In the economic sphere, the same is equally true of the market, a singularly effective method to limit the power of producers and force them to produce what consumers actually want to buy.

Few Americans would claim for these institutions more than limited success in the battle against factions. Indeed, the power of special interest groups is reflected in some of the deepest political and economic problems the United States now faces. The massive budget deficit and an incoherent system of taxation are just two prominent examples. Here, as elsewhere, the constitutionalist task is hardly complete.

The problem of faction is especially acute in the decadent stages of communism, when the transition to self-government and democracy begins. Ironically enough, the problem is often reinforced by a politics driven by a fear of faction bordering on clinical paranoia — a deeply irrational politics characterized by conspiracy theories, attacks on “the little people” (as in Shafarevich’s *Russophobia*, the current manifesto of Russian reactionaries), and by hatred of Jews, Masons, “speculators,” and other minorities. This exaggerated fear of faction and of conspiracies has always been especially common among members of groups that are themselves weakly organized. Unfortunately, in the transition from communism, virtually all groups are weakly organized. They form the pool of potential supporters for various forms of neo- and proto-fascism.

Institutional devices limiting the power of faction will also weaken this potential threat from the undemocratic right. Hence, as the new political and economic reforms proceed, it is essential to keep in mind the accumulated lessons of the constitutionalist tradition. Bringing back democracy, the market, and the rule of law will be only a beginning. Constitutional lessons are more general, and in the novel setting of post-communist societies they may well require institutional innovation.

In the East constitutional republicanism is now a deeply cherished faith, while in the West it is an institutional reality, accepted but perhaps less deeply loved. From the East we can relearn the value of constitutionalism, but its meaning must still be learned in the West.

Self-Limiting Social Movements

As the constitutional moment arrives in Eastern and Central Europe, the longing for a lost Europe will make itself felt. The desire to become *normal* societies again will make wholesale borrowing of Western (“European”) institutions a strong temptation. Institutional borrowing from the West also makes a relatively easy and reassuring first step of political and economic reform. Post-communist societies have suffered enough as guinea pigs for social experimentation. Simple borrowing is also gratifying to Western audiences, since it can legitimately be seen as a powerful vindication of Western

political traditions. It could even work to strengthen the constitutional faith in the West.

Nevertheless, a revived constitutionalism can flourish only if it becomes both intellectually and politically innovative. Institutional borrowing has often turned out badly in the past, and could easily do so again. Ten years from now the lesson from Eastern and Central Europe could well be once again about the fragility of liberal democracies and markets. And we could see more of this fragility in the West as well. Here, too, new institutional devices in a constitutionalist spirit are badly needed.

The lessons of Western experience can lead... to more than a simple extension of the sphere of market-based liberal democratic normality. As communism dies, it could give birth to a new constitutionalist form of social movement — one capable of giving real force to human idealism.

One such institutional innovation is at hand: a self-limiting broad-based movement of social reform, neither trade union nor political party. Organizations such as Solidarity, the Civic Forum, Sajudis, and the Ukrainian Rukh could all turn out to be temporary, of course, transformed in due time into ordinary Western institutions. But they could also remain as new additions to the constitutionalist lexicon.

They would be *constitutionalized* forms of revolutionary movements, self-limiting in their choice of both ends and means. As nonviolent movements, in the spirit of Gandhi and King, they would be self-limiting with regard to means. They would also have an opportunity to continue limiting their choice of ends. Instead of some large, elaborate, utopian program, they can continue to demand — again, in the spirit of Gandhi and King — only the correction of obvious irrationalities and injustices. This might well be the only way to focus effectively the limited moral energies of mankind. Self-limiting social movements, of the kind that spontaneously emerge as communism dies, could thus be the new organizational weapon to help us mitigate the effects of political disillusionment.

More generally, communism’s lasting achievement may lie in the cultural changes and institutional innovations that develop in the struggle against it and come into their own as communism dies. The lessons of Western experience can lead then to more than a simple extension of the sphere of market-based liberal democratic normality. As communism dies, it could give birth to a new constitutionalist form of social movement — one capable of giving real force to human idealism.

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