

From Good Communists to Even Better Capitalists? Entrepreneurial Pathways in Post-Socialist Romania

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This article tests four theses regarding the origins of Romanian post-socialist entrepreneurs: (1) “political capitalism,” (2) “post-socialist managerialism,” (3) “capitalism from below,” and (4) “refuge from poverty.” The results of the analyses show that the former cadres are at an advantage in being employers due to their organizational experience and network resources. Nevertheless, in line with arguments advanced by the second thesis mentioned above, education, as the most basic form of human capital, plays an important role in this story of entrepreneurship. Consistent with the predictions of the third thesis, the experience in the second economy under state socialism, as a form of cultural capital, represents an asset for being an employer and a small business operator in 2000. Private farming is an avenue taken by former socialist farmers and by some of those who have lost their jobs after 1990, especially the former peasant-workers of state socialism.

Keywords: post-socialist transition, entrepreneurship, politics, Romania

One of the most luxurious Romanian homes nowadays belongs to Janine and Adrian Sârbu. The symbol of their opulence is a glass-made bathtub, worth 50,000 dollars. . . . Sources close to the Sârbu couple say that the two only take their baths in a special type of mineral water, very expensive and brought from abroad, which helps maintain the smoothness and youth of their skin. It seems that, besides chronic poverty, Romania also has its own share of extravagant millionaires.¹

1. “Viata Mondenă in România” [High-Life in Romania]. *Meridianul Românesc* [Romanian-American Community Weekly News] 4:186(2000): 26.

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Admittedly, there is nothing unique about this Romanian gossip column. Take a Hungarian, Polish, or Czech tabloid and you will find similar accounts of the newly rich. While some of you—Western readers, living off of an academic salary—might be impressed by the lifestyles of these post-socialist tycoons, you will probably consider such accounts as evidence that capitalism has (finally) made it to the region. In contrast, locals will be enraged by these stories. For most Central and Eastern Europeans, Horatio Alger's stories are true only in the West; there is no such thing as "from rags to riches" in Eastern Europe. The exceptions, of course, would be those individuals who have won the lottery or the lucky few who have unexpectedly inherited the fortune of a lost relative from the United States. (According to popular imagination, the United States is the country where one's rich, forgotten relatives are presumed to live and eventually die, leaving their fortunes to their poorer relatives from Eastern Europe.) Leaving aside the few lottery winners and individuals with (rich) relatives abroad, one cannot help but wonder from where so many post-socialist rich come. Are all of these people former top communist bosses, as many Central and Eastern Europeans would have it, or have some of them really made it from rags to riches? Besides this economic elite, what can we say about those not so rich but well-to-do new petit bourgeois? Who are they, and what are their stories?

East Europeans' suspicion of entrepreneurs in general and the newly rich, in particular, is not without empirical support. Although state socialism created its own privileged classes,² these classes had neither the wealth nor the strength necessary to become the new post-socialist grand bourgeoisie and to generate a rapid and dynamic evolution toward capitalism and economic growth.³ In this article, I focus on this paradoxical situation of "making capitalism without capitalists"⁴ in the less frequently dis-

2. See Milovan Djilas, *The New Class: An Analysis of the Communist System of Power* (New York: Praeger, 1957); Leon Trotsky, *The Revolution Betrayed: What Is the Soviet Union and Where Is It Going?* (New York: Pathfinder, 1972); George Konrad and Ivan Szelényi, *The Intellectuals on the Road to Class Power* (New York: Harcourt Brace Jovanovich, 1979).

3. Gil Eyal, Ivan Szelényi, and Eleanor Townsley, *Making Capitalism without Capitalists: The New Ruling Elites in Eastern Europe* (London: Verso, 1998).

4. Ibid.

cussed case of Romania. In what follows, however, I will *not* exclusively address the (rather sexy) topic of the newly rich. Employing May and November 2000 survey data and informed by previous contributions on the topic, my aim here is to investigate the contours of Romanian post-socialist entrepreneurship. The following three questions are at the core of my analyses: (1) What are the social origins of Romanian post-socialist entrepreneurial categories (e.g., employers, petit bourgeois, and farmers)? (2) What types of resources (e.g., political, human, cultural, and social) are relevant for different entrepreneurial careers (i.e., from farming to small business operations to being an employer)? (3) Besides farming, self-employment, and being an employer, what other entrepreneurial pathways (if any) are adopted by Romanians during transition, and what are the features of such other economic activities?

My argument is organized as follows. First, I discuss four groups of theses regarding the origins of post-socialist entrepreneurs: the “path dependency” and “political capitalism” theses;⁵ the “post-socialist managerialism” thesis;⁶ the thesis of “capitalism from below”;⁷ and the “refuge from poverty” thesis.⁸ I contend that the literature on post-socialist entrepreneurship is rather fragmented and seemingly contradictory. This is so

5. See Elemér Hankiss, *East European Alternatives* (Oxford, UK: Clarendon, 1990); Jadwiga Staniszkis, “Political Capitalism in Poland,” *East European Politics and Societies* 5 (1991): 127–41; David Stark, “Privatization in Hungary: From Plan to Market or from Plan to Clan?” *East European Politics and Societies* 4 (1990): 351–92.

6. Eyal et al., “Making Capitalism.”

7. For an initial formulation of this thesis, see Ivan Szelényi, *Socialist Entrepreneurs* (Madison: University of Wisconsin Press, 1988). For other works that deal with the second economy under state socialism, see Martha Lampland, “Pigs, Party Secretaries, and Private Lives in Hungary,” *American Ethnologist* 3 (1991): 459–79; Akos Róna-Tas, “The Second Economy as a Subversive Force: The Erosion of Party Power in Hungary,” in Andrew Walder, ed., *The Waning of the Communist State: Economic Origins of Political Decline in Hungary and China* (Berkeley: University of California Press, 1995), 21–47; Akos Róna-Tas, *The Great Surprise of the Small Transformation: The Demise of Communism and the Rise of the Private Sector in Hungary* (Ann Arbor: University of Michigan Press, 1997); Maria Łoś, ed., *The Second Economy in Marxist States* (London: Macmillan, 1990). Following Lampland and Róna-Tas, by “second economy” I refer to economic activities organized outside the state sector, which were *legally* tolerated by communist regimes.

8. For an excellent overview of this thesis, see Eric Hanley, “Self-Employment in Post-communist Eastern Europe: A Refuge from Poverty or a Road to Riches?” *Communist and Post-communist Studies* 33 (2000): 379–402; see also T. Laky, “Characterization of Privatization in Hungary and Some of Its Effects,” in Jacques Hersh and Johannes Dragsbaek Schmidt, eds., *The Aftermath of ‘Real Existing Socialism’: People and Technology in the Process of Transition*, vol. 2. (London: Macmillan, 1996); Staniszkis, “Political Capitalism,” 127–41.

because the four different perspectives mentioned above define “entrepreneurship” differently or are simply focusing on different entrepreneurial pathways or careers. To bring some conceptual clarity to the topic, I emphasize that different types of entrepreneurship rely, in varying degrees, on particular resources or forms of capital (e.g., human, political, or social). Furthermore, the types of resources that will be recognized as capital (i.e., they will generate returns) in post-socialist entrepreneurship are a function of larger institutional arrangements.⁹ At this point, I outline the possible effects of Romania’s socialist and post-socialist political configurations on the rise of post-socialist entrepreneurship. In the second part, I present the data and measures I employ to test the claims of the theoretical arguments presented in the first section. The third part contains the results of causal analyses of recruitment into four entrepreneurial careers (being an employer, self-employment, private farming, and part-time entrepreneurship); I sharpen my interpretation of these results with insights from ethnographic research conducted in Romania, followed by a brief discussion in the last section of the article.

Theoretical issues

In this section, I address four groups of theses regarding the social origins of post-socialist entrepreneurs, and I briefly comment on some of their theoretical and empirical limitations. Before beginning my discussion, I must, however, offer a few caveats. First, in what follows, I do not discuss at length—though I acknowledge—Victor Nee’s market transition theory and the subsequent debates it has triggered.¹⁰ Nee is primarily interested

9. For a theoretical analysis of forms of capital in transitional economies, see Akos Róna-Tas, “Path Dependence and Capital Theory: Sociology of the Post-communist Economic Transformation,” *East European Politics and Societies* 12 (1998): 107-31.

10. Victor Nee, “A Theory of Market Transition,” *American Sociological Review* 54 (1989): 663-81. For subsequent contributions to the so-called market transition debate, see Victor Nee, “Social Inequalities in Reforming State Socialism: Between Redistribution and Markets in China,” *American Sociological Review* 56 (1991): 267-82; Neil Fligstein, “The Economic Sociology of the Transitions from Socialism,” *American Journal of Sociology* 101 (1996): 1074-81; Victor Nee, “The Emergence of Market Society: Changing Mechanisms of Stratifi-

in how the shift from hierarchies to markets changes the determinants of socioeconomic attainment and therefore the sources of power and privilege.¹¹ As his and others' studies suggest, the dichotomy private sector–state sector represents a source of inequality during market transition (or in the “partial reform” era, as Nee subsequently put it).¹² In other words, as compared to those employed in the state sector, individuals working in the private sector might be better off in terms of economic returns. In contrast to my analysis, studies inspired by Nee's market transition theory do not attempt to predict what individuals are likely to adopt a particular entrepreneurial strategy. Rather, such works focus on the consequences—in terms of income inequality—of entering the private sector for cadres, former cadres, and noncadres.

Second, and in connection with the previous point, this and the following sections of my analysis provide only partial answers to the question, “Where have all the cadres gone?”¹³ Although the issue of former cadres is a central topic in studies of post-socialism, here I am interested in the fate of the former Romanian cadres inasmuch as they have entered the private sector as entrepreneurs. To completely answer questions regarding the post-socialist trajectories of former cadres requires a separate, extensive study in social mobility, which is beyond the scope of this article.

cation in China,” *American Journal of Sociology* 101 (1996): 908–49; Anthony Oberschall, “The Great Transition: China, Hungary, and Sociology Exit Socialism into the Market,” *American Journal of Sociology* 101 (1996): 1028–41; David Stark, “Recombinant Property in East European Capitalism,” *American Journal of Sociology* 101 (1996): 993–1027; Ivan Szelényi and Eric Kostello, “The Market Transition Debate: Towards a Synthesis?” *American Journal of Sociology* 101 (1996): 1082–86; Andrew Walder, “Markets and Inequality in Transitional Economies: Towards Testable Theories,” *American Journal of Sociology* 101 (1996): 1060–73. For the most recent contributions to this debate, see Andrew Walder, “Markets and Income Inequalities in Rural China: Political Advantage in an Expanding Economy,” *American Sociological Review* 67 (2002): 231–53; Andrew Walder, “Income Determination and Market Opportunity in Rural China, 1978–1996,” *Journal of Comparative Economics* 30 (2002): 354–75.

11. Nee, “Theory of Market Transition,” 633.

12. Nee, “Social Inequalities.”

13. I borrow the formulation of this question from Szonja Szelényi's *Equality by Design: The Grand Experiment in Destratification in Socialist Hungary* (Stanford, CA: Stanford University Press, 1998).

Theses of post-socialist entrepreneurship¹⁴

The “path dependency” and “political capitalism” theses

The first group of theses that attempt to explain post-socialist entrepreneurship includes “path dependency” and “political capitalism.” In rejecting the simplistic views of “shock therapy,” “big bang,” or “cookbook capitalism,”¹⁵ path dependency theorists emphasize that “capitalism is built not *on* but *with* the ruins of socialism.”¹⁶ Focusing on “big time” or elite entrepreneurs, path dependency theorists maintain that—to employ Stark’s memorable phrase—post-socialist transition is not a transition from *plan* to *market* but from *plan* to *clan*.¹⁷

The phrase mentioned above is also the major tenet of the “political capitalism” thesis.¹⁸ According to this thesis, the major winners of the post-socialist transformations are the former nomenklatura. Beginning in 1984 in Hungary and in 1987 in Poland, members of the administrative elite, foreseeing the collapse of the communist system, started converting their positional power into economic might.¹⁹ For instance, in the late 1980s, members of the elite used their personal contacts and information acquired from jobs in the state bureaucracy for brokerage activities, especially in the export activities of state enterprises.²⁰ Another form of converting one’s positional power into economic advantages was subcontracting to small private firms in which managers of state enterprises had a personal interest.²¹

14. Needless to say, the classification I present in the following pages is by no means the only possible way of grouping various theoretical approaches to post-socialist entrepreneurship. See, for instance, Akos Róna-Tas, “The First Shall Be the Last? Entrepreneurship and Communist Cadres in the Transition from Socialism,” *American Journal of Sociology* 100 (1994): 40-69; Akos Róna-Tas, “Path Dependence and Capital Theory.” Depending on their theoretical interest, other readers might construct other and/or more refined categories, and might attach them other labels. Taking into account the questions I intend to answer in the Romanian case, this classification serves my purpose.

15. David Stark, “Path Dependence and Privatization Strategies in East Central Europe,” *East European Politics and Societies* 6 (1992): 17-54.

16. Stark, “Recombinant Property.”

17. Stark, “Privatization in Hungary.”

18. Hankiss, *East European Alternatives*; Staniszkis, “Political Capitalism.”

19. For Hungary, see Stark, “Privatization in Hungary”; for Poland, see Staniszkis, “Political Capitalism.”

20. Staniszkis, “Political Capitalism,” 129.

21. Katherine Verdery, *What Was Socialism, and What Comes Next?* (Princeton, NJ: Princeton University Press, 1996), 211.

Once the privatization started, the magnitude of this capitalization on positional resources only increased: “the privatization of state enterprises created the opportunity for privileged elites with information and network advantages to convert limited de facto use and income rights into more de jure alienable rights.”²² The character and outcome of these processes were suggestively labeled in Poland as “making owners of the nomenklatura.”²³ Other terms employed in reference to the same phenomenon are “entrepratchiks” (from “entrepreneurs” and “apparatchiks”),²⁴ “kleptocracy” or “capitalism with a comrade’s face.”²⁵

The “post-socialist managerialism” thesis

Inspired by Konrad and Szelényi’s celebrated essay “The Intellectuals on the Road to Class Power,” Eyal et al. assert that the principal agents of change and the possible winners of the post-socialist transition are the “holders of cultural capital,” that is, former anticommunist dissidents, humanistic intellectuals, and especially managers and technocrats.²⁶ According to Eyal et al., rather than being an advantage, the communist political capital *alone* is a liability during transition because former dissidents and opinion-making intellectuals have kept the former nomenklatura under public scrutiny.²⁷ This fact has made it extremely difficult for former party officials to become the new propertied elite or the new top entrepreneurs. The 1993-1994 survey data from Hungary, the Czech Republic, and Poland employed by Eyal et al. indicate that (1) former nomenklatura experienced massive downward mobility and circulation out of the labor market through early retirement; (2) only a very small proportion of former party bosses moved into private business in Hungary, the Czech Republic, and Poland; and (3) the only sector in which former cadres seem to fare relatively well is small entrepreneurship,

22. Edgar L. Feige, “Underground Activity and Institutional Change,” in Joan M. Nelson, Charles Tilly, and Lee Walker, eds., *Transforming Post-communist Political Economies* (Washington, DC: National Academy Press, 1997), 29.

23. Staniszkis, “Political Capitalism,” 129.

24. Verdery, *What Was Socialism*, 33.

25. Roman Frydman, Kenneth Murphy, and Andrej Rapaczynski, “Capitalism with a Comrade’s Face,” *Transition* 2 (1996): 5-11.

26. Eyal et al., *Making Capitalism*.

27. Ibid.

which does not require high standards in terms of capital, skill, and organization.²⁸

While the findings mentioned above show that the former nomenklatura did not become the grand post-socialist bourgeoisie, it would be incorrect to assume that technocrats and managers have become the new propertied grand bourgeoisie. Eyal et al.'s impressive work suggests only that the "holders of cultural capital" are calling the shots during transition in the Czech Republic, Poland, and Hungary. That is, managers and technocrats are at an advantage in becoming the new propertied bourgeoisie but they are not yet the new propertied bourgeoisie. Why would this be the case? First, the data presented by Eyal et al. show that managerial and individual ownership are not significant phenomena, as the large corporate sector is still publicly owned.²⁹ Second, besides public ownership, new forms of property—neither public nor private/individual but rather "fuzzy"—have emerged (see especially the case of Stark's "recombinant property," i.e., property rights organized through networks of firms³⁰).

The "capitalism from below" thesis

The initial formulation of this thesis appeared in Szelényi's influential work "Socialist Entrepreneurs." Previous studies claimed that individual agricultural producers are either a residual class, doomed to disappear ("proletarianization theory"), or a hybrid class, which will symbiotically coexist with large-scale enterprises but will have no significant impact on the architecture of the socialist system ("peasant-workers theory").³¹ In contrast, Szelényi considers that rural socialist entrepreneurs will emerge from below as a new and relatively powerful economic class. At

28. Ibid., 117-18; see also Hanley, "Self-Employment in Eastern Europe."

29. Eyal et al., *Making Capitalism*.

30. David Stark, "Recombinant Property." See also Lawrence King, *The Basic Features of Postcommunist Capitalism: Firms in Hungary, the Czech Republic, and Slovakia* (Westport, CT: Praeger, 2001). For other "mutant" capitalist strategies, see Michael Burawoy and Pavel Krotov, "The Soviet Transition from Socialism to Capitalism: Worker Control and Economic Bargaining in the Wood Industry," *American Sociological Review* 57 (1992): 16-38; Michael Burawoy, Pavel Krotov, and Tatyana Lytkina, "Involution and Destitution in Capitalist Russia," *Ethnography* 1 (2000): 43-56.

31. For an overview of previous studies on proletarianization and "peasant-workers" theory, see Szelényi, *Socialist Entrepreneurs*, 45-50.

the core of this class are individuals coming from pre–World War II rural entrepreneurial or well-to-do families, which were on an embourgeoisement trajectory before the socialist experiment (“theory of interrupted embourgeoisement”).³²

Although Szelényi’s analyses focus on private farming, he suggests that his theory of interrupted embourgeoisement also applies to other activities in the small private sector during state socialism.³³ While socialist regimes tolerated such private market activities to attenuate the effects of systemic economic crises, it is implied that the downfall of the communist regimes can be partially linked to the very existence of this second sector. Terms such as “erosion from below”³⁴ and a “quiet revolution from within”³⁵ suggest that the second economy became a subversive force, which eroded the party’s commitment to a planned economy and led to the waning of the socialist system.

With the downfall of the communist regimes in East Central Europe, one could hypothesize that the experience in the second economy under state socialism is an important asset for entrepreneurship in post-socialism. Aside from their financial capital at the debut of the transition, the former socialist entrepreneurs also had the expertise, the know-how, or, to put it better, a particular understanding of how to do business. Following Szelényi’s arguments, such forms of “cultural capital” might make the difference between successful and unsuccessful post-socialist entrepreneurs.³⁶

32. Ibid.

33. For other studies on the second economy, see Akos Róna-Tas, “The First Shall Be the Last?”; Akos Róna-Tas, *The Great Surprise*. For the Chinese case, see David Wank, *Commodifying Communism: Business, Trust, and Politics in a Chinese City* (New York: Cambridge University Press, 1999); David Wank, “Producing Property Rights: Strategies, Networks, and Efficiency in Urban China,” in Jean Oi and Andrew Walder, eds., *Property Rights and Economic Reform in China* (Stanford, CA: Stanford University Press, 1999), 248–76.

34. Akos Róna-Tas, “The Second Economy as a Subversive Force: The Erosion of Party Power in Hungary,” in Andrew Walder, ed., *The Waning of the Communist State: Economic Origins of Political Decline in Hungary and China* (Berkeley: University of California Press, 1995), 61–84.

35. Andrew Walder, “The Quiet Revolution from Within: Economic Reform as a Source of Political Decline,” in Andrew Walder, ed., *The Waning of the Communist State: Economic Origins of Political Decline in Hungary and China* (Berkeley: University of California Press, 1995), 1–24.

36. Besides the former socialist entrepreneurs, there are other individuals who might possess the cultural capital required to successfully function as businesspersons during market transition. These individuals are those who, being unemployed or “without an occupation,” operated full-time on the black market or in the gray economy under state socialism. Labeled “social parasites” by the communist regime (i.e., individuals who did not work

*The “refuge from poverty” thesis*³⁷

According to this perspective, also known as the “dualist model of self-employment,” the trials and tribulations of current economic transformations have forced many Eastern Europeans to take refuge in the private sector as self-employed.³⁸ Students of this perspective maintain that self-employment is unlikely to encourage the formation of a “genuine” (i.e., Western-like) entrepreneurial class for several reasons. First, due to their marginal position in the economic landscape, the self-employed are unlikely to innovate, expand, and diversify their activities. Second, for many individuals, self-employment is a survival strategy, and the eventual profits obtained from this type of activities are channeled toward consumption rather than reinvestment and growth.³⁹

I present in Table 1 a summary of the four theoretical perspectives reviewed above. These groups of theses differ in regard to the categories under scrutiny and their empirical implications. The political capitalism, path dependency, and post-socialist managerialism theses focus on the same entrepreneurial category, that is, the new economic elite, but they yield different predictions. The path dependency and political capitalism theses predict that former communist elites are at an advantage in becoming the new economic elite (or employers in the context of this article) during transition. In contrast, the post-socialist managerialism thesis maintains that human and/or cultural rather than political capital play(s) a crucial role during transition. Consequently, former (socialist) managers and technocrats are at an advantage in becoming the new entrepreneurial elite.

according to [their] abilities), these people were mainly involved in illicit trade. Gail Kligman, *The Politics of Duplicity: Controlling Reproduction in Ceaușescu's Romania* (Berkeley: University of California Press, 1998), 33. This entrepreneurial type is similar to the one discussed by Wank in the case of China before the reform era, that is, the “speculator” entrepreneurial type. See Wank, *Commodifying Communism*, 116-20. Although some of the former speculators are probably at an advantage in post-socialism, the survey data I employ in this article do not contain any information about an individual's (full-time) involvement in illegal economic activities before the fall of Ceaușescu's regime.

37. This section heavily draws on Eric Hanley's excellent discussion of theoretical approaches to self-employment. See Hanley, “Self-Employment in Eastern Europe.”

38. *Ibid.*, 380.

39. *Ibid.*, 383-83.

Table 1. *Theses and Predictions Regarding the Social Origins of Post-socialist Entrepreneurship*

Thesis	Categories Under Scrutiny			Predictions
	Big/elite entrepreneurs	Self-employed	Individual farmers	
Path dependency and political capitalism	Yes	No	No	Former high party officials have converted their political capital into economic power. Consequently, former high cadres are predominant in the new entrepreneurial elite (as employers in this article).
Post-socialist managerialism	Yes	No	No	Rather than being an advantage, political capital alone is a liability; institutional mechanisms have limited the conversion of political capital into economic capital. The major agents of change are the holders of cultural capital (managers, technocrats, and humanistic intellectuals). Technocrats and managers rather than cadres are a majority in the new economic elite (e.g., employers).

Capitalism from below	No	Yes	No	Individuals who operated as small entrepreneurs or individual farmers under state socialism are at an advantage during market transition. Some of them could make it into the elite economic elite but most likely they will continue to operate in the private sector.
Refuge from poverty	No	Yes	No	Self-employment is a temporary refuge from poverty and unemployment. Self-employed individuals are massively recruited among the unemployed and/or individuals facing poverty.

The capitalism from below thesis—as I revisited it previously—maintains that former socialist entrepreneurs (farmers and small business operators) are at an advantage during transition. Aside from their financial capital, former socialist entrepreneurs have a better understanding of market mechanisms than individuals who did not venture into the risky realm of entrepreneurship under state socialism. This “cultural” advantage might be crucial in helping former socialist entrepreneurs to enter the economic elite (as employers) or, at least, to continue operating in the small private sector. The refuge from poverty thesis focuses on self-employment and sees it as a (temporary) strategy adopted by individuals who face poverty and/or unemployment.

A few critical remarks

In the remainder of this section, I draw attention to a few problematic aspects of the theses discussed previously. Let me begin by noting the somewhat confusing message generated by the theses mentioned previously. Readers unfamiliar with the heated debate on market transition might feel at a loss in trying to adjudicate among the theses mentioned above. Part of the blame for this confusion rests with students of market transition who have done little to clarify the facts under scrutiny.⁴⁰ For instance, in their attempt to highlight the benefits of marketization, Nee and some of his students have indiscriminately treated “entrepreneurship” as a sign of upward mobility. Undoubtedly, for Chinese rural residents, running a private business might represent a significant improvement of their socioeconomic situation as compared to the dark period of Mao. Therefore, running a private business might be a road to upward mobility. But think of a college-educated, urban resident, who has been laid off from her or his job with the state sector and who, like quite a few individuals in Eastern Europe, is now selling cigarettes on the street. It is true that such an individual is an entrepreneur in the sense of Nee and others, but one can hardly envy such a person for her newly

40. I refer here to the market transition debate in the *American Journal of Sociology* and *American Sociological Review*, a debate that has been triggered by Victor Nee's article “A Theory of Market Transition” (1989). For contributions to this debate, see footnote 10 in this article.

found autonomy from the state as a self-employed individual. In this case, as the thesis of refuge from poverty argues, being a small entrepreneur is not a road to riches (or an indicator of growing marketization) but a desperate attempt to make ends meet.

Turning back to the theses mentioned previously, in this article, I interpret them as follows. First, these four groups of theses do not necessarily contradict one another. What they try to communicate is that *recruitment into different entrepreneurial careers is regulated by different social factors*. Put another way, different forms of entrepreneurship (from farming to small business operations to large businesses) rely—in varying degrees—on particular resources or forms of capital (e.g., human, cultural, social, political).

Second, the fly in the ointment of some previous sociological approaches to market transition is that they have focused on very broad propositions and such ideal types as “plan” and “market,” ignoring more specific mechanisms and institutional conditions of marketization.⁴¹ Although Eastern European countries belonged to the Soviet bloc, there was a significant variation in their political-institutional histories and configurations.⁴² Therefore, *the types of resources that will be recognized as capital (i.e., they will generate returns) in entrepreneurship are a function of such differences in institutional conditions*.⁴³ That is, taking into account the idiosyncrasies of the socialist and post-socialist paths in East Central Europe, some of the theses mentioned previously might be confirmed in some countries but not in others. For example, Hanley shows that, as compared to Polish managers, Hungarian managers have been more successful in acquiring assets of state enterprises because the government allowed managers to initiate privatization. “[In Poland] managers were no more likely than other nomenklatura to become owners because

41. Andrew Walder, “Privatization and Elite Mobility: Rural China, 1979-1996,” *Asia/Pacific Research Center Working Papers Series*. (Stanford, CA: Institute for International Studies, Stanford University, 2002), 8.

42. For an excellent account of political and institutional differences among Central and Eastern European countries, see Vladimir Tismăneanu, *Reinventing Politics: Eastern Europe from Stalin to Havel* (New York: Free Press, 1992).

43. Akos Róna-Tas, “Path Dependence and Capital Theory: Sociology of the Post-communist Economic Transformation,” *East European Politics and Societies* 12 (1998): 107-131.

the reputation and strength of the Solidarity movement gave workers considerable power in the privatization process.”⁴⁴

Furthermore, as Eyal et al. suggest, the “political capitalism” thesis might be more appropriate in describing the realities of post-socialist Romania. The Hungarian and Polish communists attempted to reform their socialist economic systems, and they did allow for the existence of a fairly well-developed private sector. In contrast, socialist Romania did not attempt to reform its command economy, and activities in the small private sector were forcefully discouraged. As compared to the Hungarian and Polish second economies, the legal private sector was practically insignificant in Romania’s highly centralized and rigid socialist economy.

Despite the violent end of the Ceaușescu’s regime, this country did not witness a radical rupture with the past in 1990.⁴⁵ In the former Czechoslovakia, Hungary, and Poland, anticommunist forces came to power as a result of the first free elections. In contrast, the first two free elections that followed Ceaușescu’s overthrow were won by “neo-communists” (second-tier nomenclatura controlled by Ion Iliescu), who led Romania from 1990 to 1996 and came back to power in November 2000.⁴⁶ By uninterruptedly controlling the country’s affairs and privatization policies for six years after Ceaușescu’s downfall, one could assume that Romania’s former communists have been at an advantage in converting their positional power into economic might. Hence, one would expect that former party officials would be overrepresented in the new entrepreneurial elites in Romania, as compared to the Czech Republic, Hungary, and Poland.

The opposite argument might run as follows: the Romanian former party bosses did not enter the private sector because it

44. Eric Hanley, “Cadre Capitalism in Hungary and Poland: Property Accumulation among Communist-Era Elites,” *East European Politics and Societies* 14 (2000): 176-77.

45. Eyal et al., *Making Capitalism*.

46. According to Fish, the best predictor of economic reforms—from a list that includes numerous economic, political, and sociocultural factors—is the outcome of the first post-communist competitive elections. See Steven Fish, “The Determinants of Economic Reform in the Post-communist World,” *East European Politics and Societies* 12 (1998): 31-78. That is, economic reforms were more likely to be introduced in those countries where the former communists lost the first free elections. For a critique of Fish, see Jeffrey Kopstein and David Reilly, “Explaining the Why of Why: A Comment on Fish’s ‘Determinants of Economic Reform in the Post-communist World’,” *East European Politics and Societies*, 13 (1999): 613-24.

was more profitable for them to remain in the state bureaucracy or as managers of state enterprises in industry and agriculture. Venturing into the realm of entrepreneurship entails risks, especially in the case of elite entrepreneurship, and former cadres might have been unwilling to assume such risks for several reasons. First, let us not forget that the first post-Ceaușescu Romanian governments—consisting mainly of second-tier former communists—were not too enthusiastic about destroying the old order. Second, I would argue, the first post-communist Romanian governments did not receive a clear message from voters indicating their commitment to a radical economic rupture with the past.⁴⁷ Thus, the early 1990s' high uncertainty regarding the direction of changes (“socialism with a human face” vs. a “market economy”) probably deterred many Romanian former cadres from entering the private sector as entrepreneurs. (More about the economic reforms undertaken by Romania's post-socialist governments in the last section.)

Third, in contrast to previous works, I deem “*entrepreneurship*” as an internally stratified phenomenon, consisting of qualitatively distinct strategies. One such entrepreneurial strategy that has been ignored by most market transition studies is what I call (for want of any happy word) “part-time entrepreneurship”—a hybrid form that originated in the late era of socialism and has survived the transition. By part-time entrepreneurs, I refer to individuals who, besides their main jobs, legally run private businesses. It is true, however, that this entrepreneurial strategy can be also found in the West, but I maintain that there are qualitative differences between the Western and Eastern European avenues to part-time entrepreneurship. Successful entrepreneurs might run for public office, but in the West, institutional regulations, public scrutiny, and the efficiency of mechanisms for control limit—to a significant extent—the use of such positions as a platform for personal aggrandizement.

47. For a more detailed discussion of this interpretation, see Valerie Bunce, “Postsocialisms,” in Sorin Antohi and Vladimir Tismăneanu, eds., *Between Past and Future: The Revolutions of 1989 and Their Aftermath* (Budapest, Hungary: Central European University Press, 2000), 122–52.

In contrast, in East Central Europe, some part-time entrepreneurs—taking advantage of widespread corruption, the lack of the rule of law, and poor enforcement of existing rules—keep their main jobs in the state sector to siphon off state resources to use them in their private businesses. Accounts in the Romanian press suggest that state officials have massively adopted this entrepreneurial strategy. In this case, we are dealing with the phenomenon of “predatory state bureaucracy,” which has negative consequences for the development of domestic entrepreneurial classes and economic growth.⁴⁸

The phenomenon of part-time entrepreneurship is not confined to the top levels of state bureaucracy but, according to Verdery, is replicated throughout the Romanian labor force.⁴⁹ As Verdery insightfully puts it, for many people, the waning of the state is far from good news: “Many Romanians have not one but 2 or 3 jobs, at least one of which—that in the state sector—serves as a platform for pursuing the others, just as was true in the socialist sector.”⁵⁰ Moreover, although some of these people could earn more money working full-time in the private sector, “[they] clung to the state sector for its anticipated security, benefits, and pensions, which they did not want to or know how to provide on their own.”⁵¹

It would be, however, incorrect to assume that siphoning off resources from the state is the only motive to pursue a part-time entrepreneurial career. Some part-time entrepreneurs adopt this strategy to cope with rising inflation, unemployment, and declining wages. For others, part-time entrepreneurship might be a transitory stage in their careers. If they perceive entrepreneurship as a better alternative to their current status as employees, they might as well decide to fully embark on an entrepreneurial trajectory.

48. See Peter Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton, NJ: Princeton University Press, 1995); Peter Evans and James E. Rauch, “Bureaucracy and Growth: A Cross-National Analysis of the Effects of ‘Weberian’ State Structures on Economic Growth,” *American Sociological Review* 64 (1999): 748–65.

49. Verdery, *What Was Socialism*.

50. *Ibid.*, 214.

51. *Ibid.*, 215.

Overview of the argument

I contend that a major shortcoming of mainstream sociological analyses of transition is that they have relied on and employed such very broad concepts as “plan” or “market,” ignoring more specific institutional conditions of marketization. I maintain that who becomes an entrepreneur and what type of entrepreneur one becomes (either an employer or a self-employed individual) are influenced by two sets of factors. The first set of factors includes the past socialist regime of a given country and prior attempts to reform its economic system. The second is the completeness of the break with the communist past (i.e., whether the former politicians have maintained their positions of power through the first elections).

Socialist Romania did not attempt to reform its economic system, and its communist regime was characterized by an extremely personalized, unchecked manner of rule. Furthermore, after the “Revolution” of 1989, the second-tier communists have managed to win the first and second free elections, staying in power for six years (1990–1996). Notably, the second-tier communists came back to power through the general election in November 2000. This is why I expect that, in contrast to the Czech Republic, Hungary, and Poland, post-socialist Romania would be closer to the ideal type of political capitalism. In Romania, ex-cadres are more likely to be employers rather than self-employed individuals, and the key resources for entering the private sector as an employer will be an individual’s political capital.

Data and measures

Thus, taking into account the institutional features of socialist and post-socialist Romania, in this article, I aim to investigate both the more conventional and the hybrid forms of entrepreneurship. In so doing, I ask what are the social origins of the Romanian post-socialist entrepreneurs. What types of resources or forms of capital (e.g., human, political, cultural, social) are relevant for particular entrepreneurial activities? As compared to other individuals, are former Romanian socialist entrepreneurs at an advantage in

operating as employers or self-employed in 2000? What role does an individual's family background play in this story of post-socialist entrepreneurship? What individuals are more likely to adopt a part-time entrepreneurial pathway?

The survey data I employ in this analysis come from two studies, conducted in May and November 2000 at the request of Open Society Romania.⁵² The same questionnaire was used for two different samples of the population, and a section of the questionnaire asked respondents about their entrepreneurial strategies. The two samples total 3,751 individuals, stratified by Romania's so-called "historical regions" (eight regions plus Bucharest, the capital city), residential milieu (urban and rural), and the size of localities. In the final stage of the sampling, the subjects were chosen using systematic sampling from the most recent electoral lists. The samples are representative of Romania's adult population, ages 18 years and older.

Before presenting the measures I will employ, I must, however, comment on the limitations of the survey data described above. Life history data and event history modeling techniques would have been ideal by allowing me to account for the formation of the new Romanian entrepreneurial classes in a time-varying way, from 1990 until 2000. My data, however, are almost wholly cross-sectional, reflecting the contours of the various Romanian entrepreneurial categories at the time of the surveys, that is, May and November 2000. This fact does not allow me to make any inferences about the situation of the Romanian entrepreneurs in earlier stages of the post-socialist transition or about the factors that are responsible for the success or failure of private businesses, as well as their duration in Romania. Also, readers should be aware of the fact that, in contrast to Eyal et al., I did not have a separate sample of the elites.⁵³ Such a sample would have allowed me to investigate in depth the situation of the old and new elites and their contours. This is why my article can offer only partial answers to questions regarding the fate of the former party bosses and/or the new economic elites such as the Roma-

52. The surveys were conducted by two private research agencies: Metro-Media Transylvania (May 2000) and the Center for Urban and Regional Sociology (November 2000).

53. Eyal et al., *Making Capitalism*.

nian tycoon mentioned at the debut of this article. To entirely answer such questions requires other types of data and a separate study in social mobility.

Nevertheless, the data sets I employ here contain indicators such as respondents' occupation before 1990, education, family background, and parents' political capital. This allows me to test the empirical implications of the theoretical perspectives described in the previous section, in the less frequently discussed case of Romania. Moreover, given the timing of my surveys (i.e., ten years after the collapse of the communist regime), my analyses will provide a sharper picture of the new private sector. Numerous studies of post-socialist entrepreneurship in Eastern Europe employ data about individuals' sociodemographic characteristics before and only *three* or *four*s years after the collapse of the communist regimes. Given that the socialist system neglected demand for consumer goods and services, "this [could have created] large opportunities for the first cohort of entrepreneurs."⁵⁴ Employing data from the year 2000 allows me to assess whether the conclusions of previous studies reflect a temporary phase in transition or more general trends in regard to the social origins of entrepreneurs.⁵⁵

Dependent variables

The entrepreneurial pathways are measured by four dummy variables: employer (1 = yes), self-employed (1 = yes), farmer (1 = yes), and part-time entrepreneur (1 = yes). Table 2 presents the descriptive statistics for these variables. Part-time entrepreneur indicates that the respondent has a second job/occupation as an

54. Walder, "Privatization and Elite Mobility," 9.

55. In general, to the best of my knowledge, event history data have been less frequently used in studies of transition in Eastern Europe. For studies that employ data about individuals' sociodemographic characteristics before and three or four years after the collapse of the communist regimes, see Jozsef Böröcz and Akos Róna-Tas, "Small Leap Forward: Emergence of New Economic Elites," *Theory and Society* 24 (1995): 751-81; Róna-Tas, "The First Shall Be the Last?"; Eyal et al., *Making Capitalism*; Hanley, "Self-Employment in Eastern Europe." My surveys are similar to those employed by Róna-Tas in his study of post-socialist entrepreneurship in Hungary. Róna-Tas, "The First Shall Be the Last?" Yet the Romanian surveys did not ask respondents about their income before 1990. Lacking this information, I could not address the issue of income inequality before and after 1990, as Róna-Tas did in his study.

Table 2. *Descriptive Statistics for the Variables Included in the Analysis of Entry into Entrepreneurship (Romania, 2000)*

Variable	Median	Mean	SD	Valid <i>n</i>
Dependent				
Employer (1 = yes)		0.01		3,571
Self-employed (1 = yes)		0.01		3,571
Farmer (1 = yes)		0.03		3,571
Part-time entrepreneur (1 = yes) ^a		0.04		3,571
Independent				
Age (in years)	47.00	47.53	17.19	3,564
Gender (1 = female)		0.54		3,571
Education (in years)	11.00	9.84	3.70	3,568
Urban resident (1 = yes)		0.54		3,571
Cadre before 1990 (1 = yes) ^b		0.08		3,571
Cadre family background (1 = yes) ^b		0.08		3,473
Self-employed before 1990 (1 = yes)		0.01		2,816
Farmer before 1990 (1 = yes)		0.11		2,816
Ever unemployed after 1990 (1 = yes)		0.13		3,571

Source: "Human and Social Resources in the Romanian Transition," May and November 2000 (*N* = 3,571).

a. In these samples, 91 percent of the respondents are not entrepreneurs.

b. The construction of these variables is discussed in text.

employer or self-employed. Given Romania's troubled economy, one would expect many Romanians to moonlight for extra money or to be involved in the illegal, "informal" sector as small business operators to make ends meet.⁵⁶ Such individuals, how-

56. In 1998 in Romania, the average monthly income was less than US\$100, and about 34 percent of the population (or almost 8 million people) lived below the poverty line. See Cornelia Tesliuc and Lucian Pop, "Poverty, Inequality, and Social Protection" (Paper presented at the World Bank's Conference "Romania 2000: 10 Years of Transition—Past, Present, Future," 1999), 7. As compared to Hungary, Poland, Czech Republic, and Bulgaria, Romania had the highest poverty rate in 1998. Data from 2000 indicate that the situation further deteriorated: more than 40 percent of the Romanian population lived below the poverty line at the time of the surveys, while the average monthly income still was less than US\$100.

ever, are not accounted for by my category part-time entrepreneur. The category I employ in my analyses includes only individuals who officially (or legally) operate as part-time entrepreneurs, in addition to having a main job/occupation.

Among employers, 66 percent operate in commerce and tourism, 9 percent in industry and transportation, and 25 percent in other types of services. Of the self-employed, 37 percent operate in commerce, 10 percent operate in industry and transportation, and more than 50 percent run businesses licensed in multiple fields of activity.

Independent variables

Education is measured in years. Resident in urban area is a dummy variable. Previous studies have shown that place of residence has been an important factor that shaped the contours of inequalities under state socialism.⁵⁷ Against this background, the structure of opportunities for entrepreneurship in post-socialism and the entrepreneurial strategies adopted by individuals vary sharply by residential milieu. Thus, by employing resident in urban areas, I attempt to partially account for the *demand-side perspective* on entrepreneurship.⁵⁸

“Self-employed before 1990” and “farmer before 1990” are two dummy variables indicating a respondent’s occupation before the collapse of the communist regime. Through these variables, I intend to account for the effects of an individual’s occupation under state socialism on entry into entrepreneurship.⁵⁹ Three of the previously discussed theses (i.e., political capitalism, post-

57. Mikk Titma and Nancy Brandon Tuma, “Stratification Research in a Changing World,” In J. Szmataka, Z. Mach, and J. Mucha, eds., *Eastern European Societies on the Threshold of Change* (Lewiston, NY: Edwin Mellen Press, 1993), 231-54.

58. Patricia H. Thornton, “The Sociology of Entrepreneurship,” *Annual Review of Sociology* 25 (1999): 19-46.

59. The source for these variables was an open-ended question about a respondent’s occupation before 1990. The answers entered in the database did not allow me to further distinguish between private farmers and those in collective farms before 1990. In contrast to Poland and Hungary, in socialist Romania, 96 percent of the agriculture was collectivized. Vlad Georgescu, *Istoria românilor: de la origini pînă în zilele noastre* (București: Ed. Humanitas, 1992). However, almost all peasants in collective farms were allowed to own and cultivate small plots of land, and—despite restrictions—some peasants engaged in limited production for the (gray) market.

socialism managerialism, and capitalism from below) suggest that an individual's occupation before the collapse of the communist regime plays an important role in the story of post-socialist entrepreneurs. Following Bourdieu via Szelényi, these three dummy variables can also be seen as proxies for different forms of expertise or cultural capital, relevant to various post-socialist entrepreneurial careers.⁶⁰ (See Table 2 for descriptive statistics.)

I employ the dummy variable "cadre before 1990" to test the claims of the path dependency and political capitalism theses. I constructed this variable from two source items: one item asked respondents whether they were members of the Romanian Communist Party (RCP) before 1990 and, if they were members, what their formal position was in the party's hierarchy. The second source item asked respondents whether they had at least three subordinates before 1990, a question that taps an individual's former position of authority. Every respondent who was both a member of the RCP and had at least three subordinates before 1990 was coded as "cadre before 1990" (and "0" otherwise). My variable is similar to the one employed by Róna-Tas, and it is based on a wider and straightforward definition of the former communist officialdom, from top-level politicians to ordinary members of the RCP, who nevertheless enjoyed some form of authority.⁶¹

"Cadre family background" is a binary variable coded "1" if a respondent's mother or father was a cadre (as defined previously) and "0" otherwise. Some studies maintain that the communist political capital alone is a liability in post-socialism because public scrutiny and other institutional arrangements have made it difficult for nomenklatura to convert their political capital into economic power.⁶² Yet most studies do not discuss the extent to which former party officials have succeeded to transfer their former advantages to their offspring. While the former party bosses were allegedly retiring, their sons and daughters were probably entering the economic arena equipped with valuable informa-

60. Pierre Bourdieu, *Outline of a Theory of Practice* (Cambridge, UK: Cambridge University Press, 1979); Szelényi, *Socialist Entrepreneurs*.

61. Róna-Tas, "The First Shall Be the Last?"

62. Eyal et al., *Making Capitalism*.

tion, financial means, and benefiting from a little help from their parents' friends. And, admittedly, besides financial means, "knowing the right people" (or "social capital," if you will) is an important asset from which the children of former party officials might benefit. Thus, my variable "cadre family background" attempts to partially account for the role of a family's political capital in post-socialist entrepreneurship. (See Table 2 for descriptive statistics.)

"Ever unemployed after 1990" is a dummy variable indicating whether the respondent has ever been unemployed after the collapse of the communist regime. Through this variable, I attempt to test the claims of the refuge from poverty thesis, which suggests that self-employment is an entrepreneurial strategy favored especially by the unemployed. Control variables include gender (female = 1) and age (in years).

Results

Table 3 presents the results of four causal analyses of recruitment into entrepreneurship, employing nonlinear models, that is, logistic regressions. The chi-square values are significant at $p < .001$ in all models, and the fit of each full model shows a significant improvement over a reduced model with control variables. For reasons of brevity, I include in Table 3 only the full models for each of the four entrepreneurial strategies.⁶³ In what follows, I will season the "dry bones" of the statistical analyses with insights coming from ethnographic research conducted in Romania on the topic of entrepreneurship in the summers of 1999 and 2000.⁶⁴

63. Ideally, I should have employed a multinomial logistic regression. As compared to a binary logistic regression, the multinomial logistic regression has the advantage of simultaneously estimating all of the logits, which makes regression coefficients comparable across categories. Scott Long, *Regression Models for Categorical and Limited Dependent Variables* (London: Sage, 1997), 150. Unfortunately, due to lack of cases (perfect determination) or to lack of variation in some of the categories of my independent variables, I could not employ a multinomial logistic regression. (See the note at the bottom of Table 3; see the appendix for an alternative modeling strategy.)

64. My availability sample consisted of thirty-five current and former entrepreneurs, ex-cadres and ordinary people turned entrepreneurs, from owners of large businesses to self-employed individuals to individual farmers. My findings are fairly consistent with those reported by other studies conducted in Romania. See Manuela Stănculescu and Ionica Berevoescu, "Moșna—un sat care se reinventează?" ["Moșna—A Village That Reinvents

Table 3. *Coefficients from the Logistic Regressions of Entrepreneurial Pathways on Selected Independent Variables (Romania 2000)*

Independent variable	Employer ^a	Self-employed ^a	Farmer ^a	Part-time entrepreneur ^a
Age (in years)	-0.049* (0.017)	-0.037** (0.013)	-0.058*** (0.009)	-0.005 (0.006)
Gender (1 = female)	-0.529 (0.461)	-1.023** (0.398)	0.393 (0.241)	0.146 (0.183)
Education (in years)	0.437*** (0.106)	-0.090 (0.065)	-0.096* (0.046)	0.116** (0.033)
Urban resident (1 = yes)	-0.293 (0.486)	0.002 (0.370)	-1.704*** (0.361)	0.375 (0.221)
Cadre before 1990 (1 = yes) ^b	1.165* (0.572)	0.513 (0.595)	0.333 (0.634)	0.092 (0.285)
Cadre family background (1 = yes) ^b	-1.370 (0.815)	0.341 (0.522)	-1.045 (0.756)	0.830*** (0.235)
Self-employed before 1990 (1 = yes)	3.158*** (0.516)	2.233*** (0.416)	0.845 (0.661)	-0.354 (0.738)

Farmer before 1990 (1 = yes)	— ^c	—0.192	(0.784)	2.494***	(0.290)	0.365	(0.383)
Ever unemployed after 1990							
(1 = yes)	-1.403	(1.040)	0.607	(0.339)	1.191***	(0.290)	-0.723* (0.324)
Constant	-7.821	(1.359)	-1.729	(0.986)	-0.095	(0.716)	-4.374 (0.528)
-2 log-likelihood	208.67		342.88		608.27		1029.58
χ^2	84.41***		40.66***		202.33***		58.68***
Degrees of freedom	8		9		9		9

Source: "Human and Social Resources in the Romanian Transition," May and November 2000 (N = 3,571).

Note: Each column contains the full model for each entrepreneurial pathway. The figures represent unstandardized coefficients (standard errors).

a. Dummy variable.

b. The construction of these variables is discussed in text.

c. Not included in model(s) due to lack of variation in the category. That is, in these samples no "farmer before 1990" is an employer in 2000—a case of perfect determination.

* $p < .05$. ** $p < .01$. *** $p < .001$.

Employer

As shown in Table 3, younger people are more likely to adopt the entrepreneurial strategy of being an employer. Like in Hungary, Poland, and the Czech Republic, formal education has large, positive effects on the log odds (chances) of being an employer.⁶⁵ Former socialist self-employed individuals are at a huge advantage in operating as employers in 2000, which seems to confirm some of the arguments advanced by the capitalism from below thesis. This finding also indicates that self-employment might be a road to upward mobility. Contrary to my previous arguments regarding the relative advantage of former communist officials' offspring, "cadre family background" has no effects on the chances of being an employer in 2000.

Yet eleven years after the violent downfall of Ceaușescu's regime, the Romanian former cadres are at a huge advantage in operating as employers. My findings confirm Eyal et al.'s intuition that the political capitalism thesis would cut more ice in Romania than it does in Hungary, Poland, or the Czech Republic.⁶⁶ And, probably, many Romanians (among other Eastern Europeans) would laugh at my efforts to statistically demonstrate what most of them deem as commonsense knowledge, namely, the fact that the former party bosses are alive and, to the despair of many Romanians, well.

There are, however, several factors that account for the happy lives of the former cadres during Romania's transition. To begin with, recent debates about the fate of former cadres during market transition have tended to overlook the differences in the organizational structures and practices of the communist parties of the former socialist countries. For example, in many countries of the former Soviet bloc (and in China), the Communist Party (has) had an elite character. This was not the case of the late RCP. Georgescu reports that approximately 3.6 million out of (about)

Itself"] *Sociologie românească [Romanian Sociology]* 1 (1999): 79-106; Sebastian Lăzăroi, "Rețele de capital social și antreprenori în Comișani" [Networks of Social Capital and Entrepreneurship in the Village of Comișani], *Sociologie românească [Romanian Sociology]* 2 (1999): 31-56.

65. Eyal et al., *Making Capitalism*; Böröcz and Róna-Tas, "The Small Leap."

66. Eyal et al., *Making Capitalism*.

16 million adult Romanians were party members in the late 1980s.⁶⁷ The mass character of the RCP was deemed by Ceaușescu as a means to increase, at least formally, the legitimacy of his regime at a time when other “sisterly” countries were attempting to reform their systems. Moreover, in contrast to Hungary’s communist leader Janos Kádár, Ceaușescu probably believed that “those who are not with us (the party) are against us.”⁶⁸ Thus, in the late 1970s, individuals’ careers, especially in the case of professionals, become (again) more and more dependent on party membership. As the party opened itself up to the masses, its organizational complexity also increased, and it required the creation of more cadre positions. Against this background, the lack of a political rupture with the past through the first post-socialist elections has further increased the ex-cadres’ chances to enter the private sector.

Let me now turn to another issue, which is closely related to my previous point. Plenty of ink has been spilled on the issue of cadres’ advantages during transition. In contrast, very little has been done to clarify the facts captured by the cadre variable. As employed by market transition debaters, this variable has some validity problems. Some authors see cadre as a measure of positional power, but one could argue that in the context of market transition, cadre measures a particular form of an individual’s social capital or network resources. For instance, most if not all of

67. Georgescu, *Istoria românilor*, 310. Seemingly, in the late 1980s, 26 percent of the Romanian Communist Party members had a college degree or a diploma from other institutions of higher learning. In contrast, in 1990, around 9 percent of Romanians had a college degree. Also, in the late 1980s, 90.7 percent of activists in county, municipal, and town party committees were graduates of, or were attending, state institutions of higher education (cf. Library of Congress, “Country Studies: Romania Area Handbook Studies, 1989, available at <http://memory.loc.gov/frd/cs/rotoc.html>). Based on figures scarcely published in the party press in the 1980s, the same source estimates that Romanian Communist Party members represented 33 percent of Romania’s working population. In my samples, around 30 percent of respondents were party members.

68. In 1962, in an attempt to distance himself from his Stalinistic predecessor and to increase Hungarians’ support for socialism, Kádár advocated a “politics of alliance” summarized by his now famous dictum “he who is not against us is with us.” For details regarding the political histories of Central and Eastern European communist regimes, see Vladimir Tismăneanu’s illuminating analyses in *Reinventing Politics*. For readers interested in the Romanian case, Tismăneanu remains by far the most authoritative voice on the trials and tribulations of Romanian communism. See, for instance, *Stalinism for all Seasons: A Political History of Romanian Communism* (Berkeley, CA: University of California Press, 2003), to name here but one of his many contributions to this topic.

the former cadres in my samples are individuals who, before 1990, were included in particular social networks, with access to resources and privileged information about economic opportunities and niches. At the same time, one can reasonably argue that former cadres have considerable organizational experience or managerial skills, accumulated by virtue of their position of authority under state socialism. In this case, “cadre before 1990” actually taps human capital.⁶⁹ Or, for those who fancy a Bourdieuan approach to this issue, cadre might be said to capture cultural capital as expertise.

All of the interpretations mentioned previously are plausible. Lacking other relevant measures, it is difficult to disentangle the different dimensions captured by such variables as “cadre” and “former cadre.” In the Romanian case, it would not be farfetched to say my analyses highlight the roles of both human capital (as organizational skills) and network resources for being an employer during transition.

Following current fashion trends in (economic) sociology, some market transition studies have stressed the importance of network resources for post-socialist entrepreneurship. However, with a few notable exceptions,⁷⁰ little has been done to document the *causal link* between network resources and entry into entrepreneurship or *how network resources are actually employed* in post-socialist entrepreneurship. My ethnographic data from Romania suggest that the importance of network resources or social capital—“*pile*” (props or files) or “*relații*” (relations, connections)—varies by business type and size. One of my interviewees best summarized the relation between an entrepreneur’s social networks and business size as follows:

Connections. . . . To start a small business . . . having connections is not so important. You can make your connections afterwards. . . . You don’t need them from the beginning. All you need is a well-functioning brain [să-ti meargă mintea]. Money? Well, you don’t need plenty to

69. Walder, “Markets and Income Inequality”; Litao Zhao, “Human Capital, Political Capital, and Family Business: The Market Transition Debate Revisited” (Paper presented at the Third Graduate Student Retreat, Center for Comparative Social Research, Yale University, New Haven, CT, 2001).

70. Wank, *Commodifying Communism*.

start a small one. You can always borrow the money from the family or friends, and you don't need that much. [To start] a medium size business—especially if you wanna go into small manufacturing though it's not profitable in this country—I'd say you need more money, some connections and, again, brains. A big business? Here's where you need connections; at this level, one's connections come first! Doesn't matter you don't have the money! You have connections, off you go to Bancorex, get a big loan and get yourself started. [Bancorex is the name of a state-owned bank, famous for giving loans on grounds of political clientelistic ties; the bank went bankrupt as a result of its loan-granting policy and is currently under criminal investigation.]

The importance of *relații* (relations, connections) for starting a large business was repeatedly stressed by my ex-cadres interviewees:

To start a big business you have to be “somebody” [yourself]. You have to know people, important people . . . otherwise no one will take you seriously. If you know the right people, some damn functionaries or other [political] hotshots, you have no problem, absolutely no problem in starting your own business. How do you think I got started? I had no money whatsoever but I knew such people and they helped me out with loans and contracts [from the government]. I knew these people from before, from uncle Nick's times, when we were seeing each other at the party's meetings and briefings with all the other party secretaries. [“Uncle Nick” or “*nea Nicu*” is Ceaușescu's nickname.]

Or, as another interviewee put it,

You read these business magazines and there's all this talk about successful Romanian businessmen. And the whole thing makes me laugh because when I read their names it's like reading the (communist) party's lists. The Romanian business elite, my ass! What Romanian business elite?! It's the former Communist Youth Organization plus other party secretaries. I know this for a fact! I was one of them.

Self-employed

Education has no significant effects on being a self-employed individual. However, the negative sign of the coefficient for edu-

cation is consistent with the idea that small business operations have low entry barriers in terms of human capital and skills.⁷¹ Admittedly, one does not need to be extremely qualified to operate a small shop. Nor is a college degree required to sell cigarettes on the street. My ethnographic data indicate that becoming a small business operator does not require significant financial resources either. Family members and/or friends rather than financial institutions can help pool the financial resources to start a small business; family members are also extremely important for reducing the costs associated with running a small business operation. For instance, the negative, significant effect of gender on entry into self-employment may be the result of the gendered, widespread practice of registering a private firm in the name of males in the household (husbands, fathers, or sons). Based on my fieldwork research, I consider that statistical finding mentioned above underestimates the important contribution of women (wives, daughters, sisters, or mothers) to the successful operation of many businesses.

Furthermore, having network resources or social capital is not a *necessary* condition to become self-employed or a small business operator. However, cultivating relations with various officials is crucial for *staying in business*. “Making [useful] connections” (*A-ți face relații*) often implies “to give a small ‘attention’” (small gifts or money as bribe) or “to be ‘nice’” (*să fi drăguț*) with suppliers, beat cops, city hall employees, and representatives of other government agencies, from health and safety inspectors to officers of the Financial Guard (*Garda Financiară*, the Romanian equivalent of the Internal Revenue Service).

Turning back to my survey data, the Romanian former cadres are no more likely than other individuals to be self-employed in 2000. In contrast, in Hungary, Poland, and the Czech Republic, small entrepreneurship is one of the destinations of some of the former cadres.⁷² Given their prior power and privileges, self-employment is a form of downward mobility for the former cadres operating in such private economic activities in the three

71. Hanley, “Self-Employment in Eastern Europe”; Róna-Tas, “The First Shall Be the Last?”

72. Hanley, “Self-Employment in Eastern Europe”; Róna-Tas, “The First Shall Be the Last?”; Eyal et al., *Making Capitalism*.

countries mentioned above. My analyses show that this is not the case of Romania's ex-cadres. Similarly, "cadre family background" has no effects on the log odds of being a self-employed individual, and we should probably look for offspring of party officials in other occupational careers.

The former socialist small entrepreneurs are also well represented among the post-socialist self-employed, indicating that these individuals, at least, have managed to survive the transition as small business operators. As compared to individuals who have never experienced unemployment since 1990, those who have been unemployed at least once are no more likely to be self-employed at the time of the surveys. This finding does not support the refuge from poverty thesis, which maintains that unemployment might push some individuals into the small private sector, as self-employed.

Farmer

Taking into account the market reforms operated in the Romanian agriculture, it is not surprising that—compared to other individuals—those who were farmers before 1990 are more likely to be private farmers in 2000. Education has negative significant effects on the log odds of being a farmer; this finding is consistent with viewing household farming as having low entry barriers in terms of formal schooling.

Because in my samples, farmers represent by far one of the largest entrepreneurial groups, I must say a few words about the situation of the post-socialist Romanian agriculture. While the Law of Agricultural Resources of 1991 returned a significant proportion of land to peasants, many of them face huge difficulties to secure adequate financial means to operate as individual agricultural producers.⁷³ Most of the newly propertied peasants or their descendants who live in urban areas have either formed or joined existing agricultural associations to cope with rising production costs, poor technical infrastructure, and lack of credits from

73. Lăzăroiu, "Rețele de capital social."

74 Ibid., 53.

financial institutions. These factors are important elements that explain the subsistence character of the Romanian agriculture.⁷⁴

Besides former socialist farmers, another group seemingly attracted by a career in private farming consists of those who have lost their jobs at least once after 1990. The word “attraction,” however, should not be taken literally. Following the refuge from poverty thesis, it is very likely that facing other layoffs or simply not having a job, these “ever unemployed” had no other choice besides entering private farming. Probably, some of them are the former peasant-workers of state socialism.⁷⁵ These peasants were employed as industrial workers in the nearby cities but they also were involved in farming activities, cultivating their small plots of land for consumption and sometimes for the market. Whereas the Romanian Law of Agricultural Resources of 1991 made them proud landowners, the economic restructuring and recession put them in the embarrassing situation of being jobless, and the only available alternative they had was private farming.

Although I lack other survey indicators to further distinguish among individual farmers, employing Szelényi’s phrasing, I hypothesize that for some of these former peasant-workers, farming might represent a temporary, parking orbit (or so they might think of it).⁷⁶ If new, better-paying jobs will be created in the industry, these former peasant-workers will be happy to exit the temporary orbit of peasantization. On the other hand, some of the former unemployed individuals might have as well chosen to reenter a farming career, temporarily interrupted by the communist experiment, as in the case described by Szelényi.⁷⁷ However, the lack of other relevant information about these entrepreneurs and the cross-sectional nature of my survey data do not allow me to further assess who is more likely to adopt an embourgeoisement or a parking orbit strategy.

Based on my Romanian fieldwork, those who seem to do fairly well in the agricultural sector are the former heads of or the specialists employed by the former collective farms. Using the connections or social ties they formed under state socialism, these

75. Szelényi, *Socialist Entrepreneurs*, 45-50.

76. Ibid.

77. Ibid.

local bosses are able to secure the financial and other resources to successfully run medium-size and large agricultural enterprises. My observations are consistent with the findings reported by Verdery, who documents the considerable power that the local *entrepratchiks* have enjoyed during Romania's transition.⁷⁸

Part-time entrepreneur

Education has positive effects on the log odds of being a part-time small business operator. Those who have ever been unemployed after 1990 are less likely to operate part-time as entrepreneurs in 2000. "Former cadre" has no effects on the chances of being a part-time entrepreneur but "cadre family background" has positive effects on taking the avenue of part-time entrepreneurship. This finding seems to suggest that ex-cadres' offspring have been at least able to capitalize on their parents' social positions as part-time entrepreneurs.

Results of bivariate analyses show that of the part-time self-employed ($n = 164$), 26 percent are retirees, 5 percent are unemployed, 15 percent have other occupational statuses, and 54 percent are in the labor force. Among the latter ($n = 88$), 33 percent are professionals, 18 percent are skilled and unskilled workers, 19 percent are petit functionaries, 20 percent are sales and service workers, and 10 percent are employed in "other occupational categories." Unfortunately, my survey data lack other relevant information that would have allowed me to depict more accurately the various subtypes of part-time entrepreneurs and their strategies. Based on other studies of post-socialist transition and on my Romanian fieldwork, hypothetically, I distinguish among the following strategies of part-time entrepreneurs. First, for some individuals, part-time entrepreneurship might be a way to supplement their otherwise low incomes in the face of rising inflation and continuing economic crisis. This seems to be especially the sad case of highly educated individuals, who are employed (and chronically underpaid) by the state in such fields

78. Katherine Verdery, "'Seeing Like a Mayor,' Or How Local Officials Obstructed Romanian Land Restitution," *Ethnography* 3 (2002): 5-33.

as education and research and development. Second, for other individuals, their part-time involvement in market activities might be a way of testing the transition's troubled waters. If their experience in the private sector will be positive, they might decide to fully embark on an entrepreneurial career.

Third, some part-time entrepreneurs might use their main jobs in the state sector as a strategy to siphon off resources from the state and use them in running their private business. One could think at this point of workers in state enterprises who, like in the old days of state socialism, steal materials or illegally use tools from their workplace in their private businesses. During my fieldwork in Romania, I found out that the worth of a blue-collar job is often measured by such factors as (1) how much time one can dedicate to pursuing his or her private interests during the usual working hours or (2) the in-kind benefits one can illegally derive from working in this or that enterprise (be it private or state owned).

But as compared to other cases, the workers' strategy is more like a victimless crime. The situation is far more problematic when individuals employed by the state bureaucracy or those who occupy mid- or top-level positions in the economy run businesses on the side, as part-time entrepreneurs. Such forms of part-time entrepreneurship resemble the predatory bureaucratic type discussed by Evans.⁷⁹ Incumbents in a predatory bureaucracy have extremely personalized ties to society, and individual maximization or rent-seeking prevails over collective, organizational goals. According to Evans, the development of bourgeois classes oriented toward long-term productive investments is seriously challenged "in a context where the market has so thoroughly penetrated the social consciousness that 'everything is for sale', [and] when marketization and personalism dominate instead of predictable, rule-governed bureaucratic behavior."⁸⁰ One could only assume that for some part-time entrepreneurs, the privatization and downsizing of the state sector are their worst nightmares since such actions could deprive them of their rental heavens.

79. Evans, *Embedded Autonomy*.

80. *Ibid.*, 47.

Discussion

It is now the time to disclose the source of inspiration for the title of this article: during my fieldwork in Romania, I had the chance to interview one ex-cadre who had become a big-time entrepreneur. Questioned about his miraculous transformation, he declared he sees no contradiction between his past and current careers. "On the contrary," he put it, "I was a good communist and I'll be an even better capitalist!" The analyses presented in this article suggest that his case is the "rule" rather than the exception: Romanian ex-cadres' conversion to entrepreneurial activities as employers has had the magnitude presumed by the political capitalism thesis. Leaving aside moralistic tones, I discussed why we should have expected to find so many ex-cadres "born-again capitalists." The mass character of the late RCP can partially explain why the former politicians should have been overrepresented among entrepreneurs in Romania, as compared to other former socialist countries. The political intricacies of Romania's post-socialist transition have further enhanced ex-cadres' chances to enter the private sector as employers. (More about Romania's [political] capitalism in a moment.)

Based on survey and ethnographic data, I suggested that in the race to marketization, the former cadres are at an advantage due to their organizational experience (as a form of human capital) and their network resources. Nevertheless, education, as the most basic form of human capital, plays an extremely important role in this story of post-socialist entrepreneurship: better-educated Romanians have the upper hand in operating as employers eleven years after the collapse of the communist regime. My findings can be also interpreted as supporting the post-socialist managerial thesis, which emphasizes the role of human and cultural capitals for entrepreneurial activities.

Furthermore, the results of the analyses presented above indicate that entry into entrepreneurship is regulated by such social factors as family background, an individual's occupation under state socialism, age, and an individual's post-socialist career path in terms of unemployment. My analyses also show that different entrepreneurial strategies rely on particular types of resources or,

in Bourdieu's parlance, forms of capital. The experience in the second economy under state socialism—as a form of cultural capital—represents an asset for both large and small business operations: as compared to individuals with other occupational categories before 1990, the former socialist self-employed individuals are more likely to be employers and self-employed in 2000.

Private farming is an entrepreneurial strategy adopted by former socialist farmers (as a result of the land reform of 1991) and by individuals who have been at least once unemployed after 1990. As I discussed previously, the latter category seems to include the former peasant-workers of state socialism, rural residents employed in the nearby cities, who are now facing unemployment and poverty. However, being an individual farmer in post-socialist Romania does not seem to be an easy or attractive job considering the lack of financial credit, high production costs, and the poor mechanical infrastructure in rural areas.⁸¹ Other studies suggest that individual farming is not a viable entrepreneurial strategy, and it is unlikely to trigger economic growth. As Hanley notes, private farmers across post-communist Eastern Europe face difficult times due to “the loss of Comecon markets, the low level of domestic demand, exclusion from Western markets, underinvestment in the agricultural sector during the state socialist period, and other problems associated with the privatization of the agricultural cooperatives.”⁸² He adds that in Hungary, Poland, and the Czech Republic, private farming is not associated with upward mobility, which also seems to be true in the Romanian case.⁸³

From a practical point of view, some readers might rightfully ask what difference it makes if the Romanian ex-cadres are at an advantage during transition. That is, who cares who is building capitalism as long as it gets built? Such practical questions ignore

81. Lăzăroiu, “Rețele de capital social.”

82. Hanley, “Self-Employment in Eastern Europe,” 381, n. 2.

83. Results of analyses not reported here for reasons of space indicate that farming is the least rewarding entrepreneurial career in Romania. In terms of average monthly income, the most rewarding strategies are, in ascending order, self-employment, part-time entrepreneurship, and being an employer. Among employers, the ex-cadres make on average approximately 1.7 times more money (measured by personal monthly income) than do employers who were not cadres.

two basic facts. First, as historical evidence shows, there are multiple roads to such different forms of capitalism as “traditional commercial capitalism” and “political capitalism.” Second, following Weber, not all of these forms can trigger the economic growth associated with Western rational capitalism.⁸⁴

To be sure, Romania’s legal-institutional framework has undergone profound changes. By the end of the 1990s, the basic features of a market economy (i.e., the private appropriation of the means of production, free labor, and property rights) were already in place. But these features alone cannot guarantee growth. Following Weber, it is the type of political regime (or domination) that has a crucial impact on the economy and economic growth.⁸⁵ And, as I argued previously, some of the market transition debaters have tended to ignore that, as Fligstein would have it,⁸⁶ the process of constructing markets in Eastern Europe and China is primarily a *political business*.⁸⁷

The cultural aspects of market transition have been equally ignored by Victor Nee–inspired approaches, even though some cultural elements might explain the nature of post-socialist entrepreneurship. Eyal et al. maintain that the cast of mind (or habitus, if you will) of some elite entrepreneurs—whether former socialist technocrats or cadres—makes them only pale copies of the Weberian or Schumpeterian types of the entrepreneur. Rather than being an *acquisition* class, the former socialist managers and technocrats are a *rentier* class. Instead of delaying gratification and seeking to reinvest the profits and assets acquired at the

84. Max Weber, *Economy and Society: An Outline of Interpretive Sociology*, ed. Guenther Roth and Claus Wittich (New York: Bedminster, 1968).

85. See my previous discussion of Evans, *Embedded Autonomy*; for the original formulation of the effects of types of domination on the economy, see Weber, *Economy and Society*, 164–66.

86. Fligstein, “Economic Sociology of Market Transition.”

87. Notable exceptions are Szelényi and his students Eyal, Townsley, and King, who have seriously embarked on an institutional analysis of postcommunist capitalism, very much in line with the Weberian tradition. By focusing on emerging forms of capitalism and taking into account factors ignored by other forms of “institutionalism,” these authors, to their credit, also overcome some of the shortcomings of current developments in the new economic sociology. For such shortcomings of the new economic sociology, see Richard Swedberg, “Max Weber’s Vision of Economic Sociology,” in Mark Granovetter and Richard Swedberg, eds., *The Sociology of Economic Life* (Boulder, CO: Westview, 2001), esp. 88–92.

expense of the state, post-socialist entrepreneurs' economic ventures seem to be driven by (conspicuous) consumption.⁸⁸

The hybrid entrepreneurial strategy captured in this article by part-time entrepreneurs highlights exactly these cultural and political intricacies of market reforms. While for some Romanians, this entrepreneurial form represents a survival strategy, for others, incumbents in the state bureaucracy or managers of state enterprises, part-time entrepreneurship is a rent-seeking, predatory form of economic activity. As Evans maintains, such predatory strategies may hinder the development of the domestic entrepreneurial classes, and they may ultimately arrest economic growth.⁸⁹

Let me give some empirical substance to the theoretical arguments mentioned previously. Assuming that there is such a thing as a successful transition to a market economy (which I doubt there is), Romania, by all accounts, is not that "thing." As noted before, Romania is one of the poorest countries in Central and Eastern Europe. In terms of market reforms, in Romania most medium-size and large enterprises are still owned by the state, and the several attempts at mass privatization have been unsuccessful. This led the World Bank to evaluate Romania's economic reform and economic performance as "limited to none."⁹⁰ In contrast, "in Hungary, of the 1,859 enterprises owned by the state on January, 1, 1991, only three were currently owned by the state by early 2000."⁹¹

By the mid-1990s, the private sector share of gross domestic product (GDP) was 40 percent in Romania, as compared to 65 percent in the Czech Republic and 60 percent in both Hungary and Poland.⁹² In 1995, Romania had the lowest gross national (GNP) product per capita (i.e., US\$1,480) in a list of countries that included the Czech Republic (US\$3,780 GNP per capita), Hungary (US\$4,120 GNP per capita), Poland (US\$2,790 GNP per

88. Eyal et al., *Making Capitalism*, 172-73.

89. Evans, *Embedded Autonomy*; see also Evans and Rauch, "Bureaucracy and Growth."

90. Bunce, "Postsocialisms," 129.

91. Jozsef Böröcz, "Change Rules' Review Symposium," *American Journal of Sociology* 106 (2001): 1163.

92. Bunce, "Postsocialisms," 127.

capita), and Bulgaria (US\$1,830 GNP per capita).⁹³ By the end of the 1990s, Romania still lagged behind the Czech Republic, Hungary, and Poland in terms of its private sector share of GDP and GNP per capita.⁹⁴

The facts mentioned above suggest that it might matter who is building capitalism in the former European socialist countries. These facts, as well as my findings, have pessimistic tones, but one should not interpret them as an attempt to exoticize the Romanian case. Historical evidence shows that building capitalism in the West was not a joyride either. Nor were the early Western capitalists more angelic individuals than their post-socialist counterparts are. Future research, however, is needed to investigate more closely the similarities and differences among post-socialist entrepreneurial strategies across Eastern Europe, as well as the relations between such strategies and larger institutional configurations. This research task is crucial, taking into account that, in Collins's reading of Weber,

the possibility for the follower societies of the non-Western world to acquire the dynamism of industrial capitalism depends on there being a balance among class forces, and among competing *political* and *cultural* forces. The victory of any side would spell the doom on the system.⁹⁵

93. Ibid., 129.

94. European Bank for Reconstruction and Development, *Transition Report* (London: European Bank for Reconstruction and Development, 2001).

95. Randall Collins, "Weber's Last Theory of Capitalism: A Systematization," in Mark Granovetter and Richard Swedberg, eds., *The Sociology of Economic Life* (Boulder, CO: Westview, 2001), 390 (emphasis added).

Appendix

An alternative modeling strategy

In the main body of the article, I employed four nonlinear models (i.e., logistic regressions) to account for the determinants of entrepreneurial pathways in the Romanian case. This modeling strategy has an important shortcoming: the reference categories as well as the number of cases differ across models. As compared to binary logistic regressions, a multinomial logit model (MNL) has the advantage of *simultaneously* considering multiple outcomes (i.e., “employers” and “self-employed” and “part-time entrepreneur” and “not entrepreneurs”).

Several technical and theoretical limitations, however, did not allow me to employ a multinomial logistic. As it was mentioned in article, the lack of variation in the categories of some of the independent variables prevented me from adopting an MNL. For instance, bivariate statistics indicate that no “farmer before 1990” is an employer in 1990—a case of perfect determination. In other situations or for specific outcomes, there were less than three cases in the categories of some independent variables. A frequently used technical solution for such problems is the regrouping of the categories of the dependent variable. Thus, I could have regrouped “employer” and “self-employed” into the same category. But from a substantive point of view, “employer” and “self-employed” reflect qualitatively distinct facts. Similarly, I could have excluded “farmer before 1990” from the list of my predictors. Or I could have excluded farmers from my analyses. Yet taking into account the theoretical framework of this article, the latter technical solutions would have made little sense.

However, to please more statistically attentive readers, I present in Table A1 the results of a multinomial logistic regression of entrepreneurial strategies on selected independent variables. Due to the data problems mentioned above, I exclude from the analysis the outcome “farmer.”

The dependent variable is “entrepreneurial strategies” with the following categories: “employer,” “self-employed,” “part-time entrepreneurs,” and “not entrepreneurs.” The latter is the reference category in the multinomial logistic regression. As shown at the bottom of Table A1, the model is significant (likelihood ratio $\chi^2 = 188.70, p < .001$). Substantively, as compared to the models presented in the main body of the article, the results of this modeling strategy do not yield different results for the entrepreneurial careers under scrutiny.

Table A1. *Coefficients from the Multinomial Logistic Regression of Entrepreneurial Pathways on Selected Independent Variables (Romania 2000)*

Independent variable	Employer ^a	Self-employed ^a	Part-time entrepreneur ^a
Age (in years)	-0.047* (0.017)	-0.039** (0.010)	-0.008 (0.006)
Gender (1 = female)	-0.550 (0.464)	-1.053** (0.333)	0.099 (0.184)
Education (in years)	0.495*** (0.119)	-0.080 (0.066)	0.091** (0.033)
Urban resident (1 = yes)	-0.368 (0.540)	-0.048 (0.366)	0.322 (0.216)
Cadre before 1990 (1 = yes) ^b	1.254** (0.580)	0.644 (0.590)	0.116 (0.286)
Cadre family background (1 = yes) ^b	-1.284 (0.838)	0.345 (0.525)	0.777** (0.236)
Self-employed before 1990 (1 = yes)	4.000*** (0.768)	2.490*** (0.780)	-0.190 (0.768)
Other occupation before 1990 (1 = yes) ^c	0.637 (0.648)	-0.006 (0.637)	-0.385 (0.237)
Ever unemployed after 1990 (1 = yes)	-1.395 (1.040)	0.554 (0.393)	-0.703* (0.324)
Constant	-9.008 (1.853)	-1.625 (1.225)	-3.457 (0.638)
Likelihood ratio χ^2	188.70***		
Degrees of freedom	27		

Source: "Human and Social Resources in the Romanian Transition," May and November 2000.

Note: $N = 3,571$. The figures represent unstandardized coefficients (standard errors).

a. The reference category is "not entrepreneur" (farmers in 2000 are excluded from the analysis).

b. The construction of these variables is discussed in text.

c. The reference category is "farmer before 1990."

* $p < .05$. ** $p < .01$. *** $p < .001$.