

**A THEORY OF CONSTITUTIONAL CHANGE -
GAME THEORETICAL ANALYSIS OF SOCIO-
POLITICAL PROCESSES IN POLAND, 1976-81**

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A Thesis submitted in fulfilment of
the requirements for the degree
of Doctor in Philosophy

at

The London School of Economics and Political Science
University of London

July 1995

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Abstract

This study develops a theoretical framework to explain processes of constitutional change and applies it to socio-political processes in Poland, 1976-81. I develop a dynamic game-theoretical approach within the framework of public choice theory. Events are explained by individual actions under given structural conditions. The study contributes to this field in two aspects. First, through theoretical arguments and empirical analysis it illuminates how structural changes and dynamics of collective action influence individuals' beliefs and preferences. Secondly, it provides a framework for the analysis of constitutional change specifying the starting and ending conditions as well as the mechanism of such processes.

The study explains events of constitutional change as the outcomes of complex processes of belief change in which three interacting factors play a major role: the available information to the players, the level of coordination within the dominant groups in the process and individual entrepreneurship. Asymmetries in these parameters influence power relations thus leading to particular institutional changes.

The theoretical arguments are used to explain two events of constitutional change which took place in Poland during 1976-81: 1) the Gdansk agreement (31.8.80) which granted political rights to Polish workers allowing the establishment of Solidarity as an independent trade union; 2) the imposition of martial law on 13 December 1981. These events provide a special environment to study the internal mechanism of constitutional change since they were isolated from any 'wave' of transition or major international events. They involved complex interactions between social and political factors which have not been systematically analyzed so far.

The empirical analysis explains the Polish events using primary sources in form of statements, documents, the full transcript of the August 1980 negotiations and secret Politburo protocols as well as historical and journalistic descriptions. These events demonstrate the power embodied in individual entrepreneurship and in citizens' collective action. Explaining them by theoretical models contributes to the theory of democracy and political participation.

Acknowledgment

In accomplishing this study I benefitted from the excellent facilities provided by the LSE. I thank Brian Barry and Keith Dowding whose fruitful supervision helped me a lot in developing the themes of the study. They had enough patience to understand my english and encouraged me to clarify my ideas and arguments. I also benefitted from the advice of Patrick Dunleavy and Itai Sened in several stages of the study.

I thank the participants of the Political Theory Workshop for their useful comments on the theoretical parts of the study. The lectures in the Public Choice Colloquium at LSE provided excellent intellectual stimulations as well.

Finally, I would like to thank the Overseas Research Scheme (ORS) for the financial help during my study.

July 1995

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INTRODUCTION

This study explores the nature of constitutional change. I develop theoretical arguments and apply them to socio-political processes in Poland during 1976-81. The main theoretical aim is to explain how structural factors and dynamics of collective action influence individual behaviour which then bring about constitutional change. The study both contributes to public choice theory and demonstrates how to apply game theory to empirical analysis.

The theoretical problem of explaining the processes of constitutional change may be formulated as follows. On one hand, most citizens derive greater benefits together with lower costs if they attempt to change policy within the constitutional status quo rather than to change the constitution itself. On the other hand, members of a ruling coalition do not have any interest in changing the political rules through which they gained and sustain power. Rulers potentially face the high costs associated with instability if they do not agree to policy demands. Therefore, citizens are likely to demand policy changes and rulers will partially accept such demands. Rulers are expected to reject demands for constitutional change and citizens believe that their overall benefits from changing political rules will be small. The problem then is why do constitutional changes ever happen?

To answer this question the study develops a dynamic game theoretical approach within the framework of public choice theory. In the following sections I explain the core assumptions of this approach and then introduce the Polish scene, the existing literature and several methodological aspects. Finally, I present the outline of the study.

Explaining Rules within the Framework of Public Choice Theory

The theory and explanatory models developed in this study are based on the core assumptions and rationale of public choice theory in two aspects. First, we adopt the assumption of methodological individualism and narrow rationality to explain events. Secondly, in analysing behaviour we consider both cooperative and conflictual explanations. These two guide lines enable us to accurately identify the variables that causally explain a particular event.

The philosophical tradition of methodological individualism assumes that in principle all events can be reduced to individual actions which therefore causally explain events. In public choice individual action is explained by assuming narrow rationality as a behavioural law. Acting under certain structural conditions rational players strive to maximize their utility. They follow their self-interest and use cost-benefit calculations to achieve the best possible outcome.

According to this account social and political events are explained by the combination of individuals' beliefs, preferences, actions and structural factors. Preferences or beliefs alone cannot explain outcomes, since individuals may choose not to adopt their first order preference due to structural constraints. Only actions reflect the final decision of players given their beliefs, desires and interpretation of the world around them. An analytical explanation requires modelling all these components thus simulating the decision situation from the players' point of view.

We should note that the assumption of narrow rationality does not refer to the ways in which people order their preferences, but only to the decision making process once they have a certain preference ordering. However, a main theoretical premise of the study is

to extend our understanding about the ways in which individual preferences are shaped by structural factors. A major structural factor that influences both individuals' preferences and actions are the rules of the game.

Rules and regulations institutionalize human relations in most spheres of life. In principle, rules can be explained as the means by which stability is induced, individuals' actions are coordinated or by the way in which they specify the distribution of resources in society (Sened, 1991; Shepsle, 1989). Since resources are never equally distributed, the intuitive reasoning is that individuals will intensively try to change any kind of rules - especially political ones. Respectively, rational choice theorists tend to concentrate on the question of why people follow rules. They analyze evolution of institutions from an institution-free symmetric situation described by the Hobbesian state of nature or the prisoners' dilemma (Sened, 1991; Schotter, 1980).

In this study I suggest a different analytical point of view. Since the existence of society and rules is a fundamental characteristic of human reality, new rules evolve in a given institutional environment. In order to explain the mechanism of constitutional change, we have to focus on the question of why people try to change existing rules rather than why they follow them. Therefore, the starting point of an institutional analysis should describe the stable situation where a certain degree of cooperation, conflict, rules and asymmetries co-exist. I model it by a 'basic' citizens-rulers game explaining that under several simple conditions most individuals do not have the incentives to change the fundamental political rules of society. Starting with this general model, the study will explain the mechanism through which structural changes in the players' decision situation influence their behaviour leading to constitutional changes.

This unique point of departure theoretically explains political stability by combining

cooperative and conflictual elements. Such a combination is a main characteristic of public choice models. Put simply, a conflictual approach assumes that human relations are primarily characterized by conflict and therefore concentrates on the players' attempts to minimize the expected losses from a conflict. On the other hand, a cooperative approach assumes that through socialization individuals learn the advantages of cooperation thus focusing on the players' attempts to maximize their gains from cooperation and compromises.

Traditionally, political analyses have adopted a conflictual approach while economics focuses on cooperative explanations (Buchanan, 1990). For example, the construction of the Hobbesian state of nature or the prisoners' dilemma is guided by a conflictual rationale while neo-classical economics relies on a cooperative basis. Nevertheless, a realistic approach should combine these two rationales. Being strategically calculating, individuals are not only forced or terrorized to obey but they also seek gains from their actions. If only fear from all sorts of sanctions explains obedience, how can we explain people's revolt against repressive regimes? Hence, the explanation of political stability should also consider individuals' gains in the stable situation. When such gains do not exist people may have incentives to destabilize the political system. The 'basic' citizens-rulers game presented in Chapter 1 combines conflictual and cooperative rationales to explain political stability forming a unique starting point to analyze processes of constitutional change.

The guiding rationale will also clarify the mechanism of constitutional change in general and in the Polish case in particular. I now present the Polish scene and its special characteristics.

The Polish Scene during 1976-81

This study tries to explain two events of constitutional change. In the first event Polish workers and intellectuals used a nation-wide strike to demand political changes in August 1980. These demands were almost fully accepted by Polish rulers after ten-day negotiations at the Lenin Shipyard in Gdansk. The Gdansk agreement, signed on 31 August 1980, granted political rights to Polish citizens allowing the establishment of Solidarity as an independent trade union.

This event marked the beginning of a very special period in the history of the communist world. During the subsequent eighteen months Polish society enjoyed a great deal of freedom including the right to publish almost freely, to organize, to strike and even to criticize the authorities. Solidarity's membership grew to ten million and workers tried to push both their leaders and the authorities towards further significant political changes.

The increased tension between workers and the authorities and a constant escalation of activities directed against the regime finally led Polish rulers to impose martial law on 13 December 1981 and violently suppress resistance. During 1982-88 Poland was ruled by a military regime. The imposition of a military regime is the second event of constitutional change to be explained in the study.

Given the highly centralized and oppressive nature of communist states until the mid-1980s, these events have both historical and theoretical significance. From an historical perspective many regard the Polish events of 1980-81 as a major accelerator of the transition processes in East Europe in the late 1980s. In the first place they indicated the deep and chronic weakness of communist systems.

Furthermore, the fact that the Soviet Union did not actively intervene but rather enabled such a long period of instability signalled certain problems in maintaining the Brezhnev doctrine according to which the Soviet Union had to actively defend communist governments which faced domestic threats (Kanet, 1982:7-8). In fact, the Soviet leadership made any effort to achieve stability while avoiding a military invasion. This was signalled when they granted Poland a ten-year credit worth 260 million dollars after the Gdansk agreement had been signed (Sanford, 1983:80). Later, I will refer to the possible reasons for that strategy.

We should also note that the final outcome of the 1980-81 events was not a restoration of the communist system under Soviet guidance as was the case in Czechoslovakia in 1968 but, rather, a military regime attempting to rebuild communism. The fact that the Soviet leadership accepted that outcome also indicated certain weaknesses in the Soviet system. In any respect, the Polish military elite failed to rebuild communism in the following years leading to the disintegration of the communist party (Sanford, 1986).

The Polish events are also theoretically interesting. Looking at the workers' activity, they succeeded in overcoming the domestic problem of collective action facing citizens in non-democratic systems. In such systems the high cost attached to political activity against the authorities and the low chances of success usually deter most people from joining dissent activity. Some may do so because they disproportionately benefit from political action but most citizens tend to avoid paying the cost of political activity and prefer to concentrate on improving their economic positions. Nevertheless, Polish workers managed to coordinate a political struggle and maintain a mass social movement for a significant period. Using theoretical models of collective action the workers' activity will be explained by belief change as well as coordination processes during 1976-80.

The behaviour and strategies of Polish leaders also pose a significant theoretical problem. As explained earlier, rulers do not wish to change the political rules which sustain them in power. Nevertheless, although Polish rulers directly benefitted from their monopoly in the system, they agreed to grant political rights to citizens thus weakening their own position of power. This behaviour seems paradoxical when we also consider the fact that Polish rulers did not face an armed revolt but rather non-violent strike activity. The rulers' behaviour will be explained by the disintegration of the communist party during 1976-80 due to the intense social processes and other structural changes.

To systematically explain the 1980-81 events the study analyzes the interactions between most sections of Polish society. This analysis will rely on primary sources as well as the existing literature. I now discuss the methodological aspects of the study and the existing literature.

Primary Sources and the Existing Literature

The great interest in the Polish events has created a large amount of primary and secondary sources. They will be used in the empirical analysis to reliably model the players' decision situation using games. Through a cross-examination of documents, statements as well as historical and journalistic sources the empirical analysis will simulate the players' decision situation constructing an analytical model. Such a model enables us to analyze a particular process as interactions between utility maximizing strategic players and distinguish between major factors that caused a particular event and factors that structurally influenced the decision situation.

In respect of primary sources, there are many original documents and statements that

can be reached and checked by english-reading researchers. Many of the statements, documents and bulletins that were distributed among Polish citizens during 1976-80 were translated to english (Raina, 1981; *Radio Free Europe Research Reports*; *Labour Focus on East Europe*). Similarly, most of Solidarity's documents and statements can be found in these bulletins and in *Uncensored Poland News Bulletin* which started to appear in August 1980. The full transcript of the Gdansk negotiations as was published in the Polish press is also available in english (Kemp-Welch, 1991). Another important source are politburo protocols collected by Wlodka (1992) [translated to english by Vaserman N. and me].

Hence, having access to so many sources a lot of researchers can repeat the simulation and check for themselves whether the explanation and interpretation suggested in this study coincide with the events as documented in the primary sources. In comparison, most case studies which are based on content analysis and rare primary sources can not be tested by anyone else except the writer.

Yet, we should emphasize the exact role of statements and documents in the empirical analysis. As mentioned, only actions explain particular outcomes. Statements, documents or memories are helpful as far as they add something to our understanding of the players' interpretations of the situation or the general atmosphere. In this respect, many statements and documents can hardly help in reconstructing the historical events. For example, we cannot use documents of the Communist Party as a reliable source for understanding the actual course of events in Poland. At the most we can use documents such as the Politburo protocols in order to understand the leaders' interpretation of the situation and support the analytical explanation. Through the study I use such documents in this manner.

A similar problem of reliability characterizes retrospective reflections on the events written by the main players such as Jaruzelski (1992) and Walesa (1987). These accounts may represent the writers' interests in the time of writing rather than their state of mind in the time of the events themselves. For example, in retrospect Jaruzelski apologized to the Polish people for the 'many wrong and cruel things done by the military regime' (*Uncensored Poland*, 7.1.91:10-11). But, this can hardly explain his calculations, behaviour or his state of mind in 1981. In this respect statements or discussions that were carried out in the time of events are much more reliable than post-factum reflections.

For reconstruction of the historical events we will mainly rely on a cross examination of journalistic and historical descriptions. Such an examination shows that most of the studies present similar descriptions of the events yet they differ in their interpretations and analyses. This allows us to reconstruct the historical course of events using these studies while criticising their interpretations. In this respect, the existing literature on the Polish events have five characteristics.

First, most of the studies lack theoretical tools for a comprehensive explanation of the events. As a result they override major questions providing descriptions rather than analysis. For example, most of them do not consider the phenomenon of workers raising political demands in an authoritarian state as a major question that requires explanation. From a conflictual point of view this may seem natural. Others describe social processes during 1976-80 and consider this constitutes an explanation simply because these processes occurred prior to the August 1980 events. But if it is so why did the majority of workers accept the government's offer of a pay rise and leave the Lenin Shipyard at the beginning of the August 1980 events? Hence, in this study I use analytical models to address questions. The large part of Chapters 1 and 2 is dedicated to addressing the

questions and theoretical problems in processes of constitutional change in general and in the Polish events in particular.

Secondly, some of the researchers are people who actively participated in the events as academic advisers to workers (Staniszkis, 1984; Kowalik, 1991; Nowak, 1987) or observers who clearly sympathize with the workers' side (Garton Ash, 1983; Ost, 1990). This creates possible bias in the analysis. For example, Staniszkis (1984:122) argues that the academic advisers used their imagination to suggest a wide range of alternatives to workers who stuck to their position in the negotiations and afterwards due to their fixation on the 'language of symbols'. Yet, such an analysis may reflect Staniszkis' personal involvement rather than a non-biased observation. Moreover, this analysis does not consider the workers' interests nor those of the academic advisers. Through the study these relations will be analyzed as interactions between strategically calculating players.

Thirdly, most of the studies provide purely conflictual explanations (Sanford, 1983; Lewis, 1989; Staniszkis, 1984; Garton Ash, 1983). As will be demonstrated in Chapter 2 the actions of Polish players are primarily explained as the result of force and pressure. For example, the relations within the communist party or between the party and society are analyzed in terms of a zero-sum game. Yet, following the rationale presented earlier, a comprehensive explanation should also locate the possible gainers from any outcome. In Chapter 4 I will show how both the wide stratum of the communist party and the military elite had an interest in compromising with workers in August 1980. Different calculations led the military elite to impose martial law in December 1981. Yet most studies do not even consider the military elite as a separate player but, rather, as a part of the communist leadership.

Fourthly, most of the descriptions and analyses concentrate on the events that followed

the Gdansk agreement attempting to clarify the processes that led to the military regime. Nevertheless, only few try to comprehensively explain the events of August 1980 themselves by previous processes. Some concentrate on the actions of one player such as the communist party (Sanford, 1983; Lewis, 1989), the army (Wiatr, 1988) or social players (Zuzowski, 1992; Ost, 1990; Lipski, 1984). Others simply take the August 1980 events as a point of departure for the analysis of subsequent processes (Garton Ash, 1983; Ascherson, 1981; Brams, 1994:168). In this study I argue that only through a comprehensive explanation of the August 1980 events and the Gdansk agreement, we will be able to understand the players' interests, beliefs and resources in the subsequent period and establish a starting point to explain the processes that led to the military regime. A similar point of view characterizes the analysis suggested by the Polish sociologist, Staniszkis (1984). Through the study I will explain the differences between a purely sociological explanation and the analytical approach developed here.

This leads to the final characteristic of the existing literature. Many studies tend to attribute a major role to symbols, religious beliefs and ideology in explaining the 1980-81 events. They explain many aspects of the events by the strong catholic beliefs of Poles as well as the relatively independent position that the Polish Catholic Church enjoyed under the communist regime. For example, some of the researchers and observers mention the pope's visit to Poland in 1979 as a main focal point in the Polish events (Michnik, 1985:160-8). Garton Ash (1983:32-3) goes as far as saying that this visit and the Church ethical values actually explain the characteristics and the non-violent nature of the August 1980 events. Similarly, Kubik (1994) use an anthropological approach to analyze the whole course of events as a sequence of symbolic gestures. From a different point of view Staniszkis (1984:115-130) emphasizes the role of ideology and the

'language of symbols' in explaining the workers' behaviour.

Although I will critically refer to some of these arguments through the study, it is worthwhile to explain the approach adopted here to such non-materialistic explanations. In principle, rational choice theory views religious and moral constraints as part of the structural factors that influence action or as means to justify behaviour. For example, members of a very religious community will face strong social sanctions if they act contrary to the religious norms. Such constraints may also influence political action when religious leaders are actively involved in political life and combine the two arenas. This creates a political organization which represents religious and other interests. These interests rather than moral values define the parameters of its activity. In other words, as far as political activity is concerned people attempt to advance their interests through cost-benefit calculations which may include religious or moral considerations. Political activity can be rarely explained by purely religious or moral motivations.

In Poland, the Catholic Church was an hierarchial organization. As such its leaders had interests in maintaining the organizational mechanisms and the power they had in Polish society. However, although the Catholic Church had been relatively strong and independent organization since the 1960s, its leaders neither coordinated workers into political action nor tried to act as political players towards the authorities. Only after workers organized attempting to improve their standard of living, the Church expressed its support. This implies that Church leaders did not have an interest in being active political players but rather preferred to maintain their resources and power adopting a neutral political position. Yet, the social activity also shaped their interests. In Chapter 3 I will explain how their self interest and strategic calculations led Church leaders to play a mediating role thus marginalizing their direct impact on the events.

The second non-material factor used in the literature to explain the Polish events are symbols and ideology. In principle, a rational choice explanation regards these factors as means for certain individuals to achieve their self-interest (Roemer, 1985). The actions of these individuals, rather than the symbolic gestures they use, explain events. The instrumental role of symbols may be exemplified through the impact of such factors on reputation and social status. Basically, by strengthening their social status or building a certain reputation individuals can create strategic advantages over other players. For example, reputation helps to win threat or bargaining games (Brams, 1990:138-148; Rosenthal and Landau, 1979). Hence, when social status or reputation depend on religious attitudes individuals may use such symbols in order to improve their strategic situation.

We should note however that individual behaviour is rarely dominated by purely religious or moral motivations. As happened in Poland and indeed in many other cases religious beliefs alone can barely be sufficient in articulating interests (Chong, 1991:55). According to this account the fact that people follow religious leaders or symbols is not necessarily the result of their religious beliefs but mainly due to the fact that these leaders supply the basic needs of their followers. In this respect, Walesa used religious symbols to present himself as a catholic believer thus building his reputation as a social leader in Poland. Yet, he lost much of his credibility when he failed to supply the workers' economic demands after August 1980.

As a matter of fact catholic beliefs, the Church influence on society and other religious symbols existed in Poland for a long period before 1980 but still Polish citizens did not initiate a political struggle against the authorities. Furthermore, in the early stages of the August 1980 events most workers were afraid to take part in a political struggle and

accepted the government's offer for a pay rise. Similarly, during 1981 worker activists who were disappointed with their leaders' performance gradually adopted a militant strategy avoiding attempts of Church leaders to calm the situation. So, the operative mechanism through which collective action was coordinated still needs to be explained. This mechanism will explain the actual causes of the Polish events rather than only the influences on them.

We may conclude this literature review with the following characterization of Polish politics.

"Polish political life are very difficult to understand. Most of the labels are misleading. For instance, the activities of the fundamentalists (who are radical critics of the system) are less radical than these of the pragmatists. The 'hard-liners' within the communist party indirectly support Solidarity's fight against nomenclature. On the other hand, Catholic Church advisers of Solidarity seem uninterested in the idea of self-government; they prefer a more hierarchial order and do not want a social revolution." (Staniszkis, 1984:34-5).

Hence, in order to avoid misinterpretations the analysis of political interactions should concentrate on the players' interests, power and actions rather than on their labels or symbolic gestures. This is the approach of this study.

The Players in the Polish Scene

In identifying the players in the Polish scene, we distinguish between the players whose interactions explain the actual processes and those players whose actions will be modeled as given exogenous influences on the decision situation. Since the study will concentrate on the internal interactions we need to consider at this stage the international dimension of the Polish events - notably, the involvement of the Soviet Union.

As mentioned earlier, the Polish events of 1980-81 had a great impact on the position

of the Soviet Union as a superpower. Poland was also a very important ally in several strategic aspects (Ploss, 1986:9-10). Thus, it would be easy to assume that the Soviet leadership had an interest in directing the events and should be regarded as an active player. However, during most of the period Soviet leaders accepted outcomes that weakened their position in the communist block. In this study the Soviet Union will not be modeled as an active player in the Polish events but rather as an external influence on the players' decision situation. That is to say, we will regard the threat of Soviet intervention as a given structural factor that affected the available strategies to the players and their calculations but did not determine them.

The impact of the Soviet position on the range of strategies of Polish players may be exemplified by comparing the process of 1980-1 to those of 1988-9. In the first period, a democratic alternative was not a realistic option due to the Soviet position. Worker leaders constantly emphasized that they did not try to challenge 'the leading role of the party'. The available strategies to Polish citizens in order to improve their payoffs were fighting for either economic or limited political reforms. In 1988 however a democratic option became very relevant due to the Soviet position while continuity of the communist system without any reform was not a realistic option.

Although this study does not try to explain the Soviet calculations, several observations may support the treatment of the Soviet Union as an external factor in the Polish events. First, these events started when the Soviet army was deeply involved in a war in Afghanistan. Another invasion to an independent state could have significantly worsened the Soviet relations with the West (Gelman, 1984:2; Ploss, 1986:51-2). Secondly, the Soviet leadership feared an active resistance of Poles in case of invasion which could have led to 'a second Afghanistan' (Ploss, 1986: 91-2). Thirdly, the expected economic

cost of invasion was very high especially when we consider the economic crisis in Poland in that time (Remington, 1982). All these factors may explain the flexible attitude of the Soviet leadership in August 1980 as well as their acceptance of a military regime as the final outcome of the 1980-81 events.

The analysis of the Polish events will concentrate on the internal interaction. Since disaggregating society to all its constituent elements is not realistically possible, we analyze the behaviour of collective players. Each collective player is composed of individuals who share some common interests. Several asymmetries between collective players differentiate one from another.

In analysing socio-political processes we distinguish between institutional and social collective players to be discussed in detail in Chapter 2. Institutional collective players have access to formal decision making processes and a certain share in power, resources and formal positions in the system. In this category we will include the leaders and the wide bureaucratic stratum of the communist party as two separate collective players. The Polish army - the military elite and soldiers - constituted another institutional player. The analysis will explain the processes that led to discoordination between these institutional collective players creating net gains from political changes for the bureaucratic stratum and the military elite in August 1980.

Social collective players are those groups who do not have access to formal positions of power or decision making processes. This category will include industrial workers and their leaders as two separate collective players, intellectuals and students who acted towards society independently of the authorities and the Catholic Church - bishops, priests and brothers. Another group was constituted by Polish peasants.

The dominant social groups in the Polish events were industrial workers, their leaders

and intellectuals. Their interests, calculations and interactions will be analyzed in detail through the study. The Catholic Church acted as a mediator. Its interests and activity will be analyzed in Chapter 3. Peasants acted most of the time independently of other social groups attempting to advance their sectorial interests. This can be explained by the fact that they had a favourable position in Polish economy. The specialized farmers owned between 3 and 6 percent of the land but received more than 50 percent of the aid to production and machines distributed by the local authorities (Staniszkis, 1984:98). They acted towards the authorities to improve their conditions whenever this basic policy changed. Thus, both the Catholic Church and peasants played a marginal role compared to industrial workers and intellectuals.

The complex interactions between all these players will demonstrate the theoretical argument developed in the study. Events of constitutional change are the outcomes of complex processes of belief change in which three interacting factors play a major role: the available information to the players, the level of coordination within the dominant groups and individual entrepreneurship. Asymmetries in these parameters influence power relations thus leading to particular institutional changes.

An Outline of the Study

The study begins with developing the theoretical framework in Chapter 1. It suggests a 'basic' citizens-rulers game as a model of political stability and develops a dynamic game theoretical approach to explain processes of constitutional change. The main premise of this approach is explaining the mechanism through which structural changes in the players' decision situation and dynamics of collective action influence players' behaviour

leading to constitutional changes.

The study develops the theoretical arguments concerning this mechanism in parallel with the empirical analysis of socio-political processes in Poland during 1976-81. Although in principle citizens-rulers relations resemble the equilibrium of the 'basic' game, Polish society experienced two events of constitutional change: the Gdansk agreement signed on 31 August 1980 granting political rights to Polish workers and the imposition of martial law on 13 December 1981.

In order to explain constitutional changes in Poland, we need to locate transformations of the 'basic' citizens-rulers game. In Chapter 2 I develop a theoretical framework explaining how social processes and citizens' demands may alter certain parameters of the basic game. They may either transform it from a cooperative into a non-cooperative game with incomplete information or influence the players' preferences. Then, I present an hypothesis to explain the Gdansk agreement.

Chapters 3-5 explain the Gdansk agreement by several structural changes that occurred in preceding years. Chapter 3 analyzes social processes during 1976-80 using models of collective action. Social entrepreneurs achieved mass participation in a political struggle through the transformation of the workers' utility function and their information set. This chapter demonstrates the centrality of the information parameter in dynamics of collective action as well as the fact that a high level of coordination between players increases their power.

Chapter 4 analyzes changes in the rulers' decision situation during 1976-80. Social processes as well as structural changes in the Communist Party and in the Polish army altered the players' attitudes or limited their available strategies. Also here information and coordination appear to be important factors in explaining macro processes. I

demonstrate how to model these factors through the parameters of the game rather than taking them as external influence on the decision situation. The level of coordination is modelled through the players' preferences and the fact of incomplete information is modelled by a signalling game.

Chapter 5 combines the separate analyses to explain the dynamic of the negotiations between workers and Party leaders leading to the Gdansk agreement. Worker leaders had strategic advantages over their followers and rulers, since they were better informed than both of them. To explain the rulers' strategy I develop an interactive model concerning the mutual dependence of economic performance and political stability. It establishes that a process of constitutional change starts when certain structural conditions are fulfilled and ends when structural changes are transformed into belief changes. These conditions mark the scope of the constitutional change analysis. Yet, particular outcomes are fully explained by the process between the two stages and the interests involved in them. In Poland, the socio-political processes during 1976-80 and the dynamic of the negotiations altered the beliefs of Polish workers and rulers leading to the constitutional choices made in August 1980.

Chapter 6 explains the imposition of martial law in December 1981 by analysing the behaviour of Polish citizens and rulers under the new constitutional status quo. It confirms the theoretical conclusions of the other chapters demonstrating the importance of a dynamic analysis where the game is altered through a certain process. The complex analysis illuminates the disadvantages of over-simplification.

Chapter 7 concludes the study by outlining a theory of political stability and constitutional change. The theory also provides explanatory tools for the empirical study of various processes of constitutional change.

CHAPTER 1: THE PROBLEM OF CONSTITUTIONAL CHANGE - THEORETICAL ASPECTS

This chapter develops a game-theoretical framework to explain processes of constitutional change. The chapter proceeds in three stages. Section 1.1 discusses the place of rules in human society and suggests a general model of political stability. New rules are viewed as instruments for individuals to improve their material well being. I distinguish between two types of rules according to their effect on individuals' decision situation: political rules and policy regulations. Political rules specify the guide lines for decision making procedures, the scope of authority of all positions in society and the available information for the players. Policy regulations coordinate the day-to-day management of society. The differences in their scope create a fundamental asymmetry of interests between citizens and rulers in respect of changing the rules.

The motivations of individuals to change political rules are explained by using a dynamic game theoretical approach. It starts with modelling the 'stable initial state' by a 'basic' citizens-rulers game. It is based on the assumption that there are demand and supply mechanisms between citizens and rulers as well as a significant difference between political rules and policy regulations in their impact on outcomes. Political rules directly benefit rulers while policy regulations determine the material payoffs of most citizens. The model also assumes that both citizens and rulers are risk-averse and follow non-myopic calculations. The expected equilibrium behaviour is for citizens to demand policy changes and for rulers to partially accept such demands. It follows that in any process of constitutional change individuals deviate from their equilibrium strategies risking sub-

optimal outcomes. Such behaviour is explained in the study by changes in the structure of the 'basic' game and in the players' attitudes and beliefs.

Section 1.2 illuminates one aspect of the mechanism of constitutional change by explaining how the fact that political rules and policy regulations similarly affect outcomes leads citizens to change their beliefs and time preferences and desire political changes. Since such similarity exists in non-democratic systems, they are less stable than democracies.

Section 1.3 presents the explanatory strategy of the study. It is based on a game-like process analysis of structural changes in the decision situation. The 'basic' game is separated into several games that model the different stages of the process. These games are combined to re-structure the citizens-rulers game which explains the players' new equilibrium behaviour after each structural transformation. A central structural change in socio-political processes is the transformation of the players' information sets. I finally present a signalling game to analyze information problems.

1.1 RULES, THE 'BASIC' CITIZENS-RULERS GAME AND THE PROBLEM OF CONSTITUTIONAL CHANGE

This section explains stability of political systems by the combination of three fundamental characteristics of human societies: 1) asymmetries in individual relations; 2) the impact of rules on individuals' beliefs and behaviour; 3) the problem of collective action. These characteristics are modelled by the 'basic' citizens-rulers game. Introducing the problem of constitutional change this game is the starting point of the institutional

change analysis. We begin with explaining the mutual influence of rules and individual behaviour.

Rules in The Context of New Institutionalism: Definitions

Rules and regulations are one aspect of complex socio-political relations. Based on the assumption of methodological individualism rational choice theorists often use games to describe such relations. A game is defined by the number of players, their available strategies and the payoffs associated with each strategy - namely, the players' utility function (Riker and Ordeshook, 1973:119). These parameters are influenced by physical constraints, 'man-made' rules and processes outside the particular game. 'Man-made' rules are represented by the rules of the game. Their main function is to specify the costs attached to any strategy and the benefits associated with any outcome. In a particular situation rules are formally defined, enforced and include sanctions against disobedience (Ostrom, 1986; Sened, 1991).

It follows that rules directly affect individuals' decision situation (Ostrom, 1986). They determine socio-economic outcomes. Rules do not, however, fully determine behaviour. Individuals may adopt different strategies under the same rules. Similarly, a rational choice model assumes that individuals follow their self interest and cost-benefit calculations in deciding whether to obey to certain rules or not (Ordeshook, 1986:12; Ostrom, 1991). Moral or ideological constraints are either part of the structural factors that influence action or serve as means to justify behaviour. Viewed as such, new rules are instruments to improve outcomes rather than ends for themselves.

This line of argument is widely supported by empirical observations. For example, in

totalitarian and nondemocratic states, where rules are expected to dictate actions, there are independent opposition and social activities (Schopflin, 1993:89,123; O'Donnell et. al., 1986). Furthermore, the patterns and extent of these independent activities are often altered even though the political rules remain unchanged.

Thus, rules affect behaviour since they determine socio-economic outcomes in various ways. Individuals may regard certain sets of rules as of greater importance or higher value than others. To outline the scope of rules and the order of importance (hierarchy) between them, we may use a general framework for institutional analysis suggested by Kiser and Ostrom (1982). They define three levels of analysis: the operational level, which focuses on individuals' actions under the decision situation; the 'collective choice' level, which explains the world of authoritative decision-making; and the 'constitutional' level, which explains the design of collective choice mechanism.

We can point to two sets of rules affecting individuals' decision situation at the operational level: policy regulations and political rules. Policy regulations - rules at the 'collective choice' level - coordinate the day-to-day management of society. Political rules compose the constitutional framework of a society - namely, specify the guiding principles for the policy regulations and the available ways to change rules. A constitutional framework is not necessarily a written constitution or the set of laws in a given society but, rather, may be specified in numerous ways indicating expectations about behaviour. The Gdansk agreement, for example, created a new constitutional status quo in Poland although most of the agreements were not immediately issued in the form of laws.

Political rules may be gathered in three ways: aggregation rules, authority rules and information rules. Aggregation rules specify the decision function for mapping actions

onto final outcomes. Therefore, they influence the distribution of resources and power relations in society (Knight, 1992:117-8). Authority rules assign the set of expected actions to different political and social positions in society. Information rules specify the type of information available to each social actor (Gardner and Ostrom, 1991). Authority and information rules thus specify the available ways in which outcomes or rules may be changed. A constitutional change then occurs when one of these sets of rules is altered.

In principle, any institutional framework creates asymmetric payoffs giving incentives to certain individuals to change rules (Riker, 1980). Yet, the fundamental asymmetry of power and resources in human reality creates differences in individuals' cost-benefit calculations regarding changing the rules. This, I argue, stabilizes political systems. Demands to change policy regulations are defined in the study as **economic demands** and demands to change the constitutional framework are defined as **political demands**. Put differently, political demands are those which directly threaten rulers' monopoly and power while economic demands do not. The cost-benefit calculations in respect of changing rules are modelled in the following sub-section.

The Assumptions of The 'Basic' Citizens-Rulers Game

Rational choice theory assumes that in principle all social events can be reduced to individuals' actions. Yet, since it is not realistically possible to completely disaggregate society to all its constituent elements, the analysis of macro-processes concentrates on actions of collective players. Each collective player is composed of individuals who share some common interests. Several asymmetries between the collective players differentiate one from another.

Socio-political processes are primarily characterized by asymmetry between rulers and citizens. They constitute, respectively, an institutional and a social collective player. Rulers have the monopoly over power as well as the legal authority to change political rules while citizens have neither. They differ from each other in their power, resources, interests, utility functions and strategies. This asymmetry exists by definition in any political system. The model is based on the assumption that in a stable situation sub-groups within 'citizens' and 'rulers' share certain fundamental interests. A main source of change may thus include an asymmetry of interests within a collective player.

A stable political system requires strong incentives for individuals to accept authority. Formally, coordination and cooperation between citizens and rulers are established by law-enforcement mechanisms. However, under any set of rules payoffs are asymmetric and many rules limit the possibilities to change outcomes. Thus, individuals frequently accept institutions which make them losers instead of trying to change them. This can be explained, of course, by terror and fear which indeed exist in many societies. But, in most long-term relations between citizens and rulers there is another rationale for individuals to cooperate and keep the system stable.

Rational choice theory tries to explain cooperation by the principle of 'mutual advantage'. Individuals cooperate with each other as long as it serves their interests and maximizes their utility. Assuming that individuals are risk-averse and seek immediate benefits, a society is likely to be politically stable as long as most of its members benefit more from the existing political equilibrium than from any possible outcome of changing it. Under these conditions individuals will probably not risk their immediate payoffs for greater payoffs expected after a long period as a result of constitutional change.

Due to the asymmetry between citizens and rulers, mutual advantage is guaranteed by

demand and supply mechanisms. Rulers supply the basic needs and fulfil some demands of citizens who, in return, accept the institutional setting. This rationale has been used by social choice theorists to model citizens-rulers relations in democracies (Downs, 1957; Austen-Smith, 1983). Since politicians in office have to be re-elected, the mutual dependence between them and citizens is institutionalized by laws.

Demand and supply mechanisms also exist in nondemocratic systems. Although rulers in such systems are not formally dependent on the acceptance of citizens, they need some minimal level of support and cooperation in order to maintain their control and monopoly in society. A shortage of supply of basic demands leads to dissatisfaction, stagnation of the system and to political instability. The existence of demand and supply mechanisms is the **first assumption** of the basic citizens-rulers game.

The second assumption concerns the effect of policy regulations and political rules on the decision situation. The model assumes that the impact of political rules on outcomes significantly differs from that of policy regulations. Political rules give to rulers power, material payoffs and strategic advantages. Since these rules also specify the type of policy regulations available, they are of vital importance to the payoffs citizens may expect. However, the payoffs which citizens receive come directly from the policy regulations created under the prevailing political rules. Therefore, most citizens believe that political rules only indirectly influence their material payoffs while policy regulations determine them. For example, most citizens do not intuitively understand how freedom of speech or other individual rights may improve their socio-economic situation while they directly feel the impact of wage or price policy on their payoffs.

In other words, since individuals update their beliefs and expectations following their own experience (Harsanyi, 1967), citizens easily understand how policy changes may

improve their situation. However, the causal relations between particular political rules and specific socio-economic outcomes are not intuitively derived. This structural difference in the scope of rules as well as citizens' beliefs create a fundamental asymmetry between citizens and rulers as far as changing the rules is concerned. Their strategic situation significantly differs from each other. Since we assume that players are interested in direct material payoffs, the **second assumption** states that citizens are primarily interested in policy changes while rulers prefer to maintain the political status quo.

Following the first two assumptions, rulers are likely to regard demands to change political rules as a major threat while they have to be more flexible in dealing with economic demands. Therefore, the cost of citizen action is an amalgam of the cost of participation and the nature of the rulers' expected response. This means that there are two different types of collective action: a political struggle and collective action aimed at policy changes. The **third assumption** is that the strategy of raising political demands bears higher costs than raising economic demands. Based on these assumptions we model the citizens-rulers game in the following sub-section.

Institutional Stability As an Equilibrium Outcome of a 'Basic'

Citizens-Rulers Game

Since citizens and rulers have action-response relations, the basic game is modelled by an extensive form. At the first stage citizens may raise either economic or political demands or both economic and political demands. The term 'citizens' represents here social groups, not necessarily the whole society. At the second stage, rulers respond by

acceptance or rejection of all or part of the demands. This game has eight possible outcomes. We assume that individuals are risk-averse. Note that rulers are completely dependent on the citizens' moves and thus citizens can block the game.

The type of the demands, rather than the means used to raise them, define the strategy and the threat, and citizens may use various means. They may demand economic changes using violent demonstrations or raise political demands using sit-down and peaceful strikes. Often, however, citizens use violent means to raise political demands, since they need to alter the rulers' strategic choices.

Similarly, rulers may accept demands after attempting to suppress citizens, but these means are less significant for the analysis of the game than the final outcomes. The means used by the players influence, no doubt, their beliefs and attitudes in the subsequent period. That influence is considered when we analyze sequential learning processes and belief changes.

Based on the assumptions outlined in the previous sub-section we draw several criteria to order the players' preferences on outcomes. We adopt two criteria to order the **citizens' preferences**. 1) Since raising political demands bears high costs and citizens prefer policy changes most of all, priority is given to outcomes that include acceptance of economic demands. 2) Since citizens are risk-averse, outcomes that include only the rejection of demands are least preferred.

In ordering the **rulers' preferences** we proceed in three stages. 1) Since rulers directly benefit from the existing political status quo, outcomes that include acceptance of political demands are least preferred. These outcomes constitute a group of the three least preferred outcomes - AccP, AccE+AccP, RejE+AccP. 2) Rulers prefer situations in which they do not have to reject demands since this means that demands were not raised.

The outcomes that include only the rejection of demands compose the second-best group of outcomes - RejP, RejE, RejE+RejP. This criterion also enables us to order the outcome AccP as the sixth order preference and the outcome AccE+AccP as preferred to RejE+AccP. 3) Since rulers are directly threatened by political demands but have to supply some of citizens' economic demands in order to maintain their power, priority is given to outcomes that include rejection of political demands or/and acceptance of economic demands. This criterion and the previous one enable us to order the outcome AccE as the best one for rulers and AccE+RejP as the second best. It also explains why the outcome RejP is preferred rather than RejE. The players' preference ordering is presented in Table 1.1.

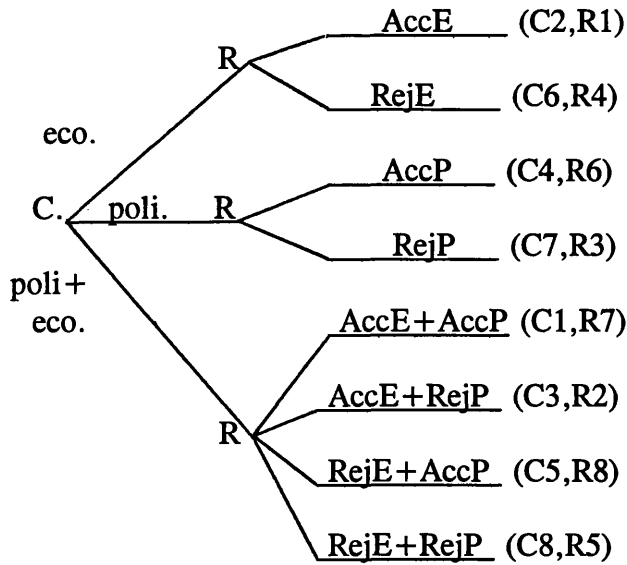
Table 1.1: Preference ordering of citizens and rulers in the 'basic' game

Players:	Citizens	Rulers
most preferred	AccE+AccP (C1)	AccE (R1)
:	AccE (C2)	AccE+RejP (R2)
:	AccE+RejP (C3)	RejP (R3)
:	AccP (C4)	RejE (R4)
:	RejE+AccP (C5)	RejE+RejP (R5)
:	RejE (C6)	AccP (R6)
:	RejP (C7)	AccE+AccP (R7)
least preferred	RejE+RejP (C8)	RejE+AccP (R8)

[AccE - rulers accept economic demands; AccP - rulers accept political demands;
RejE - rulers reject economic demands; RejP - rulers reject political demands]

This preference ordering is modeled in the following extensive form.

Figure 1.1: The extensive form of the 'basic' citizens-rulers game



[C - citizens; R - rulers; eco. - economic demands; poli. - political demands;
 Entries are preference ordering: (i,j)=(C,R) best - C1...C8 - worse;
 best - R1...R8 - worst]

This game models one stage in continuous citizens-rulers relations, yet using a backward induction it explains the nature of socio-political processes and the rationale of political stability. In principle, citizens-rulers relations can be described as a long action-response process. Both sides know that their actions at a certain point in time will influence the next stages and may have various consequences in the long term. Under these conditions each side considers the other's possible moves and counter-moves as well as the expected outcome of each sequence of moves.

These characteristics correspond to the concept of non-myopic equilibrium suggested in the Theory of Moves (Brams, 1990;1994). This concept is defined as follows.

"The idea is that players look ahead and ascertain where, from any outcome in an outcome matrix, they will end up if they depart from this starting outcome. Comparing the final outcome with the starting outcome, if they are better off at the starting outcome (taking account of their departures, possible responses to their departures, and so on), they will not depart in the first place. In this case, the starting outcome will be an equilibrium in an extended, or nonmyopic, sense." (Brams and Wittman, 1981:42-3).

Applying this concept to the analysis of the 'basic' citizens-rulers game, we first have to characterize the starting outcome. Originally, Brams (1990:121) suggests that the starting outcome represents the simultaneous choices of the players - i.e. the strategies they choose in the normal form of game. Yet, since in this game rulers are completely dependent on citizens' moves, a simultaneous choice is not possible. Therefore, we will construct the starting outcome as follows. Let us assume for the purpose of a backward induction that due to external shock to the system the economic situation deteriorates creating certain losing social groups. We regard this situation as if citizens attempted to improve their payoffs through raising economic demands but failed. This means that the outcome at the starting point is (C6,R4).

Citizens now have to decide on whether to leave that point and which branch of the game tree to choose. Following the nonmyopic concept they consider the rulers' possible response. Citizens observe that if they raise both economic and political demands, rulers will accept economic ones and reject political demands leading to the outcome (C3,R2). Yet, if they raise only economic demands rulers are likely to accept some of the demands leading to the outcome (C2,R1). Then, citizens are better off because they do not pay the cost of political struggle. Thus, although both of these strategies may improve the citizens' situation comparing to the starting outcome, the strategy of solely raising economic demands will lead to the best possible outcome for citizens. Note that also rulers improve their payoffs comparing to the starting outcome.

When we consider the possibility of citizens' counter-move, the outcome (C2,R1) is regarded as the starting outcome for another stage described by the same game tree. We may see that citizens cannot improve their payoffs by changing their strategy and thus prefer to stay with the starting outcome. This is the non-myopic equilibrium of the game.

Moreover, whenever the economic situation changes due to structural or external factors making certain social groups losers, the game repeats itself in the same sequence of moves. Therefore, this one-stage game actually models a continuous process in which losing social groups raise economic demands and rulers partially accept them.

The expected **equilibrium behaviour** in the basic citizens-rulers game is for strategic citizens to raise economic demands and for rulers to accept some of them. Political stability is explained by the fact that players cooperate at the constitutional level expecting gains at the policy level. Conflicts are channelled to the policy arena. Although citizens have the initiative, they cannot reach their best outcome since rulers are expected to reject political demands. On the other hand, because rulers are completely dependent on the citizens' moves, citizens can block the game and dictate its nature. The stable 'initial state' of any process of constitutional change is thus characterized by constant bargaining over policy.

From this game we draw two structural conditions for institutional stability: 1) existence of demand and supply mechanisms between citizens and rulers (first-order, sufficient and necessary condition); 2) a significance difference between political rules and policy regulations in their impact on outcomes (second-order, sufficient condition).

The problem of constitutional change thus emerges in two different dynamics. First, by definition only rulers have the legal authority to change political rules but they do not have any interest in doing so on their own. Furthermore, although citizens are not expected to raise political demands, if they do rulers are expected to reject them. Two questions are addressed: 1) Why do rulers sometimes change political rules on their own? 2) Why do citizens raise political demands and why do rulers accept such demands?

Secondly, citizens sometimes try to radically change the constitutional framework by

force, although they can improve their socio-economic situation at much lower costs. It would be easy to assume that through revolution people try to maximize other values than immediate material payoffs - for example human rights. Yet, most citizens do not spontaneously take part in violent efforts to bring about constitutional change. Some may do so because it is likely to be worth more to them. This will be discussed in Chapter 3 in the context of collective action problems.

These dynamics introduce the theoretical problem of constitutional change, since in each one of them players deviate from their equilibrium behaviour. The model of political stability thus serves as an analytical starting point for the explanation of any process of constitutional change. In this study I will suggest tools and rationales to explain such processes. The study will concentrate, however, on the second question presented above - namely, on constitutional changes which result from citizens' demands.

In principle, a process of constitutional change starts when the structural conditions for stability cease to exist. To understand why citizens may initiate a process of constitutional change, we need to explain how these structural factors influence their beliefs leading them to desire political changes. This mechanism is explained in the next section.

1.2 STABILITY AND CHANGE IN DEMOCRATIC AND NON-DEMOCRATIC SYSTEMS - WHY DO CITIZENS DEMAND POLITICAL CHANGES?

This section explains the rationale for citizens to demand constitutional change although it bears high costs and does not lead to direct benefits. Through explaining the structural differences between democratic and non-democratic systems, I establish that when

political rules and policy regulations similarly influence outcomes citizens change their beliefs in respect of potential constitutional change. The term 'nondemocratic system' is used here to describe centralized political systems which highly restrict citizens' strategies.

Stability of Political Systems and a Basic Mechanism of Constitutional Change

A democratic system is characterized by a set of rules and procedures which specify formal connections between individual preferences and political outcomes (Barry, 1979). It is not necessarily based on liberal values nor does it produce any unique set of outcomes - such as equality. Therefore, these latter factors cannot differentiate a democratic system from a non-democratic one.

Stability of democratic systems is usually explained by two structural factors. First, since demand and supply mechanisms are institutionalized by laws, citizens and rulers share the responsibility for the outcomes (Dahl, 1971:20; Riker, 1982:6). This and the existence of a certain degree of responsiveness reduce the likelihood that citizens will attempt to change the system. Secondly, the representation principle creates legitimate relations between citizens and rulers. As Barry has put it:

"A system of election for representatives provides an intelligible and determinate answer to the question why these particular people, rather than others perhaps equally well or better qualified, should run the country." (Barry, 1979:193).

Yet, as explained, demand and supply mechanisms also stabilize non-democratic systems. So, why are democracies more stable than non-democratic systems?

We may outline a three-stage mechanism which explains the conditions for citizens to raise political demands and thereby de-stabilize a political system. In principle, citizens

attempt to change rules which they think determine their bad payoffs (Prezworski, 1991:12; Riker, 1980). As long as political rules and policy regulations differently affect socio-economic outcomes, citizens will try to change policy regulations. Yet, when this differentiation ceases to exist, political rules fully determine citizens' payoffs. This structural change opens up the possibilities for citizens to gradually learn that improving their socio-economic situation is pre-conditioned by altering political rules. However, the focal point in this learning process is reached when citizens are convinced that a **particular** type of constitutional change will improve their socio-economic situation. In other words, citizens not only have to realize that political changes are required but also to believe that a particular alternative set of rules will bring them better payoffs. Only after they experience both structural and belief changes will citizens reach the third stage in which they try to reduce the cost of a political struggle and to coordinate collective action.

Following this rationale, democratic systems are stable due to a clear structural differentiation between political rules and policy regulations. Since democracy is a complex system in which many individuals participate, directly and indirectly, in decision making processes, it is difficult to identify a specific set of political rules which determines particular outcomes. At the very least, it takes a lot of time before the learning process is completed and beliefs are transformed. Citizens prefer to adopt equilibrium strategies and the system is stable.

However, in centralized systems, where the government has a strong monopoly in most spheres of life, political rules and policy regulations are not so different from each other and both of them determine citizens' payoffs. Yet, citizens in non-democratic systems also do not intuitively know what particular constitutional changes will improve their

situation (see assumption 2 - p. 36-7). For example, from the late 1950s to the late 1970s intellectual dissidents in most communist states explicitly favoured modified socialist ideas or reformed communist principles in their political propaganda (Lukes, 1985:14; Zuzowski, 1992:48). It was not at all clear to them nor to other sections in society that free-market democracy would indeed improve the socio-economic situation (Havel, 1985:53).

Thus, citizens in non-democratic systems also go through learning processes and belief changes before they raise significant political demands. Such learning processes may lead for example to alternations in time preferences and in attitudes towards risk. Indeed, Colomer (1995:6-7) points out that in processes of political transition people tend to take risks and calculate their moves in the long term. But this cannot be taken as given. Rather, as will be demonstrated through the study, the learning processes and the interests involved in them explain the nature and the outcomes of processes of constitutional change. Only after domestic groups in society reach strategic understanding about the particular political changes required, they have to reduce the high cost of struggle in order to overcome the collective action problem. Then, the question of whether to initiate a political struggle becomes tactical.

Social choice theorists often underestimate the importance of belief changes in explaining processes of constitutional change. They explain stability of non-democratic systems mainly by the high cost attached to changing political rules. As Barry writes:

"In non-democratic systems, the choice between trying to prevent the government from implementing unjust policies and trying to overthrow the government is a purely tactical one: the only question is which route has the better chance of success and the lower expected cost. In democratic regimes, however, the choice is not purely tactical. There are strong reasons for aiming at a result that leaves the government resting on election but accommodating the interests of the minority as the recognized price of gaining their cooperation." (Barry, 1979:195).

Nevertheless, although political scientists as 'objective' and well informed observers can explain why citizens in non-democratic systems have a clear interest in changing the system into a democratic one, these citizens themselves may see things differently. Since individuals update their subjective beliefs following their own experience, citizens in any system face the problem of creating strategic agreement over the nature of the political changes required in order to improve their situation. Moreover, interested entrepreneurs have to convince a decisive coalition of social groups that these political changes will indeed improve their socio-economic situation.

It follows that coordinating a political struggle requires significant belief changes while coordinating collective action aimed at policy changes does not. That domestic collective action problem induces stability in any system. Yet, due to the decentralized structure of democracies, their citizens are less likely than citizens in non-democratic systems to change their beliefs regarding the political rules. Therefore, democratic systems are more stable than non-democratic ones although in the latter the cost of political struggle is higher. Nevertheless, citizens demand constitutional changes also in democratic systems. The following sub-section explains the possible reasons for that.

Why Do Citizens Demand Political Changes in Democratic Systems?

Democratic rules give citizens the opportunity not only to change outcomes but also to replace persons in office. Why, then, out-of-equilibrium strategies are needed?

Indeed, by replacing parties or presidents citizens can alter the cost-benefit calculations of the persons who run the country. But, as various social choice models demonstrate, all voting systems may lead to inconsistent or intransitive outcomes (Arrow, 1963;

McKelvey, 1976; Riker, 1982). As a way to induce stability, the rules often limit the representation of certain interests (Shepsle, 1989). In many democracies the fundamental laws restrict the available strategies to certain groups making them less influential than others. Such groups may disproportionately benefit from constitutional changes giving them the incentives to try to change the political rules. To improve their situation they may need to deviate from the equilibrium strategies and raise political demands. The costs of raising such demands in democratic systems are often much lower than in non-democratic ones.

Consider, for example, democratic systems where the proportion of representation is pre-determined by cross-cutting cleavages in the population (Lijphart, 1969). This limits the influence and available strategies to certain groups creating incentives for them to change the constitutional framework. This underlining reasoning characterizes socio-political conflicts in for example Belgium and Canada.

The level of stability varies among different democratic systems. When a democratic set of rules includes legal political discrimination of certain groups, their bad outcomes can be easily correlated to that set of rules and they are likely to change their attitudes in respect of these rules. Such systems are less stable than systems where legal discrimination does not exist.

Individuals in democratic systems may also try to change political rules because conflicts and socio-political processes often take place out of the electoral competition (Muller, 1993; Dunn, 1992:6). As Adam Przeworski writes:

"In spite of its majoritarian foundations, modern representative democracy generates outcomes that are predominately a product of negotiations among leaders of political forces rather than of a universal deliberative process. The role of voting is intermittently to ratify these outcomes or to confirm in office these who brought them about. In all modern democracies, the deliberative process and day-to day supervision over the government are well protected from the influence of the masses. Hence, voting - majority

rule - is only the ultimate arbiter in a democracy." (1991:13).

So, individuals may prefer other forms of supervision over the government - such as referendums or other electoral laws - as ways to increase their influence on outcomes. Yet, in that case identifying the particular set of rules which determines certain outcomes is much more difficult than in the case of legal discrimination and the learning process is slower.

Thus, raising political demands is not an intuitive or 'natural' behaviour as rationale choice theorists often assume (Riker, 1980; Sened, 1991). Rather, it is the result of long learning processes which are pre-conditioned by structural factors. These processes and the interests involved in them explain the different characteristics and outcomes of processes of constitutional change. The explanatory strategy of such complex dynamics is presented in the following section.

1.3 GAME THEORY AND THE EXPLANATION OF CONSTITUTIONAL CHANGE

This section develops a game-like process analysis of particular events of constitutional change. It takes the 'basic' citizens-rulers game as the stable initial state. The last part of the section explains how a signalling game models situations with incomplete information.

The Rationale of a Game-Like Process Analysis

Based on the assumption that any social and political event can be reduced to individual behaviour, game theory models individual relations by static models and explains outcomes by individuals' actions. We redescribe a particular situation using a model in order to explain the nature of that situation drawing out the relevant explanatory factors (Davidson, 1980:12; Macdonald and Pettit, 1981:88; Dowding, 1991:17).

Individuals' actions in a given event are explained by analysing the decision situation from their point of view. Most individuals, when deciding how to act, do not consider the possible response of abstract entities such as the 'state', the 'society', the 'structure' or the 'class'. Rather, they consider the possible actions of other individuals. Therefore, we need to simulate their decision situation by describing their relations with other individuals - namely, to model individual relations in terms of a game.

Game theory assumes narrow rationality as a behavioural law (Ordeshook, 1986:2). Acting under certain structural factors rational players strive to maximize their utility whilst considering the others' possible actions. It follows that the explanation of their actions concentrates on revealing the factors that might have led them to their particular decisions (Dowding, 1991:18). In other words, by assuming narrow rationality we actually neglect individuals' psychology or irrational motivations focusing only on the structure of a particular situation as a possible cause for the behaviour. In this respect, the 'structure of the situation', modeled by a game, represents actions of other individuals, the rules of the game, the information set and external factors. Thus, we approach 'structural' factors from the individuals' point of view rather than from our perspective as observers.

An event of constitutional change involves alternation of the fundamental rules of the game that describes the political status quo in a given society. Therefore, such an event cannot be simply explained as an equilibrium outcome of the game itself (Colomer, 1995:6). Since the constitutional status quo is theoretically represented by the rules of the 'basic' citizens-rulers game, we need to accurately identify structural changes in this game in order to explain constitutional changes. To do this, I suggest a process-oriented analysis attempting to reveal the internal mechanisms of a process that led to a certain outcome. The role of such mechanisms is stated by Jon Elster to be:

"First, the mechanisms enable us to go from the larger to the smaller. Secondly, they reduce the time lag between explanans and explanandum." (Elster, 1983:24).

Indeed, these are the two main problems in analysing constitutional changes. They are the outcomes of macro-processes which spread over a long period of time.

The dynamic equilibrium analysis is developed as follows. First, we explain why the 'basic' citizens-rulers game correctly describes the stable situation in a certain society at a certain point in time. Then, we try to locate the structural factors that altered its parameters from the players' point of view leading them to change their strategic orientations and deviate from their equilibrium behaviour. Each transformation of the basic game introduces the sub-game that best describes a certain stage of the process. These transformations are combined to model the game which was played in the event of constitutional change itself. It explains the players' new equilibrium behaviour.

More specifically, structural influences on the citizens-rulers game are explained by separating it to several games. Since citizens and rulers are collective players, they are respectively composed of social and institutional groups as unitary actors. In the stable situation the groups within each collective player have similar interests. In order to explain changes in their relations and interests, we use the concept of sequential

connected games.

According to the concept of one-stage connected games, at a certain point in time a player is involved in games in multiple arenas (Tsebelis, 1990:7-9; Scharpf, 1993:9). Since these games may differ, players may have different interests in them. Furthermore, the outcomes of one game influence the players' calculations in other games. Therefore, changes in the separate games between the groups may explain changes in the citizens-rulers connecting game.

Nevertheless, in analysing processes we should also consider the time element and sequential influences between the games. According to the concept of sequential connected games, changes in the relations between two groups from any level alter their separate relations with other groups at a certain point in time. These changes influence the relations between the two groups at the next stage. For example, growing discoordination between group A and group B at a certain point in time may lead group A to coordinate its moves with group C. This may increase the power of A in its relations with B at the next stage and thereby will cause B to cooperate with A under worse conditions.

When applying this explanatory strategy to the dominant groups in a certain society, we get a map of interests. This enables us to explain structural changes during the process which preceded a particular event and re-structure the game accordingly. The new game models the decision situation in the event itself.

Structural factors may influence two parameters of the decision situation whilst the rules of the game remain unaltered: the players' beliefs and preferences and their information sets. Beliefs and preferences are altered through a Bayesian learning process in which individuals update their beliefs and knowledge about the situation (Harsanyi, 1967).

Therefore, behavioural changes during a certain process can be explained by the fact that structural changes provide additional information to the players about their actual conditions. Structural factors may also create asymmetric information giving advantages to the informed player over the uninformed one. This is discussed in the next sub-section.

This explanatory strategy has several advantages. First, it enables us to explain long processes by analytical models. Such a dynamic approach which considers transformations of the game through processes can contribute to public choice theory where any event is separately explained by static models. A similar dynamic approach is suggested by Tsebelis (1990), Chong (1991) and Colomer (1995). They analyze socio-political processes as a sequence of games between various sections of society. Secondly, a game-like analysis simplifies the description of complex situations. It also differentiates between major and marginal factors pointing to the factor that broadly explains behaviour. Thirdly, a detailed process-analysis which considers 'sociological' and structural factors enables accurate modelling of the players' preferences and their strategic orientations at each point in time. By following this explanatory strategy we can find causal relations between individuals' actions and new political rules. Such causal relations are harder to find using simple descriptive historical or comparative approaches.

Signalling Games: Incomplete Information and Multiple Equilibria

This sub-section presents the logic of a signalling game to analyze situations with asymmetric and incomplete information. It will be used through the empirical analysis to explain the influence of structural changes on individual behaviour.

Since a signalling game models situations with no accepted contract, it is a

noncooperative game (Rasmusen, 1989:205-12). It is an action-response game where an uninformed player does not know the other's preferences (type). At the first stage, the informed player decides what strategy to adopt and what signals to send. A strategic player may decide to send false or confusing signals in order to achieve the best outcome. At the next stage of the game, the uninformed player interprets the signals and responds accordingly.

A signalling model presents both the information known to us as observers and the players' information sets. Basically, the uninformed player has to assign subjective probability to the signaller's reliability. However, we, as post-factum observers, know the objective probabilities and the players' utility functions. By comparing the players' decisions under incomplete information and the possible decisions under complete information we explain how their information set influenced their behaviour.

The internal mechanism of a signalling process is demonstrated in a two-person game by a political application of Cho and Kreps's example (1987). Consider a legislative decision in the American Senate where the president needs the support of one decisive member in order to pass an important bill. The senator conditions his support by the president's approval of another bill favouring the senator's constituency. Being ignorant of the president's utility function in this particular situation, the senator is the uninformed player.

The moves in the game. The president first decides whether to approve the senator's bill or not. He then sends signals to the senator - either by a direct (and public) notification or through indirect channels. The senator estimates the credibility of the signals by assigning subjective probability to the president's reliability (a true signal) and to the president being unreliable (a false signal). Following this interpretation he decides

whether to support the president's bill or not. The calculations in the case of a false signal, which indicates the opposite intentions as compared to those of a true signal, are overturned. For example, if the senator receives a signal of acceptance from a president whom he regards as unreliable, he calculates his move as if he received a true signal of rejection. The following calculations apply to a situation of a true signal.

The president's calculations. The president prefers to pass his bill while rejecting the senator's bill. Let us assume that the senator's bill costs the president less than his benefit from his own bill (-10 and 20 respectively). Therefore, he prefers mutual acceptance of the bills rather than mutual rejection. His worst option is to accept the senator's bill while the senator opposes the president's bill. The president's preference ordering is:

$$P1 = (\text{rej}, \text{sup}) > P2 = (\text{acc}, \text{sup}) > P3 = (\text{rej}, \text{opp}) > P4 = (\text{acc}, \text{opp})$$

[rej/acc - the president rejects/accepts the senator's bill;

sup/opp - the senator supports/opposes to the president's bill]

The senator's calculations. The senator basically wants the approval of his own bill (a payoff of 10). Let us assume that if his bill is accepted he prefers to support the president's bill rather than oppose it. However, if his bill is rejected the senator prefers to oppose the president's bill since this will contribute to his reputation. His worst option is to support the president's bill while his own bill is rejected. The senator's preference ordering is:

$$S1 = (\text{acc}, \text{sup}) > S2 = (\text{acc}, \text{opp}) > S3 = (\text{rej}, \text{opp}) > S4 = (\text{rej}, \text{sup}).$$

The players' calculations are then represented in the following normal form of the game.

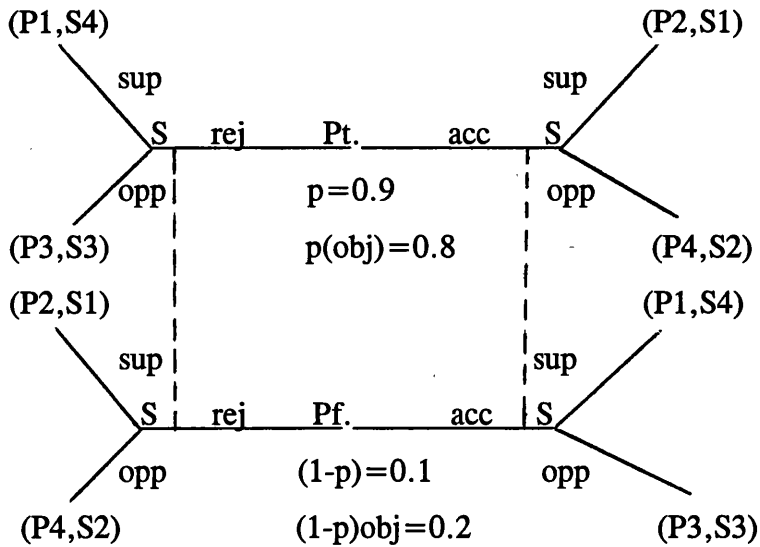
Figure 1.2a: A normal form of the president-senator game

		Senator	
		support	oppose
President	accept	P2,S1	P4,S2
	reject	P1,S4	P3,S3

[Entries are preference ordering: $(i,j)=(\text{President},\text{Senator})$
 best - P1...P4 - worst; best - S1...S4 - worst]

However, since the senator does not know the president's preferences, the decision situation is modelled by a signalling game in Figure 1.2b. It is the combination of two extensive forms. The upper line represents the decision process in the case of a reliable president (the extensive form of matrix 1.2a), and the lower line represents the case of unreliable president (an extensive form of the 'over-turned' matrix 1.2a). When the senator interprets the president's reliability, he actually decides which extensive form to follow - the upper or the lower line.

Figure 1.2b: The president-senator signalling game



[Pt - reliable president; Pf - unreliable president; S - senator; p - subjective probability assigned by the senator to reliable president (Pt); p(obj) - objective probability assigned to Pt; (1-p) - subjective probability assigned by the senator to unreliable president (Pf); (1-p)obj - objective probability assigned to Pf; acc - the president accepts the senator's bill; rej - the president rejects the senator's bill; sup - the senator supports the president's bill; opp - the senator opposes the president's bill; Entries are preference ordering: (i,j)=(P,S). The measures attached to the probabilities are only illustrative]

In this game the president, who wants his bill to be approved most of all, first decides on his strategy. He observes that if he rejects the senator's bill, the senator will oppose his bill (the upper-left line). Yet, if the president accepts the senator's bill and sends a true signal about that, the senator will support his bill (the upper-right line). Therefore, the president decides to accept the senator's bill and respectively to send a true signal.

Then, the senator has to decide on his move. Let us assume that 'objective' observations indicate that the president is reliable ($p(obj)=0.8$). Therefore, signals of acceptance mean that the president probably accepted the senator's bill and the senator

is expected to support the president's bill. If the senator assigns high subjective probability to the president's reliability ($p=0.9$), he will indeed do so leading to Pareto-optimal equilibrium outcomes (P2,S1).

However, in order to make things more complex let us assume that for some reason the senator does not follow the 'objective' observations and assigns high subjective probability to the president being unreliable: $(1-p)=0.8$ for example. Following the lower-right line when he receives a signal of acceptance, the senator interprets it as rejection and decides to oppose the president's bill. However, since the president accepted the senator's bill, the game was actually played according to the upper-right line. Therefore, the actual equilibrium outcome is (P4,S2) where the president ends with his worst outcome and the senator achieves only his second best outcome. Thus, due to the senator's misinterpretation of the president's signals, both players ended with sub-optimal outcomes. Note that the normal form, presented in Figure 1.2a, cannot provide such a complex analysis.

This example demonstrates the existence of multiple equilibria in signalling games. Game theorists treat this problem by restricting the players' out-of-equilibrium beliefs in a process of rationalization. They specify what strategies are 'reasonable' in a certain situation (Cho and Kreps, 1987; Banks, 1991). For example, in the game described above it is not reasonable for the senator to believe that the president is lying since it will destroy his reputation.

However, in analysing macro-processes the existence of multiple equilibria is the main advantage of the model, since it represents the complexity of socio-political interactions and the variety of outcomes. It enables us to consider several alternative paths of behaviour and to explain what exactly led the players to adopt a certain strategy.

Hence, a signalling game simulates simply, yet accurately, a very complex decision situation. By associating particular actions to a certain interpretation, it explains how these actions and certain outcomes are affected by information problems.

In modelling relations between collective players by a signalling game, we face even greater complexity. Since citizens and rulers as collective players are involved in bargaining or threat processes, they are reliable when they can carry out their threats or promises. This depends to a large extent on the level of coordination within a collective player which therefore indicates its reliability. For example, if citizens demonstrate a great mobilization ability, rulers will regard their threats as credible. Yet, since a collective player is composed of several sub-groups, they may send confusing signals complicating the information problem of the uninformed collective player. Thus, only a detailed process analysis can clearly explain all these complications.

Conclusion

This chapter established a theoretical starting point and an explanatory strategy for the analysis of constitutional change. It also developed a basic rationale for citizens to change their beliefs and raise political demands. Yet, even when citizens identify correlation between political rules and socio-economic outcomes, the high cost of political struggle may deter them from initiating it.

Thus, the theoretical questions to be discussed in the following chapters are: 1) How do citizens reach the focal point of identifying correlation between political rules and socio-economic outcomes? 2) How do citizens reduce the cost of political struggle and

increase the chances of success? 3) Why do rulers accept political demands?

Beginning in the next chapter these questions will be discussed in the context of empirical events: the socio-political processes in Poland during 1976-81. These processes included two events of constitutional change: 1) the August 1980 events and the Gdansk agreement; 2) the imposition of martial law in December 1981. The next chapter introduces the problem of constitutional change in the Polish context and establishes a framework to explain the Gdansk agreement.

CHAPTER 2 - THE PROBLEM OF CONSTITUTIONAL CHANGE IN THE AUGUST 1980 EVENTS IN POLAND

This chapter establishes a framework to explain the constitutional changes created by the Gdansk agreement on 31 August 1980. Resulting from intense social demands that agreement and subsequent events are considered by many as one of the accelerators of the transition processes in the East Europe. However, existing studies do not provide a comprehensive and analytical explanation of these events. This and the following chapters suggest such an explanation while also examining theoretical hypotheses concerning processes of constitutional change.

Processes of constitutional change which result from social demands challenge us with a two-sided theoretical problem. First, citizens raise political demands which bear high costs. Moreover, political changes are less likely than economic ones to directly benefit most citizens. Secondly, why should monopolistic rulers ever accept demands for constitutional changes?

This fundamental problem, which becomes even more acute in nondemocratic systems, characterizes the August 1980 conflict in Poland. Respectively, two questions are addressed: 1) Why did Polish workers demand constitutional rather than policy changes? 2) Why did rulers accept political demands despite their monopoly in most spheres of life?

To answer these questions I construct a framework in three stages. Section 2.1 models the stable 'initial state' as existed in Poland until 1976 by the 'basic' citizens-rulers game. It then demonstrates how Polish workers and rulers deviated from the expected

equilibrium behaviour in August 1980. In order to explain this, we have to present the deviation as equilibrium behaviour in a re-structured citizens-rulers game.

To locate possible structural changes in the 'basic' game, section 2.2 presents the whole set of players. Through a critical presentation of existing studies I analyze the interests and resources of institutional and social players as well as their possible influence on the main game. This is the basis for a detailed process analysis to be presented in the following chapters.

Section 2.3 develops a theoretical framework to explain the influence of social demands on the citizens-rulers game. By using strategies outside the existing set, citizens alter some of its parameters. I suggest a typology to identify the new game according to certain asymmetries. When citizens use non-violent out-of-equilibrium strategies, they transform the rulers' information set making them the uninformed player. Finally, I construct a workers-rulers signalling game as an hypothesis to explain the August 1980 events.

2.1 THE PROBLEM OF CONSTITUTIONAL CHANGE IN THE AUGUST 1980 CRISIS

This section models the stable 'initial state' in Poland by the 'basic' citizens-rulers game. Since in August 1980 Polish citizens and rulers deviated from the expected equilibrium behaviour, the process analysis will explain structural changes in this game between 1976 and 1980.

The 'Basic' Game Between Citizens and Rulers in Poland

In principle, all relations between citizens and rulers can be characterized by the existence of demand and supply mechanisms. Rulers supply the basic needs and fulfil some demands of citizens who, in return, accept the regime. As elaborated in the previous chapter, this is a necessary and sufficient condition for institutional stability. In that respect Poland was not exceptional (Garton Ash, 1983:7; Weydenthal, 1978:82). The rules of the game favoured the institutional players in terms of power, material payoffs and information. In return, membership in the Communist Party and obedience to the law created legitimacy for the regime (Lewis, 1989:10). In order to maintain that minimal level of cooperation Polish rulers sometimes accepted citizens' demands for improved living conditions or economic reforms.

So, although formally only citizens were dependent on rulers, all the players understood that a minimal level of citizens' economic demands must be supplied in order to keep the system stable and maintain the rulers' monopoly. Therefore, the first assumption in modelling citizens-rulers relations in Poland concerns the existence of demand and supply mechanisms which stabilized the institutional setting.

This analysis also enables us to characterize the mutual dependence of rules and individuals in Poland. In principle, the constitutional framework highly limited the available strategies to citizens to change either outcomes or rules. Yet, it did not dictate the citizens' behaviour as expressed in several events of illegal strikes and demonstrations. At the same time, the citizens' material payoffs were determined by policy changes such as price rises, wage increases or economic reforms. The political rules and the Party's monopoly only indirectly influenced citizens' payoffs. For example,

a reform program significantly improved the economic situation during 1971-74 while political rules remained unaltered.

Nevertheless, the political rules in Poland clearly favoured the Communist Party making it the monopolistic player in most spheres of life. Polish rulers directly benefitted from the political rules while barely being affected by policy changes. Since players are interested in material payoffs, **the second assumption** states that Polish citizens were primarily interested in policy changes while Polish rulers wanted to keep the political status quo.

From these two assumptions we can draw **the third assumption** concerning citizens-rulers relations in Poland. Since political demands directly threatened their monopoly and privileges, rulers were likely to respond decisively against citizens who raised them. Economic demands, however, were not so threatening and rulers could be more flexible. The strategy of raising political demands therefore bore higher costs than economic demands.

Another assumption concerns the players' attitudes towards risk. Basically, there is not any evidence that until 1980 either Polish citizens or rulers were willing to take risks (Garton Ash, 1983:38; Kemp-Welch, 1991:17). We assume that both players were risk-averse.

Thus, we can use the basic citizens-rulers game to model the 'initial state' in Poland (see also Ch. 1 - p. 38). Citizens who move first can raise economic or political demands solely or both economic and political demands. At the second stage, rulers may accept or reject all or part of the demands. There are eight possible outcomes to this game. Based on the criteria presented in p. 38-9, we order the players' preferences in Table 2.1.

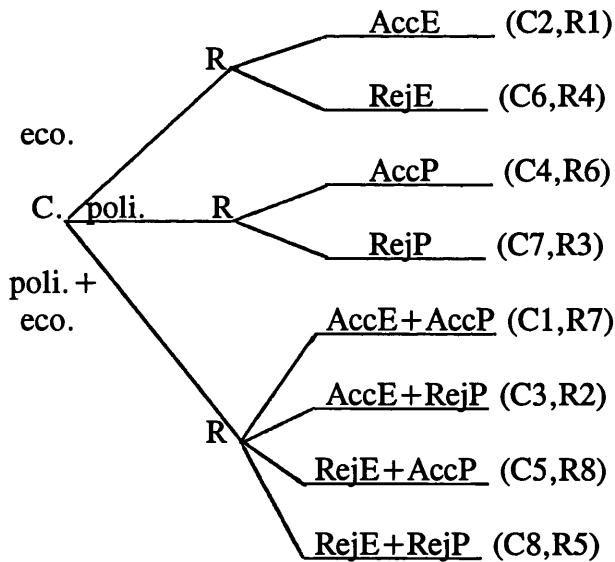
Table 2.1: Preference ordering of Polish citizens and rulers

Players:	Polish citizens	Polish rulers
most preferred	AccE+AccP (C1)	AccE (R1)
:	AccE (C2)	AccE+RejP (R2)
:	AccE+RejP (C3)	RejP (R3)
:	AccP (C4)	RejE (R4)
:	RejE+AccP (C5)	RejE+RejP (R5)
:	RejE (C6)	AccP (R6)
:	RejP (C7)	AccE+AccP (R7)
least preferred	RejE+RejP (C8)	RejE+AccP (R8)

[AccE - acceptance of economic demands; RejE - rejection of economic demands;
AccP - acceptance of political demands; RejP - rejection of political demands]

This preference ordering is modeled in an extensive form in Figure 2.1.

Figure 2.1: The Polish citizens-rulers game - the 'simple' extensive form



[C- citizens; R - rulers; eco. - economic demands; poli. - political demands;
Entries are preference ordering: (i,j)=(C,R) best - C1..C8 - worst ;
best - R1..R8 - worst]

To analyze this game, we use the concept of non-myopic equilibrium as presented in Chapter 1 (p. 40-1). Citizens move first attempting to anticipate the rulers' counter-moves. They observe that if they raise both economic and political demands, rulers will accept the economic and reject the political ones leading to the outcome (C3,R2). However, if citizens raise economic demands solely, rulers will accept them and lead to the outcome (C2,R1). Therefore, citizens prefer to raise only economic demands and rulers respond by partially accepting them. Rulers are expected to reject political demands. The outcome is a non-myopic equilibrium because citizens who move first cannot improve their payoffs in the long term by changing their strategy. Through constant bargaining over policy citizens achieve their economic interests in a low cost struggle yet rulers weaken their position against citizens.

This equilibrium characterized relations between Polish workers and Party leaders since the early 1960s. Workers raised only economic demands and rulers partially accepted them. Yet, rulers adopted various tactics to try to avoid accepting workers' demands. In December 1970, for example, when workers used strikes to demand the abolition of a price rise, rulers first attempted to suppress them. But, after a month of strikes they accepted the workers' demand. Those events also encouraged rulers to initiate a reform programme leading to economic growth during 1971-74 (Sanford, 1983:27; Weydenthal, 1978:123). It follows that the violent attempts against workers can be regarded as means to keep the rulers' deterrence ability whilst, in principle, they had an interest in satisfying workers. These events also demonstrate that accepting economic demands bears a certain cost for rulers.

Indeed, that compromise weakened rulers and when workers raised a similar demand in June 1976, rulers immediately accepted it. Furthermore, Party leaders started

decentralizing the Communist Party gradually changing the management structure in the economy (Lewis, 1989:68-71).

The rulers' strategy in dealing with political demands also corresponded to the expected equilibrium behaviour. It was expressed in March 1968 when students and intellectuals used violent strikes and demonstrations to demand freedom of publication and free speech. The possible reasons for the intellectuals' political activity will be explained later (p. 79-80). Yet, rulers did not recognize any change in society as a whole and violently suppressed the intellectuals.

Thus, citizens-rulers interactions prior to 1980 clearly demonstrated the advantages of equilibrium strategies in improving citizens' material payoffs while political demands proved to be completely inefficient. This stabilized the Polish institutional setting until 1980 and thus the game models the 'initial state' in Poland. Nevertheless, in August 1980 workers raised political demands deviating from the equilibrium behaviour. The rulers' response also did not correspond to the expected one. A full account of these events is presented in the following sub-section.

The Main Characteristics of The August 1980 Crisis and The Use of Out-of-Equilibrium Strategies

The August 1980 crisis developed in several stages. At first, following a food price rise in July 1980, workers protested using a non-violent strike. The authorities handled the protest at the local level through compensating wage increases. Hence, both workers and rulers followed the expected equilibrium behaviour.

However, the measures taken by the authorities calmed the situation only for a short

time. On 9 August 1980 Anna Walentynowicz, one of the worker activists in the Lenin Shipyard in Gdansk, was dismissed. The protest soon developed into a strike in the Shipyard beginning on 14 August. It was led and coordinated from the early stages by several worker activists headed by Lech Walesa. Their strategy was based on a sit-down strike inside the Shipyard followed by attempts to persuade workers in other enterprises to join in. At first, workers raised economic demands concentrating on a 2000 Zloty wage increase and family allowance rise (Garton Ash, 1983:39).

Basically, workers in the Lenin Shipyard were not enthusiastic about striking and inside reports show that most were interested in better standards of living rather than fundamental constitutional change (Ascherson, 1981:25). It was expressed in the agreement of the majority of strikers to accept the government's offer for a 1500 zloty wage increase. As a result many of the strikers left the Shipyard.

However, encouraged by Walesa and other activists the workers kept a hard core of about 1000 strikers inside the Shipyard. After two days the situation stabilized and the workers formed the Central Strike Committee. News about these events spread quickly through the information network which connected the factories. As a result the strike spread to the whole Baltic region from Szczecin to Elblag. On 18 August an 'Inter-Factory Strike Committee' (MKS) was formed in the Lenin Shipyard and all other workers accepted it as their representative. That committee added to the demands one political demand - to legalize independent trade unions (Garton Ash, 1983:40-41).

Hence, at the first stage of these events workers demonstrated that their major interest was in economic issues and were able to overcome the collective action problem. We can locate two sub-groups among the workers at this stage: (1) worker leaders who had an interest in coordinating workers and leading them towards political demands, and (2) the

mass of workers who were split over whether to cooperate with these efforts. Respectively, two questions are addressed: 1) What motivated worker leaders in their costly activity? 2) How was the coordination problem solved?

The authorities' response to the spreading strike was confused and uncoordinated. Several local managers tried to reach agreements with workers and the leadership lost control. For example, the Party journal reported:

"From 16 August Central Party activity was coordinated by comrade Stanislaw Kania...The chairman of the Council of Ministers had resigned and the government virtually ceased to function." (Kemp-Welch, 1991:20).

In a public speech the Party leader, Gierek, demonstrated a willingness to talk about economic issues but not about 'institutional matters'. The rulers also massively used disinformation tactics.

Indeed, rulers attempted to localize the strike and push the issues towards economic matters. They also tried to resolve them with rapid concessions and later - as workers' activities proved to be coordinated - to isolate the movement by a non-violent use of armed forces. In a meeting with local Party activists in Gdansk the actual leader, Kania, argued that the strike had raised fundamental problems for the state and had proved the necessity for 'agreement between the authorities and the nation, the Party and the class' (Kemp-Welch, 1991:20). So, at that phase of the events, rulers adopted equilibrium strategies. Workers raised economic demands and rulers felt they had to supply them.

However, the rulers were unsuccessful in their attempts to control the strikes. They soon recognized this as exemplified by the following report from the secretariat of the Gdansk Provincial Party Committee to the Central Committee of the Party (appeared in the Solidarity Strike Bulletin No. 4).

"The population is becoming increasingly convinced of the need for concrete discussion

with the MKS. New strike committees are being formed in the enterprises; and more institutions are declaring their solidarity with the MKS demands. The number of enterprises where money is being collected for the strikers is growing. The striking workers consider that changes must take place in the Party and in the government...Political work aimed at persuading the strikes to return to work is becoming increasingly difficult, because support among workers for the demands of the MKS is spreading...In general, Party members consider that it is necessary to put an end as swiftly as possible to this complex and dangerous situation." (MacDonald, 1981:45-46).

Indeed, encouraged by the mass support, a small group of worker leaders and intellectuals - the Strike Presidium - formulated on 19 August twenty one demands which would be the basis for the following negotiations. They were selected from hundreds put forward by the strike committees in the 400 enterprises. The main demands were: 1) To accept free trade unions, independent of the Party and employers. 2) To guarantee the right to strike. 3) To uphold freedom of expression and publication. 4) To release political prisoners. 5) To introduce the principle that people in leading positions are chosen on the basis of qualifications rather than Party membership. 6) To abolish privileges of the militia, security service and Party apparatus by equalising family allowances and closing special shops (Kemp-Welch, 1991:188-194). Other demands considered purely economic issues such as efficiency, wages, prices, food supply and other services.

At that stage workers deviated from the expected equilibrium behaviour. Instead of using the momentum to focus on economic demands they introduced to rulers both economic and political demands. Moreover, that initiative of worker leaders and intellectuals from Gdansk was widely supported by workers from the whole Baltic region. This faces us with one aspect of the problem of constitutional change: why did worker leaders raise political demands despite the high cost of that strategy and why did the mass of workers support those demands although they were mainly interested in economic

improvements?

The rulers' response also leaves us puzzled. Since the workers' actions directly threatened them, they were expected to immediately reject the political demands using violent means (see Figure 2.1). However, they adopted a completely different strategy and after a few attempts to achieve better negotiation conditions - such as the removal of Walesa - agreed to start negotiations on 23 August. This behaviour faces us with the second aspect of the problem of constitutional change: why did rulers agree to start negotiations giving legitimacy to workers' political demands and weakening their own position?

Furthermore, while we could expect the sides to use the momentum of the negotiations to return the crisis to its rational course, they stuck to their out-of-equilibrium strategies. Workers who could push towards major economic concessions concentrated on the demand to legalize free and independent trade unions whilst rulers followed the agenda set by worker leaders. Moreover, while rulers could buy the workers' cooperation by economic concessions, or alternatively suppress the strikes, they accepted most of the workers' political demands. Indeed, in the Gdansk agreement the workers achieved political concessions but no real policy changes while the rulers lost a great deal in terms of power, monopoly and control over workers.

The events of August 1980 face us with a domestic theoretical problem and several questions concerning the players' behaviour. Although fundamental ones, these questions have not been so far systematically explained by students of Polish politics. They either concentrate on historical developments overriding the crucial questions or provide journalistic descriptions. As I demonstrate in the next section, they lack a theoretical framework for specifying questions and providing causal or at least probabilistic

explanations.

The explanatory strategy of this study works by analysing structural changes that preceded a certain event of constitutional change - i.e. socio-political processes during 1976-80 in Poland. This enables to re-structure the initial citizens-rulers game and explain the Gdansk agreement as the equilibrium outcome of the new game. In order to analyze such structural changes, we first present the players and their interests.

2.2 THE PLAYERS IN THE POLISH SCENE

In this section I introduce the whole set of players in the Polish scene through a critical presentation of existing studies. In identifying the players, we do not adopt an historical-sociological approach which neglects the strategic role of individuals in the interactions between organizations. Nor do we concentrate only on the strategic aspects of individual behaviour (Colomer, 1991). Rather, since the players' resources, interests and the available strategies are influenced by 'sociological' factors such as the players' formal position in the system, we combine the two approaches while keeping the individual as our unit of analysis. We first present a 'sociological' identification of the players specifying their interests and resources. This enables to explain how the players' strategic orientations and preferences in a particular context were shaped through structural changes.

Following the basic distinction between 'rulers' and 'citizens' as collective players, the analysis specifies the institutional and social sub-groups which can be regarded as unitary players.

Institutional Players - Rulers

The Communist Party was the dominant institutional player with a strong monopoly in most spheres of life. Its wide spectrum of activity created a heterogeneous structure of interests dividing the Party into three groups: the Party elite, mid-level Party members and low-level Party members (Sanford, 1983:86). The Party elite included a small group of decision makers - mainly politburo members. Within this group the Party leader had most of the authorities and strategic advantages.

Since all Party members directly benefitted from the strong monopoly of the Party, they had a fundamental interest in defending it. Yet, due to their different position in the hierarchy of power, mid-level Party members developed different interests than those of Party leaders. They constituted a different institutional group.

Nevertheless, mid-level Party members had similar interests and good coordination with low-level Party members (grassroots). These two groups will be analyzed as one institutional group as long as further divisions are not observed. Composing the broad bureaucratic stratum - estimated to be around 1-1.5 million people - mid-level Party members held the major positions at most levels and arenas of the state's organizations (*LFOEE*, 4(4-6):55).

The political activity of mid-level bureaucrats was channelled through the Provincial Party Committees. Lewis (1987:29-35) describes a decentralization process between 1976-80 through which these committees were authorized to independently frame and implement policy. That increased their power weakening the leadership's control. Lewis later explains intra-party conflicts as the result of the decentralization of power. This explanation underlines the disadvantages of historical approaches since it presents

decentralization as a cause of conflict simply because the former happened before the latter.

The view that the decentralization process directly led to conflict is based on the assumption that the Party leadership and mid-level bureaucrats were involved in a zero-sum game over power. In such a game one player's gain is the other's loss. But, since these two groups had a monopoly in most spheres of life, the coordination between them was based upon mutual advantage within a positive-sum game. They could, for example, increase their gains by reducing society's welfare.

Thus, a monopolistic Party may be decentralized yet still unite in defending its interests. Decentralization does not cause conflicts. I argue in Chapter 4 that the decentralization process created a situation in which these groups were connected to society by different games. Therefore, social demands created discoordination and conflicts between them. In other words, decentralization created a potential for Party discoordination but the social activity caused it. If society had remained passive, mid-level Party members would not have had any incentives to increase Party discoordination.

Another central institutional player in August 1980 was the Polish army. The military elite and officers in Poland were very politicized (Sanford, 1986:77). Most officers went through an intense communist education and hence Polish military elite was generally loyal to the Party. Moreover, since until the mid-1970s the military elite and officers directly benefitted from the Party's monopoly, they had a clear interest in cooperating with the Party leaders in defending it.

In the August 1980 crisis, however, the military elite used its pivotal position in the system to object to any violent action against workers. This weakened the Party leaders enabling the political collaborators of the military elite to move to a controlling position

in the politburo. That phase of the crisis has been almost unexplained by existing studies. In Chapter 4 I argue that due to several structural changes during the 1970s, the military elite developed independent sources of power and political autonomy in the system. Therefore, the relevant question regarding its behaviour is not why it refused to use violence but, rather, why it should have defended the Party's interests at all.

All these institutional groups were influenced in their calculations by the Soviet Union. As explained in the Introduction (p. 24-6), although an important external factor, the Soviet Union did not play an active role in the internal processes in Poland. It mainly influenced the players' available strategies and within certain parameters they had reasonable freedom of action. Thus, the Soviet Union is to be regarded as an external influence on individuals' beliefs and strategies.

Social Players - Citizens

The collective social player in Poland was composed of four main groups - industrial workers, peasants, intellectuals and the active members of the Roman Catholic Church - bishops, priests and brothers. Since disaggregating society to all its constituent elements is not realistically possible, I assume at this stage that these four groups can be regarded as unitary actors. When further sub-divisions are relevant for the explanation I also consider them.

In principle, a social group is regarded as a unitary actor when there is a similarity of interests and goals or organizational mechanisms which guarantee internal coordination (Ch. 1 - p. 34-5). Both of these made the members of the Roman Catholic Church a unitary social player. Independently of the state Church leaders controlled many financial

resources and publications and were highly influential most of the time (Zielonka, 1989:36-40). However, Church leaders acted mainly as mediators in several crises strengthening their position through this role (Sanford, 1983:86). This was also expressed in the August 1980 crisis.

Beside their passive political attitudes, Church leaders played a central role in strengthening religious beliefs in Polish society. The existence of strong catholic beliefs among Poles is considered by many as a major cultural characteristic which created a sense of solidarity and enabled cooperation (Garton Ash, 1983:29; Sanford, 1986:14; Zielonka, 1989:35,39). Indeed, religious and cultural beliefs may affect individual behaviour but they do not fully determine it. Rather, individuals' actions are explained by their full cost-benefit calculations which may include religious and cultural beliefs. As exemplified in page 68, such calculations led most Polish workers to avoid participating in a political struggle at the early stages of the August 1980 events. In Chapter 3 I will explain social processes in Poland and the mediating role of Church leaders as the result of the actions of strategically calculating individuals.

The second social group - peasants - was also characterized by passive attitudes. As explained in page 27, they mainly tried to advance their sectorial interests and most of the time acted separately towards the authorities. Nevertheless, influenced by social processes during 1976-80 peasants succeeded in creating a strong basis of power to achieve their sectorial interests through pressurizing the authorities.

Industrial workers were the dominant social player in the August 1980 crisis. Referring to the general characteristics of the workers' behaviour Staniszkis suggests the following observation.

"The fixation of symbols, so typical of workers' protest, favoured the emergence in their consciousness of an inflexibility that, in turn, reinforced their fundamentalist orientation.

The restricted code led also to the phenomenon of 'pseudo-articulation' that was evident in the workers' protest in the 1970s. Because they have difficulty articulating their demands the workers artificially reduced all their claims to the concrete language of wage demands." (Staniszakis, 1984:122).

Nevertheless, as explained by the 'basic' citizens-rulers game, this strategy of workers is the equilibrium behaviour of strategically calculating players under the conditions of the game: the rules, asymmetries in power relations and the problem of collective action. We may thus avoid psychological explanations and concentrate on structural conditions as well as actions of other players in explaining workers' behaviour.

One of these factors was the domestic crisis in the Polish economy. Since their economic conditions worsened during 1976-80, industrial workers desired improved standard of living (Sanford, 1986:13; Garton Ash, 1983:12). Indeed, some studies infer that the August 1980 crisis can be seen as a distribution crisis which characterized the 1970s. In this regard a typical historical explanation is as follows:

"The paradoxical situation [during the 1970s - S.M], expressed in highly impressionistic terms, was that while a section of the mutual working class was working like beasts in the 1970s, and while a small stratum had considerable privileges by any standards, the remaining two-thirds or so were locked in a Hobbesian war of all against all; they aspired to the most desirable second generation, white-collar occupations such as academics, journalists, engineers, foreign trade workers and the like either for themselves or their children, at the very time that opportunities were beginning to dry up...In sum there was a distribution crisis in the 1970s over access to desirable posts and consumer goods and a total absence of accepted criteria for the distribution of scare resources." (Sanford, 1986:13-14).

Yet, this background is put forward not in order to explain workers' behaviour but, rather, the elite behaviour. As Sanford continues:

"But the crucial factor [in the August 1980 crisis - S.M] was that the relatively weak post-1956 Polish state could barely succeed in balancing between social groups. It had great difficulty in maintaining ideological favour and political loyalty even within the Party membership. Polish society was never properly disciplined, let alone socialized into communist values and ways of doing things. Hence it remained fairly autonomous and family-based." (Sanford, 1986:14).

These arguments illuminate the problems of historical approaches in explaining events in general and the August 1980 crisis in particular. They provide a background but fail to explain the causal mechanism of a particular event. By this they help addressing questions rather than provide answers.

In this respect Sanford's arguments raise three questions. First, considering the fact that the above citations are almost the only place where social factors are considered, it is not clear which groups were in a Hobbesian conflict. Furthermore, if social groups were in a Hobbesian conflict how did society remain autonomous and coordinated? In fact, however, the distribution conflict in Poland concerned social and institutional groups leading social players to coordinate their moves against the authorities.

Secondly, it is not clear how the elite was directly affected by a lack of balance between social groups and whether 'ideological favour' was such an important factor. According to my account, citizens-rulers relations are based on demand and supply mechanisms rather than ideological inclinations. Moreover, a lack of balance between social groups often enables strategic rulers to manipulate and control citizens and thus it is not necessarily a source of weakness.

Thirdly, neither Sanford or any one else explains the mechanism through which these social attitudes were transformed into mass movement of workers raising political demands. For example, why did workers desire free press when their material ambitions could be achieved much more easily? In Chapter 3 I will argue that this dynamic was strongly encouraged by the activity of Polish intellectuals - the fourth social group.

When defining Polish intellectuals as a social group we refer to academic scholars, students and artists but not to academically educated bureaucrats who are sometimes considered as a part of the intelligentsia (Sanford, 1983:35; Lewis, 1989:83). Polish

intellectuals acted in August 1980 as coordinators of the workers' protest and advisers to worker leaders.

Sociological studies, in general, tend to explain intellectuals' behaviour according to their role in society. Lipset and Basu (1976), for example, suggest a typology, based on psychological parameters, of four types of intellectuals - a 'gatekeeper' whose role is guiding society towards new directions; a 'preserver' who concentrates on preserving the existing value system; a 'moralist' who expresses this value system; and a 'caretaker' who plays a role within the state's organizations. Others suggest narrower role-definitions (for example: Shils, 1969).

In the terms of this typology, Polish intellectuals who changed social attitudes and beliefs during 1976-80 may be regarded as gatekeepers. A similar classification, though less systematic, is suggested by students of Polish society. David Ost, for example, describes Polish intellectuals as trying to build a better society and analyzes their behaviour as value-oriented. He says:

"A state socialist system gives us a civil society centred on the state. Instead of the market's selecting which voices are heard in the public sphere, the Party decides. For those who seek extensive citizen participation in politics, for advocates of 'permanently open democracy', neither system is the answer. Statist and market principles both appear as a constraint on public freedom." (Ost, 1990:30).

This account implies that Polish intellectuals, and also worker leaders according to Ost (1990:31), regarded democratic mechanisms as ends in themselves rather than mere means to an end. Furthermore, Ost suggests that Polish intellectuals were motivated by public rather than private goals. My assumption is that, much the same as other players, intellectuals are motivated by self-interest and act instrumentally to improve their payoffs. In principle, Polish intellectuals were interested in free speech and publication as a necessary means to fulfil their private goals of playing an independent role in the cultural

and social life. They wanted to open the system in order to freely trade their intellectual skills and thus achieve their private payoffs. A detailed analysis of these processes will be presented in the next chapter which will also differentiate between intellectuals and worker leaders.

Thus, during 1976-80 several processes and structural changes transformed the interests of Polish rulers and citizens and created asymmetries and divisions. These will be analyzed in detail in the following chapters. Yet, the dynamic of August 1980 as described earlier also demonstrates a more general mechanism of change in citizens-rulers relations. This is explained in the next section.

2.3 SOCIAL DEMANDS AND THE TRANSFORMATION OF THE CITIZENS-RULERS GAME

This section develops a theoretical framework which explains how citizens' out-of-equilibrium strategies transform the citizens-rulers game. Then, the section introduces a citizens-rulers signalling game as an hypothesis to explain the players' behaviour in August 1980.

Social Players, Political Processes and Transformations of The Citizens-Rulers Connecting Game - A Theoretical Discussion

The following discussion deals with an aspect of the socio-political process which is often neglected by new institutionalist studies. They usually concentrate on strategies to change

the rules of the game disregarding the possibility that individuals may also try to change other parameters. Indeed, the rational choice and new institutionalist literature considers the possibility that parameters such as the players' information sets or their utility functions may alter (Ostrom, 1994). Nevertheless, since such transformations are not explained as the result of intentional actions but rather regarded as given, this approach only enables us to note the changes in utility functions or the information sets and re-structure the model accordingly. I argue that in order to correctly model a new preference ordering or other structural changes in the decision situation, they must be first explained as the result of intentional actions of strategic players. Otherwise, we may misinterpret the changes in the decision situation. As explained in Chapter 1 (p. 51), this constitutes a dynamic approach. Therefore, we have to specify what actions change each parameter of a game.

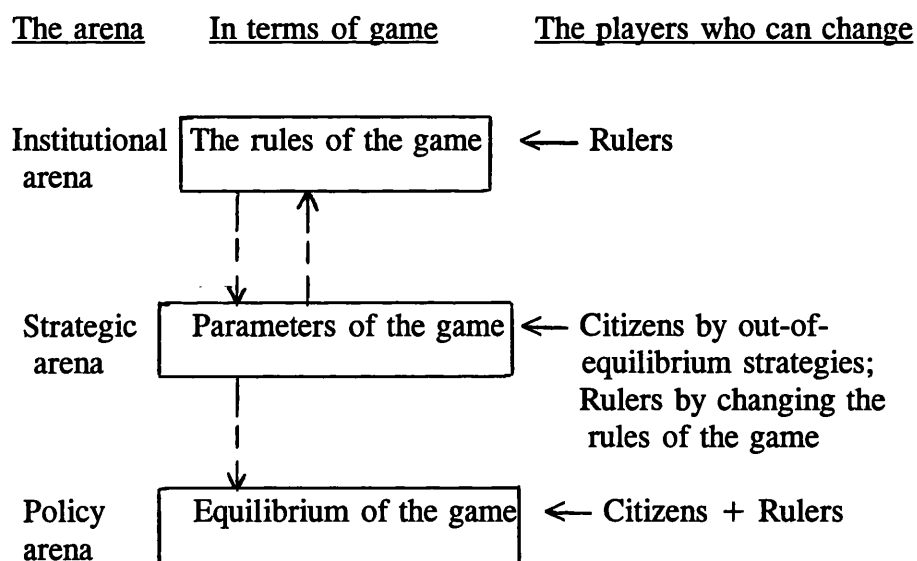
We may begin the analysis by introducing again the framework for institutional analysis developed by Kiser and Ostrom (1982). As presented in Chapter 1 (p. 33), it includes three levels of analysis: the operational level, the 'collective choice' level and the 'constitutional level'. Based on this, I suggested a distinction between rulers who have a pivotal role at the constitutional level and citizens who act at the first two levels.

According to this framework, actions at the constitutional level are targeted at changing the fundamental rules of the game; actions at the collective choice level are intended to alter the equilibrium of the game by changing policy regulations; and actions at the operational level attempt to change the equilibrium of the game simply by manoeuvring within the given rules and regulations. It follows that actions at one of these three levels actually intend to alter either rules of the game or its equilibrium.

Nevertheless, in interactions between citizens and rulers other aspects of the decision

situation may be changed while the rules of the game remain unaltered. To explain this dynamic we use the concept of a citizens-rulers connecting game. It represents three arenas of political processes: the policy arena - expressed in the equilibrium of the game under given rules; the 'strategic' arena - expressed in the parameters of the game; and the constitutional arena - expressed in the fundamental rules of the game. Only the policy and constitutional arenas are represented in the framework of Kiser and Ostrom. The 'strategic' arena is often neglected. This structure is schematically presented in Figure 2.2.

Figure 2.2: Three arenas of the citizens-rulers connecting game



Political processes most of the time take place at the policy arena. Citizens and rulers play under certain conditions which are expressed in their utility functions and information sets (the parameters of the game), and under certain rules of game. Both citizens and rulers can influence the outcomes paying the lowest cost. Only rulers have the strategy of changing the rules of the game. Citizens have to choose between several

means to raise economic demands, but raising political demands is not part of their set of strategies. So, why do citizens transform the game into the strategic arena?

In principle, as elaborated in the first chapter (p. 45), citizens may reach the conclusion that in order to improve their material payoffs they need to change the political rules of the game. Since citizens cannot directly change rules, by raising political demands they adopt out-of-equilibrium strategies intentionally transforming the game from the policy arena into the strategic arena. They change the players' environment in the connecting game without changing the rules of the game. Since the environment is changed, certain parameters of the game are also altered and rulers face a new strategic situation where they have to reconsider their whole set of strategies rather than choosing from a given set. To identify the type of the new game I suggest the following typology.

Table 2.2: A typology of games and the ways they are used

<u>The object of the game</u>		
	Policy (cooperative games)	Political rules (noncooperative games)
Asymmetric strategies	1) Models of electoral competition and bargaining models	3) Games with incomplete information: continuous signalling games
Symmetric strategies	2) Decision making in committees	4) Games with complete information: prisoners' dilemma, chicken game, assurance game

This typology uses two parameters for identifying the game that best fits certain citizens-rulers relations: the object of the game and the structure of players' strategies. The object of the game - policy changes or political rules - is used to identify whether the players are involved in a cooperative or noncooperative game. Conflicts over policy,

where the fundamental rules are not challenged, are analyzed by cooperative games while constitutional conflicts are analyzed by noncooperative games. Nevertheless, in order to be more accurate, I suggest another parameter - the structure of strategies in the game.

Due to different resources and interests, the relations between citizens and rulers are most of the time characterized by asymmetric strategies. In that instance demands over policy under democratic rules are analyzed by several cooperative models of electoral competition and agenda setting (Downs, 1957; Austen-Smith, 1983; Riker, 1982). Processes outside of electoral competition, including demands over policy in nondemocratic regimes, I suggest, may be analyzed by bargaining models.

However, when citizens raise political demands they transform the citizens-rulers game into a noncooperative one. Its specific type depends on the new structure of strategies. Citizens may transform the power relations between them and rulers by organizing armed forces. They thus create, as the fourth category shows, symmetry between them and rulers. This clearly indicates to rulers that citizens' utility function was altered and that they intend to challenge the constitutional framework. Therefore, such situations are analyzed by symmetric noncooperative games with complete information such as the prisoners' dilemma or chicken game. This applies to civil wars, revolt and revolutions.

Nevertheless, when neither the rules of the game nor the basic asymmetry of physical power alter and, still, the game itself is transformed we use, as the third category shows, noncooperative games with incomplete information. While violent strategies clearly indicate to rulers the new structure of citizens' preferences, non-violent out-of-equilibrium strategies leave them puzzled. They do not have a clear indication how far citizens are willing to go with their political struggle. In other words, even if rulers have a general idea about the reasons that enabled citizens to initiate a political struggle, they do not

have accurate information about their preferences. In this case rulers face an action-response process with incomplete information which is analyzed by a signalling game.

It should be emphasized at this point that the fact that rulers face a new game when citizens raise political demands does not by itself explain outcomes. Rather, it means that stages of a certain event should be modeled by different games. For example, if in a signalling game an uninformed player has a dominant strategy, he will adopt that strategy regardless of the information set. In such a case the player's preferences, rather than the information parameter, explain his behaviour. Similarly, if an uninformed player correctly interprets signals, the fact of incomplete information does not explain the outcome.

This framework provides theoretical criteria to locate possible changes in the basic citizens-rulers game as modelled in Figure 2.1. For example, even if we do not have a clear empirical indication about the players' information sets, we may infer that non-violent mass collective action makes rulers the uninformed players. The following subsection presents a signalling game to analyze the second stage of the August 1980 crisis - that is, after political demands were raised leading rulers to start negotiations.

Political Demands and The Transformation of The Citizens-Rulers Game in The August 1980 Crisis - An Hypothesis

A signalling game is an action-response model. In principle, when applying it to the analysis of citizens-rulers relations, citizens who raise political demands are modelled as the informed player and rulers are modelled as the uninformed player. Citizens signal their intentions and preferences to rulers who have to interpret these signals before

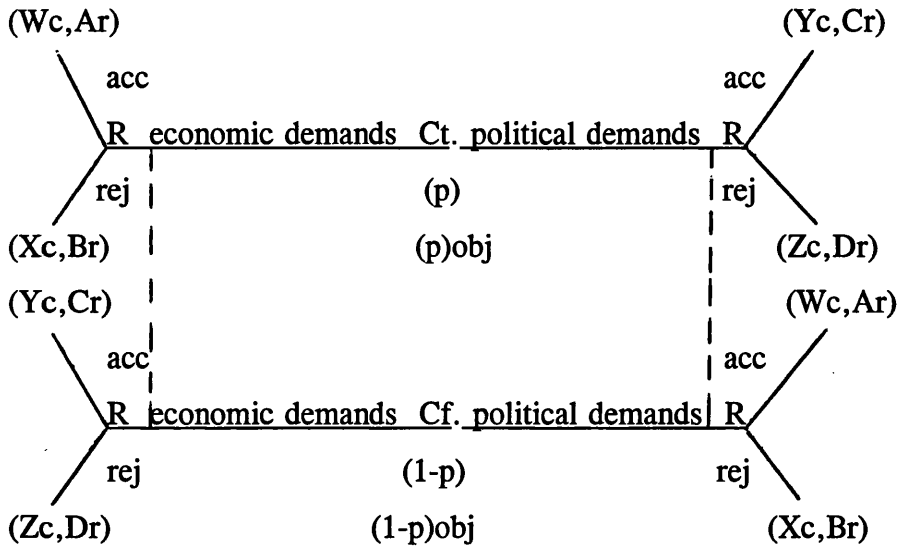
deciding on their actions.

Nevertheless, by raising both political and economic demands Polish workers further complicated the decision situation. Since rulers have different calculations in respect of economic and political demands, they have to estimate which component of workers' demands is dominant. Similarly, since Polish workers did not adopt a militant strategy, they were heading towards a solution by agreement where they had to compromise. Therefore, even though they mostly preferred full acceptance of their demands, they had to decide what kind of changes they wished to achieve - political or economic.

Following this decision workers had three possible signalling strategies. They could send true signals about political intentions, true economic signals or confusing signals. These were supposed to hide either political or economic intentions. Workers had to decide, while considering the rulers' preferences, what signalling strategy would lead to their best outcome.

These options are presented in the signalling game in Figure 2.3a as follows. The upper line in the figure represents a situation where workers send true signals - either political (the upper-right line) or economic (the upper-left line). The lower line represents a situation where workers send confusing signals in order to hide either their political intentions (the lower-right line) or their economic intentions (the lower-left line). The players' preferences in case of false signals are overturned as compared to the case of true signals. I now model the second stage of the August 1980 crisis in a general signalling game between workers (citizens) and Party leaders (rulers).

Figure 2.3a: A basic structure of the signalling game in the August 1980 events



[R - rulers; Ct - reliable citizens who send a true signal; Cf - unreliable citizens who send a false signal; acc - rulers agree to start negotiations; rej - rulers reject by suppression; p - the subjective probability assigned by rulers to Ct; (p)obj - the objective probability assigned to Ct; (1-p) - the subjective probability assigned by rulers to Cf; (1-p)obj - the objective probability assigned to Cf; Entries are preference ordering: (i,j)=(C,R)
i: Wc,Xc,Yc,Zc; j: Ar,Br,Cr,Dr; (no ordering at this stage)]

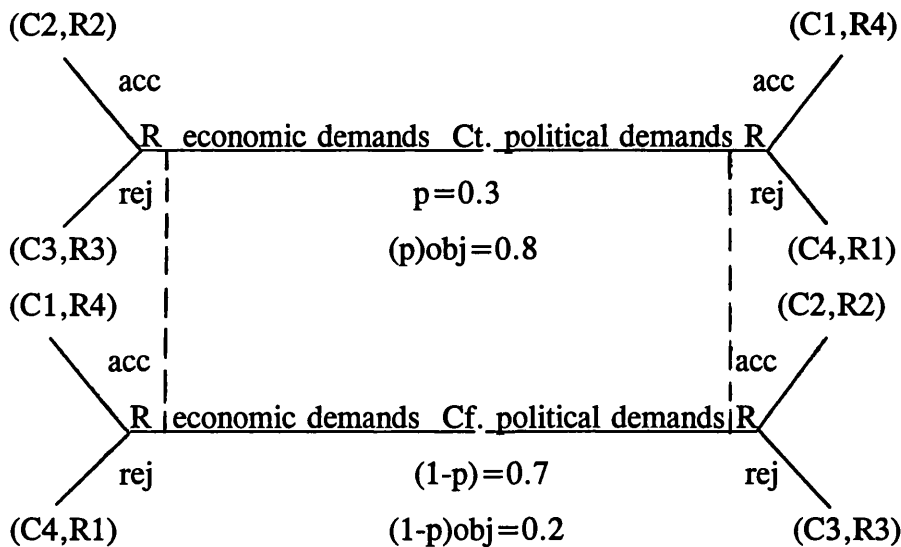
In this game workers first decide on whether to concentrate on economic issues or to insist on political demands. Following that decision they also decide on their signalling strategy. At the next stage, rulers who do not have complete information about the citizens' preferences interpret the signals based on their estimation of the workers' reliability. They then decide whether to start negotiations or to violently suppress workers. The players' preferences concerning the possible outcomes cannot be drawn from the empirical analysis as developed so far, since not all the structural influences on the players have been analyzed. Yet, based on this general structure we can suggest two possible lines of explanation.

First, it is possible that due to certain dynamics and processes the preferences of both citizens and rulers were significantly altered in a way that made raising political demands the citizens' dominant strategy and accepting these demands the rulers' dominant strategy. As explained, in this case the fact of incomplete information does not contribute much to the explanation. Secondly, it may be the case that the players' preferences were only partly altered, but that fact together with the problem of incomplete information significantly altered the decision situation. In the following analysis I discuss in some detail that second hypothesis.

The basic citizens-rulers game suggests that citizens are primarily interested in economic improvements while, due to the high cost of raising political demands, acceptance of such demands is a less preferred outcome. Nevertheless, in the previous chapter (p. 45) I explained that when citizens identify correlation between political rules and socio-economic outcomes, they may be interested in political changes. Let us assume at this stage that social processes prior to 1980 led workers to identify such correlation making acceptance of political demands the workers' most preferred outcome.

However, since we have not yet developed any rationale for rulers to change their preferences, let us assume that their preference ordering is identical to that presented in Table 2.1. The players' preference ordering is now presented in the context of the citizens-rulers signalling game as modeled in Figure 2.3a.

Figure 2.3b: The workers-rulers signalling game in the August 1980 crisis - a conditional utility function



[Entries are preference ordering: (i,j)=(C,R) best - C1...C4 - worse;
best - R1..R4 - worse; The measures attached to the probabilities are only illustrative]

In this game workers move first. Since their most preferred outcome is constitutional change, they decide to concentrate on political issues. Nevertheless, as strategic players workers observe that rulers are likely to reject political demands raised by reliable workers (the upper-right line). However, they observe that political demands raised by unreliable workers are likely to be accepted (the lower-right line). In practical terms it means that if workers raised both political and economic demands in a confusing way and rulers regard their political signals as false ones, rulers interpret the political demands as means to achieve, in negotiations, economic concessions. Since rulers prefer to accept economic demands rather than reject them, they are likely to agree to start negotiations assuming that they lead to the outcome (C2,R2).

It follows that workers have an interest in sending confusing signals and create an impression that their political signals were false. Indeed, the list of twenty one demands presented by worker leaders to rulers combined political and economic issues in a way that made it almost impossible to understand the relative importance of the economic and political demands. Furthermore, as was demonstrated earlier, through the events the mass of workers sent to rulers ambiguous and confusing signals about their intentions.

According to this hypothesis, rulers deviated from the expected equilibrium behaviour in August 1980 because they misinterpreted the workers' signals. In order to establish this we will have to show that while in reality workers were reliable in their political signals (for example: $(p)_{obj}=0.8$), rulers assigned low subjective probability to this (for example: $p=0.3$). Therefore, rulers interpreted workers' political demands as a means to press for economic concessions and saw negotiations as a way to reach a compromise over economic issues. Yet, the hypothesis proceeds, since workers gave reliable political signals, the game was played according to the upper-right line and the actual outcome was (C1,R4). It meant that citizens had a superior bargaining position at the beginning of the negotiations.

This hypothesis concludes the framework to explain the Gdansk agreement. Based on it, the detailed process analysis is presented in Chapters 3-5.

Conclusion

The course of the August 1980 events demonstrates the problem of constitutional change. Since the characteristics of citizens-rulers relations in Poland corresponded to the 'basic' citizens-rulers game, citizens were supposed to raise economic demands and rulers to partially accept them. Nevertheless, in August 1980 both workers and Party leaders adopted out-of-equilibrium strategies expected to lead to sub-optimal outcomes.

In order to accurately model citizens-rulers dynamics I have developed a theoretical framework which correlates players' actions to certain arenas of the citizens-rulers game. I then suggested an hypothesis to explain the moves which led the players to start negotiations in the August 1980 events.

This hypothesis underlines three focal points which need further clarification. First, the dynamic which transformed the workers' interests into the political dimension may clarify their real interests and signals as well as their behaviour during the negotiations. This point will be discussed in the next chapter using models of collective action.

Secondly, the particular reasons that rulers misinterpreted the workers' signals need explanation. The changes in the rulers' decision situation and the citizens-rulers signalling game will be analyzed in Chapter 4. Thirdly, we should separately explain the players' behaviour and calculations during the negotiations. That is to say, why did rulers not break negotiations when they discovered that workers had been actually aimed at constitutional changes? The negotiations will be analyzed in Chapter 5 using a bargaining model under uncertainty.

CHAPTER 3 - THE SOCIAL GAMES IN AUGUST 1980: COLLECTIVE ACTION, SOCIAL ENTREPRENEURS AND SIGNALLING GAMES

The crisis of August 1980 in Poland developed as a result of growing social pressures which were influenced by the complex interactions in preceding years. This chapter will explain these social processes using models of collective action. It will also illuminate several theoretical aspects of the dynamics of collective action concentrating on the importance of belief change in such processes.

We can systematically explain social processes in Poland by considering three social groups as unitary players. First, a small group of intellectuals who were interested in political issues. Secondly, worker leaders in illegal independent unions. Thirdly, the mass of workers mainly interested in improving their standard of living. The games between these groups led to wide spread strikes demanding constitutional changes in August 1980. Rulers entered negotiations eventually accepting most of the demands. Nevertheless, the new political rules allowing open social activity did not give direct payoffs to most workers.

Two main questions are addressed: 1) Given that political issues mainly concerned the intellectuals, why were worker leaders interested in raising political demands? 2) How was the collective action problem solved and why did the mass of workers support the political demands?

The chapter answers these questions in three sections. Section 3.1 presents the coordination problem facing workers and intellectuals in August 1980. In order to accurately model it I discuss the problem of collective action in the context of game

theory. Among the possible solutions suggested in the literature I concentrate on the 'external' one - social entrepreneurs changing several parameters of the social game: beliefs, expectations and preferences.

Section 3.2 explains how the social game in Poland as well as the nature of the collective action problem were transformed during 1976-80. A small group of intellectuals - KOR members - coordinated wide spread social activity delivering political propaganda to workers. Aiming at a more open society in order to freely trade their intellectual skills, they provided workers with selective incentives to participate in social activity. These incentives directly benefitted the worker leaders but only partially changed the payoffs of the workers. Yet, the high level of coordination led workers to believe that a political struggle would not be too costly. The intense social activity also influenced the interests of the Catholic Church leaders who redefined their role in Polish society as mediators.

At the same time, political propaganda transformed the goals of the social activity into political ones making the workers unsure of the real interests of social entrepreneurs and of each other's preferences. As I explain in section 3.3, this transformed the collective action problem from a domestic coordination problem described by the prisoners' dilemma into an information problem modelled by a leaders-followers signalling game. Relying on their pivotal position, entrepreneurs build a reputation for reliability and manipulate workers towards a political struggle. Its particular characteristics are explained by another signalling game between informed social players and uninformed rulers. These two signalling games demonstrate the centrality of the information parameter in the dynamics of collective action.

3.1 CITIZENS' DEMANDS AND THE COLLECTIVE ACTION PROBLEM

This section presents the collective action problem facing Polish workers and intellectuals in August 1980 in terms of games. In principle, citizens' calculations in the social game are strongly influenced by their relations with rulers. As a starting point, these relations are modelled by the 'basic' citizens-rulers game meaning that citizens mainly want policy changes. There is, however, a sequential effect and social dynamics also influence the latter stages of the rulers' calculations as well as the citizens-rulers game.

Citizens' Demands in August 1980: From Economic to Political Issues

The direct reason for the workers' protest in Poland during the summer of 1980 was a food price rise in July 1980. That protest can be understood as stabilizing demand and supply mechanisms which exist in most authoritarian and communist states (Schopflin, 1993:140-2; Cammack et. al., 1988:56-8). As long as Polish workers directed their efforts towards economic improvements, their behaviour corresponded to the 'basic' citizens-rulers game.

Yet, the protest of the Polish workers in August 1980 had two unique characteristics. First, it developed in just a few days from localized economic demands into a nation-wide movement demanding far-reaching constitutional changes. Furthermore, it was quite an isolated event. Unlike the 1988-89 transition processes in the rest of East Europe, the Polish workers had no other events to imitate and their activity was not a part of a wider 'wave' of protest. There were no special events taking place in the international system and the Soviet Union firmly controlled the other communist states. Thus, external factors

cannot explain this escalation. Instead, we must look for explanation in the dynamics through which workers' economic demands were transformed into political ones. Secondly, in August 1980 the Polish workers used 'sit-down' strikes rather than taking to the streets. This strategy of directly threatening rulers without first increasing physical power seems paradoxical.

The nature of the workers' protest in August 1980 was strongly influenced by the social activity in preceding years. During 1976-80 independently of the state Polish society was transformed through the formation of social organizations, local trade unions, new channels of information and alternative forms of education. These activities created a cadre of local worker leaders. At the national level they were coordinated by a small group of intellectuals (KOR).

Nevertheless, the events of August 1980 were neither planned nor deliberately initiated by those activists who believed society was not ready for a high-cost struggle. Anna Walentynowicz, of the Free Trade Union of the Coast in Gdansk, thought the July strikes could not be used to raise further demands:

"....even we thought there was little prospect of doing the same [like the July strikes - S.M.]. Shipyard workers were still too frightened. We anticipated at least two more years of persecution before society at large would be ready to act." (Kemp-Welch, 1991:17).

Garton Ash (1983:38) reports Jacek Kuron meeting with 'Free Trade Union of the Coast' activists in early August in which all were pessimistic about the chances of a strike taking off at all at the Lenin yard.

In fact, the decision to strike was somehow forced on workers by the dismissal of Anna Walentynowicz on 9 August 1980. It triggered spontaneous protest yet, as described in Chapter 2 (p. 68), worker activists, headed by Lech Walesa, faced a domestic coordination problem. Most of the workers were primarily interested in a better standard

of living and were not willing to risk a conflict over political issues. However, the coordination problem was solved and worker leaders raised political demands likely to escalate the conflict. Furthermore, after those political demands had been formulated, local workers were persuaded to pressurize local Party officials (MacDonald, 1981:45-46). In response Party leaders agreed to open negotiations.

That course of events raises three questions: 1) How did the initial dynamics of collective action develop? 2) What were the interests and motivations of the worker leaders and intellectuals in formulating political demands? 3) Why did the workers support those political demands and participated in mass collective action?

To answer these questions, I first present the problem of collective action in terms of games. In the next sections, I will analyze the social games in Poland whilst introducing several theoretical arguments concerning dynamics of collective action.

The Problem of Collective Action and Primary Solutions -

A Theoretical Discussion

The participation of individuals in social and political life is a central issue of interest for political scientists. Yet, unlike traditional approaches which focus on the function of participation in amalgamating society or on its contribution to individuals' self-esteem, public choice models concentrate on the mechanisms of collective action.

Assuming that individuals follow their cost-benefit calculations in order to achieve their private goals, participation in collective efforts to provide public goods can be beneficial for them. Yet, when there is neither a binding agreement nor coordination mechanisms, individuals will prefer not to pay the cost of participation and to benefit from the outcome

(Olson, 1965:13-14). Under these conditions a collective action problem is likely to emerge.

This problem also characterizes processes of constitutional change. Since rulers change rules only if the status quo is too costly for them, a coordinated social effort which increases that cost is crucial for achieving any change. Yet, since both new policy and new political rules are public goods, an individual may benefit from them without participating in the collective efforts which brought them about. It follows that whenever individuals want to improve their socio-economic outcomes a collective action problem may arise.

The particular type of a collective action problem and the game that best describes it differ according to the particular empirical situation. Among many possible models public choice literature concentrates on prisoners' dilemma, chicken games and assurance games (Taylor, 1987; Hardin, 1982; Chong, 1991:6). A prisoners' dilemma describes a situation with neither binding agreement nor communication and an individual prefers to defect regardless of what the others do. That decision situation is described by the following matrix.

Figure 3.1: A simple prisoners' dilemma

		Group	
		C	D
Individual	C	b-c	-c
	D	b	0

[C - cooperation; D - defection; Entries are payoffs of the individual: b - benefits from the public good; c - cost of participation]

In this game a self-interested individual can benefit more from mutual cooperation than from mutual defection ($b > c$). Yet, under the given conditions he tries to minimize the risk of losing everything and prefers to defect. Thus, an individual who follows the Nash solution concept has a dominant strategy of defection. When all individuals follow this rationale, collective action is unlikely to emerge and the desired public good will not be supplied. This means a unique Nash equilibrium with sub-optimal outcomes.

This model accurately describes social relations in Poland prior to 1976. Most Polish workers were not willing to pay the cost of a struggle which could have improved economic conditions but were ready to enjoy the outcome. As was expressed by the low participation in several protest events (Zuzowski, 1992:47-49), the social game in Poland was characterized until 1976 by a free-riding problem.

Public choice literature suggests several rationales to explain cooperative solutions to collective action problems. Taylor suggests that there are two types of solutions: 'internal' solutions that do not involve changing the payoff structure of the prisoners' dilemma and 'external' solutions that work by changing individual preferences and expectations (Taylor, 1987:22).

An internal factor which may explain cooperation under the conditions of a prisoners' dilemma is the fact that social players are involved in an open-ended n-person continuous prisoners' dilemma super-game (Taylor, 1987; Axelrod, 1984). When players in such a game adopt a tit-for-tat strategy in which each player starts with cooperation and continues to cooperate as long as the others do, mutual cooperation will evolve if the players do not discount future payoffs too much. In other words, when players do not know when the game will end, they calculate their moves to the long term and attach a certain value to future payoffs for cooperating in the present.

A similar effect of uncertainty is created by the fact of incomplete information (Kreps et. al., 1982). Cooperation may therefore emerge also when the game is finite but the players have incomplete information. Similarly, Kreps and Wilson (1982) explain why in a finite prisoners' dilemma with incomplete information, much the same as in an infinite prisoners' dilemma with complete information, players pay significant attention to reputation as a major source of power. The characteristic of incomplete information will be explicitly modelled later in the analysis.

Nevertheless, Fudenberg and Maskin (1986) prove by a formal model of the Folk Theorem that under the above conditions of the prisoners' dilemma super-game there is an indefinite number of possible equilibria. Therefore, the tit-for-tat strategy or the fact of incomplete information explain how different outcomes in addition to mutual defection are possible, but in order to explain a particular outcome we need to specify more parameters.

Cooperation may be also explained by the group size as an internal factor (Olson, 1965:53-5; Ostrom, 1990; Chong, 1991:41). In a small group where the contribution of each individual is more apparent than in large groups, factors such as social pressure play a major role. Furthermore, since large groups are composed of small sub-groups, we can use the parameter of social pressure also to explain some forms of mass collective action (Dowding, 1994). Thus, another criterion that may explain cooperation in a large group is a high degree of internal interactions within it.

While internal solutions are not supposed to lead by themselves to spontaneous collective action, external solutions explain particular outcomes. The set of external solutions assumes the existence of a third party - the government or social entrepreneurs - who are able to change either the payoffs associated with each strategy or the players'

expectations (Taylor, 1987:22-3). Indeed, I argue that the collective action problem in Poland was solved due to the activity of social entrepreneurs and can be explained by their interests. Before analysing that process, several theoretical aspects of entrepreneurs' activity need explanation.

Dennis Chong (1991:104) suggests that the first step towards the solution of a collective action problem is a transformation of the payoff matrix which represents the situation of the prisoners' dilemma into an assurance game. Political entrepreneurs provide 'selective social and expressive benefits' to achieve this.

"In order to coax an individual to cooperate under these more difficult conditions [of the prisoners' dilemma - S.M], it is necessary to provide him with an added inducement to participate over and above the benefits he will receive from the public good itself. Selective incentives are private benefits that can be enjoyed only by those who cooperate; therefore cooperators are rewarded with these additional benefits, whereas noncooperators are denied them." (Chong, 1991:31).

Such alternative incentives or by-products may be material (Olson, 1965:60), social or psychological ones (Chong, 1991:32). The transformed game is presented by the following matrix.

Figure 3.2: A simple assurance game

		Group	
		C	D
Individual	C	$b + b' - c$	$-c$
	D	b	0

[Entries are payoffs of the individual: c - cost of participation; b - benefits from the public good; b' - benefits from the selective incentives; C - cooperation; D - defection]

In this game an individual will participate if the rest of the group does. If all the others

do not participate, he will not. When we assume symmetric individuals, the players have no dominant strategies and, therefore, multiple equilibria are possible. Since formally no communication exists, they will all either cooperate or defect.

Another external solution may be transforming the prisoners' dilemma into an n-person chicken game by fixing a number of required participants for the supply of a certain public good. Then, a decisive player faces a situation where he prefers to cooperate if the others defect and to defect if someone else carries out the task (Taylor, 1987:45-8).

Thus, although the free rider problem may be solved by providing selective incentives or by changing the structure of the game, the players in an assurance or chicken game face a coordination problem. Its specific type may vary according to the characteristics of the empirical situation. Yet, any solution necessitates the involvement of social entrepreneurs.

Social entrepreneurs have several coordination strategies. They may create for example a 'tipping' phenomenon by demonstrating their preferences and their willingness to take risks thereby leading others to join in. Indeed, this rationale helps to explain participation in collective action in Spain during the 1970s (Colomer, 1995:29-32), in the American Civil Rights Movement (Chong, 1991:117-8) and during the 1988-89 transition processes in East Europe. However, in order to explain the nature of collective action and the outcomes of given events, we need to give a more detailed account of the entrepreneurs' coordination strategies and interests.

The common method used by entrepreneurs to coordinate continual collective action is establishing a demand and supply mechanism between them and their followers (Chong, 1991:162-170). That is to say, in order to maintain mass participation, social leaders need to supply some demands. Otherwise, support will decline and the mass movement will

lose momentum.

Yet, coordinating mass collective action over policy issues significantly differs from coordinating a political struggle. Since most individuals are interested in improving their material payoffs, they are likely to support the first type (see Ch. 1 - p. 36-7). Then, the required coordination activity concerns mainly technical issues such as communicating and organizing the collective action. In fact, spontaneous collective action may evolve over economic issues in small and local groups. This rationale largely explains the local protests over price rise in Poland in 1970 and 1976.

However, since political rules do not fully determine the payoffs of most citizens, they do not intuitively understand how changing such rules will improve their socio-economic situation. When entrepreneurs want to change political rules not only material incentives or the creation of communication channels are required but also a significant change of the players' beliefs or preferences. Entrepreneurs need to persuade citizens that political changes will somehow benefit them. This raises a domestic problem of collective action.

In principle, it is difficult for entrepreneurs to directly change others' beliefs. Rather, preferences and beliefs are altered through a Bayesian learning process in which individuals constantly update their beliefs following their own experience and observations (Harsanyi, 1967). Therefore, when self-interested entrepreneurs change certain parameters of the situation, they structurally alter other individuals' preferences.

According to this account preference change results from the combination of internal and external factors. In the next sections I will argue that Polish intellectuals structurally altered the utility function of workers and created a situation with incomplete information for the mass of workers. Then, they and worker leaders used their pivotal position in the social signalling game to manipulate workers towards a political struggle.

3.2 SOCIAL ENTREPRENEURS AND THE TRANSFORMATIONS OF THE SOCIAL GAME IN POLAND DURING 1976-80

This section explains the transformation of the utility function of Polish workers during 1976-80. Students of Polish society tend to neglect the strategic role of individuals in these social processes or attribute to them social goals rather than private ones (Ost, 1991:3; Zielonka, 1989:75). Indeed, as Arato (1981:23) mentions "the participants themselves and their Western collaborators have characterized their struggle in terms of society against the state". Yet, in order to understand the internal mechanism of these social processes we need to analyze the individuals' calculations and their decision situation.

Intellectuals as Social Entrepreneurs in Poland

The process which transformed the social game in Poland started on 23 September 1976 when a small group of intellectuals formed an open dissent organization - the Workers' Defence Committee - or the KOR. The number of the core members, dominated by Jacek Kuron and Adam Michnik, never exceeded thirty-three (Lipski, 1984:15).

This small group of KOR members (henceforth: the intellectuals) coordinated the formation of independent social organizations and in August 1980 played an active role in pushing workers towards a political struggle. As expressed in KOR statements this was a high-cost activity due to constant harassment by the authorities (Raina, 1981:189,227,231). Why were the intellectuals interested in political changes and why were they willing to bear the high cost of leading a political struggle?

The activity of the intellectuals during 1976-80 was by no means disconnected from their previous experience as political dissidents in Poland. Prior to 1976 the intellectuals fought for free speech, free publication and other civil rights. However, the fact that they were interested in public goods which in principle do not materially benefit most citizens does not necessarily mean that they were motivated by social goals as several researchers argue (see Ch. 2 - p. 79). Rather, they were motivated by private goals.

As explained in the previous chapter (p. 79-80), intellectuals play several roles in society and their interests may vary accordingly. The following analysis does not try to explain why certain intellectuals choose particular roles, but, rather, takes that choice as given. In principle, there are two categories of intellectuals - those who choose to act in cooperation with the government or the regime and those who act independently and in many cases oppose the government. Intellectuals who belong to the second category are usually characterized as gatekeepers (Lipset and Basu, 1976). These intellectuals disproportionately benefit from open political rules. Their identity, reputation and position in society - i.e. their private goods - are strongly affected by their independence and their ability to circulate their ideas in the society in which they live. Therefore, gate-keeping intellectuals regard free speech and the right to publish as necessary instruments to maintain their private goods. We may infer that similarly to workers who spend policy changes such as wage increases to achieve private goods, intellectuals spend political reforms in order to accomplish their private goals. Why then did the small group of Polish intellectuals try to mobilize society to fight for these goals?

Basically, during the 1950s and 1960s the intellectuals were respectable members of the Polish academic community and enjoyed a certain degree of independence (Zuzowski, 1992:29-32). Yet, during the mid-1960s their favoured status started to change as the

authorities retreated from previous reforms. There was more censorship, abolition of independent discussion clubs and numerous periodicals were closed-down. This led to criticism of the communist system and dissident activity aimed at reforming communism.

At first, the intellectuals channelled their criticism through letters to the authorities. The most influential one was 'An open letter to the Party' in which Jacek Kuron and Karol Modzelewski delivered revolutionary messages in 1965 (Zuzowski, 1992:32). The rulers responded with arrests and harassment.

Nevertheless, that gradual process of harassment and the activists' revolutionary messages led in March 1968 to mass demonstrations and sit-down strikes in Polish universities demanding freedom of speech and the formation of an independent press. The rulers adopted the expected strategy and responded with violent suppression winning a total victory. No concessions or reforms followed but, rather, a harder line against intellectuals and students. Disillusionment with reforming communism ensued for the core members of the intelligentsia (Ascherson, 1992:225; Zuzowski, 1992:35).

That failure created two reasons for the intellectuals to expand their political struggle. First, as a result of the 1968 events a group of intellectuals and students lost their positions in society, their jobs or careers. Secondly, updating their beliefs and expectations by those events, the intellectuals understood that in order to achieve their political goals they would have to coordinate wide spread social activity.

Yet, Polish intellectuals and students did not immediately seek to ally themselves with other groups in society. It was expressed in the 1970 worker violent demonstrations when students refused calls from workers to join them (Laba, 1991:24-25). Indeed, some of the determined intellectuals were exiled and others were in prison - notably Kuron, Michnik and Modzelewski. But, the majority of Polish intellectuals simply were not

willing to pay the costs of participation. They did not take any measure of protest against the bloody suppression of the workers' revolt. Moreover, although the intellectual leaders were released from prison in the early 1970s, they did not initiate any organized dissent activity (Zuzowski, 1992:49; Laba, 1991:30). They did so only after discontent had been clearly signalled by workers in the 1976 strikes and demonstrations demanding the abolition of a price rise.

The 1976 events triggered the establishment of KOR and other student organizations. Such dissent organizations were not formed after the 1968 intellectual protest. These dynamics show that the intellectuals were not primarily motivated by social goals but, rather, followed initial trends from workers when it seemed helpful for their own purposes. Only after they recognized that there were good chances of success, they extended their activity to other groups in society. Thus, in their activity towards society KOR members intended to achieve political changes in order to improve their own payoffs.

The intellectuals had two main difficulties in initiating a wide-spread political struggle. First, they knew that under the conditions which existed in 1976 such a struggle would be highly costly and was unlikely to succeed. Secondly, workers were mainly interested in economic improvements rather than in political goals. Facing these bad starting conditions KOR members adopted a complex strategy which had three objectives. First, coordinating workers in order to create a momentum of social movement. Secondly, changing workers' beliefs in respect of political issues. Thirdly, due to the interests of rulers and workers, adopting a self-limiting strategy which included sending confusing and ambiguous signals to rulers. The following sub-section analyzes the first component of that strategy.

The Transformation of The Workers' Payoff Function

A basic condition for any further activity in Poland was increasing the level of coordination among social players . As KOR members explained in 1977:

"In the course of its activities the Workers Defence Committee has received appeals from many people who have also been suffering repressions and who are seeking aid in the fight for their rights. The Workers Defence Committee could not refuse to ally itself with such important social problems. It found various ways of doing so, among which was the forming of a Bureau of Intervention and the intention to create a Fund for Social Self-Defense." (Raina, 1981:183-4).

KOR members acted towards workers through two channels. First, they established an information network based on an independent newspaper - Robotnik - which was circulated in factories. That was followed by many other professional groups and by 1979 there were already more than thirty independent newspapers in Poland (Lipski, 1984:310). Secondly, KOR members encouraged the establishment of a large number of independent social organizations - workers' free trade unions in factories, students' organizations and free farmer unions. Through those organizations KOR also provided financial support to worker activists. This was the largest item on the KOR budget which was based on contributions from Polish individuals and organizations all over the world (Zuzowski, 1992:88-97). KOR also coordinated the establishment of discussion clubs and suggested alternative forms of education for youth and students.

Thus, in order to create a momentum of social movement, KOR members provided various selective incentives in form of positions in independent organizations which gave worker leaders power and control; material payoffs - through channels of mutual aid and alternative education; and social incentives in the sense of involvement in public life through discussion clubs and information network. In fact, the independent organizations

served as demand and supply mechanisms through which workers could raise demands and entrepreneurs could supply them.

Nevertheless, the impact of selective incentives on the players' payoff function may vary. In Poland, worker leaders had selective incentives in form of positions of power in free trade unions and material payoffs through significant financial support from KOR while the mass of workers mainly benefited in terms of alternative education and participation in discussion clubs. Since in the first case the payoffs were direct and immediate, worker leaders were willing to pay the cost of arrests and harassment. In the case of alternative education, however, the additional payoffs from cooperation were marginal compared to the expected cost of a political struggle. Therefore, when considering only the aspect of selective incentives, worker leaders had a stronger interest than had the mass of workers in transforming the conflict into a political one. Lech Walesa, for example, a central activist of the free trade union in Gdansk, was out of work since 1976 after participating in the June 1976 strike. Therefore, a central position in the free trade union was a significant selective incentive for him. Indeed, the free trade unions in factories were practically managed by the hard core of worker activists who had been dismissed earlier.

Furthermore, worker leaders also participated in formulating, publishing and distributing KOR political propaganda. That and the selective incentives they received changed their beliefs and preferences in respect of a political struggle. Moreover, even if few people participated in such a struggle, worker leaders expected non-material benefits in terms of social status and reputation. It follows that worker leaders had material and non-material incentives to lead a political struggle expecting to get private goods such as formal positions of power and material benefits. Their payoff function is

presented in Figure 3.3.

Figure 3.3: A payoff function of a worker leader (entrepreneur) concerning the option of leading a political struggle

		Workers	
		C	D
Entrepreneur	C	$b+b'-c$	$b'-c > 0$
	D	b	0

[Entries are payoffs of an entrepreneur: b - benefit from the public good; b' -material and non-material (social status, reputation) selective incentives; c - cost of struggle. C - participation in a political struggle. D - no participation in a political struggle.]

In this game the benefits of worker leaders from raising political demands are bigger than the cost of this activity regardless of the behaviour of the mass of workers (in case of workers' defection: $b'-c > 0$). In their game with society worker leaders, much the same as KOR members, had a dominant strategy of leading a political struggle. However, they preferred to achieve mass participation because then they expected bigger payoffs. It follows that social entrepreneurs had a strong interest in manipulating the mass of workers towards political issues.

The crucial role of worker leaders was expressed, for example, in the first stages of the August 1980 strike at the Lenin Shipyard in Gdansk. Since most workers were not enthusiastic about striking, Walesa and the strike committee accepted the management's offer for a 1500 Zloty pay rise (Garton Ash, 1983:41). However, as many strikers started to leave, the balance turned in favour of the radicals who were the younger worker activists. They demanded to continue the strike and were followed by Walesa who formed

an 'Inter-Factory Strike Committee'.

That dynamic was followed by a return of thousands of the Shipyard workers who had left and new demands were formulated. Hence, the particular type of collective action and the nature of the workers' demands developed due to the activity of the radical activists who signalled their intentions to workers. The young activists learned from their experience in previous years the power embodied in mass movement and estimated that a coordinated political struggle could succeed.

In fact, the radical tendencies of young activists are observed in many examples of collective action (Chong, 1991:131; Colomer, 1995:34-5). Their willingness to take risks is usually attributed to the fact that due to their age their future time horizons are much longer, or they have less to risk. They can benefit a lot in the long term from political changes.

Yet, the selective incentives which were provided to the mass of workers were not enough to transform their utility function. In principle, as demonstrated in Figure 3.2, a player prefers to cooperate if the additional payoffs from this are bigger than the cost ($b' > c$). But, as explained, the value of the selective incentives provided to Polish workers was much lower than the cost of participation. So, how was the collective action problem solved?

The solution had two main characteristics. First, the coordination and organization processes during 1976-80 reduced the expected cost of a political struggle. Secondly, worker leaders, using the fact that the mass of workers had incomplete information, manipulated them during August 1980 towards a political struggle. I discuss now the first component whilst analysing the second in the next section.

The need to reduce the expected cost of activity in order to solve the collective action

problem was clear to KOR members. It was expressed in their messages and guided them in adopting a non-violent strategy which bore a low risk of escalation. A representative example in this respect is 'An appeal to the nation' issued by the KOR in 1978.

"It is not much but sufficient to show that independent, organized, effective social action is possible. The larger the independent organization, the lesser the danger of its members being exposed to reprisals and the more effective their activity. It is imperative to be organized in order to defend one's rights. Only people who are organized can choose their real representatives." (Raina, 1981:228).

That intuitive understanding of KOR members can be explained by the following rationale. A collective action against the authorities has the characteristics of bargaining or threat processes. In such continuous action-response processes both sides have to take risks, to stand long processes and to have deterrence ability. I argue that the level of coordination in terms of organization mechanisms, information channels and common goals has a significant influence on the willingness of a collective player to bear a high-cost conflict. Coordinated social players know that they can rely on the support of their independent organizations. Therefore, even when no material incentives are provided, coordination makes them believe that the actual cost of conflict will not be so high.

Following this rationale, the level of coordination also influences the time preferences of the players. Highly coordinated social players can place continuous pressure upon rulers. From an analytical point of view, Rubinstein (1982) shows that in bargaining processes the player who starts the bargaining has a relative advantage and that long term activity (more patience) may lead to better results.

The level of coordination also influences the willingness to bear the risk of conflict. In bargaining models this willingness is calculated, for each player, by the ratio of the cost of reaching agreement on the opponent's terms and the cost of conflict (Harsanyi, 1977:150-2). Since the cost of conflict is reduced by a highly coordinated activity, the

willingness of citizens to bear the risk of a political struggle is increased. This explains how structural factors rather than psychological ones influence attitudes towards risk.

It follows that a high level of coordination has a great impact upon the expectations of social players. As it reduces the expected cost of conflict, a high level of coordination leads individuals to change their beliefs or preferences even without the supply of significant material incentives. That also makes coordination at latter stages easier. This additional impact of the coordination on the calculations of the workers is presented in the following matrix.

Figure 3.4: A transformed prisoners' dilemma with selective incentives and reduced cost as a result of coordination processes

		Group	
		C	D
Individual	C	$b + b' - rc$	$-rc$
	D	b	0

[Entries are payoffs of the individual: b' - selective incentives; $0 < r < 1$ - ratio of reduced cost; b - benefits from the public good; c - cost of participation. C - cooperation; D - defection]

Following the analysis so far we may infer that the coordination processes in Poland reduced to some extent - rc ($0 < r < 1$) - the expected cost of a political struggle. That increased the chances, as compared to the case of selective incentives only (Figure 3.2), that the payoff of the mass of workers from mutual cooperation will be bigger than the payoff from free-riding ($b + b' - rc > b$). In this way the payoff function of the mass of workers was transformed into that of an assurance game.

It follows that civil society - based on social organizations - is not a high-minded concept which emerges from some historical or meta-historical dynamics (Hegel, 1942). Nor is it a response of 'society' to an unjust 'state' (Arato, 1981; Ost, 1991; Zielonka, 1989). It is rather an institutional setting created by self-interested individuals who respond to rulers' moves. These individuals invest efforts as long as the basic conditions show a reasonable chance of success and do not go beyond rational cost-benefit calculations. They certainly do not sacrifice themselves for social goals.

Actually, KOR members had several direct payoffs from creating independent social organizations and information channels. First, they became the leaders of a network of informal institutions. This, in addition to the financial sources which the KOR owned, created a considerable power basis for KOR members to influence society. Secondly, through the independent newspaper - Robotnik - they had an opportunity to influence the workers. Thirdly, KOR members regained their reputation in the international community.

The intense social activity also influenced the interests and strategy of the Catholic Church. Traditionally, the Polish Catholic Church was relatively independent of the state having its own organizations and publications (Zuzowski, 1992:121-2). It succeeded in maintaining its power and independence mainly by playing a mediating role between society and the authorities rather than an active political role. This unique position of the Catholic Church in a communist state significantly limited its available strategies in the light of the intensifying social activity.

Referring to the Church leadership as a collective player, it had a twofold interest during 1976-80. On the one hand, their basis of power was Polish society. Once workers started to organize independently of the state to improve their standard of living the

Church had to support them in order to keep its reputation as providing 'spiritual' leadership to society. Similar reputational motivations explain the support and involvement of community leaders in the American Civil Right Movement during the 1960s (Chong, 1991:126). On the other hand, the Church could not get politically involved, since its resources, publications and influence on society were dependent on the agreement of the communist leadership (Staniszki, 1984:92).

So, facing the intense social activity the Church chose a middle way strategy. Its leaders expressed their sympathy with the KOR and workers but did not materially support their activity. Nor was the Church leadership actively involved in the political struggle. They presented themselves as representatives of 'the long Polish tradition of catholic beliefs and dignity' influencing workers to adopt non-violent methods. Indeed, some researchers attribute the unique nature of the social activity to the influence of Church leaders acting from moral or ethical motivations (Garton Ash, 1983:32-3; Zielonka, 1989:38-43).

Nevertheless, the strategy of the Church leaders can be better explained by the fact that they did not have any interest in social revolution. Such a revolt might have forced them to choose between active support in workers and keeping their neutral position towards the authorities. Wishing to avoid this choice Church leaders attempted to manipulate workers towards modified goals using symbols and religious arguments. This also enabled them to strengthen their position towards the authorities.

In any respect, the attempts of the Catholic Church to manipulate workers towards non-violent activity influenced the workers' behaviour but did not cause it. Two points may support this argument. First, in the next section I will explain how strategic calculations led workers who had political goals to adopt a non-violent strategy. Secondly, as will be analyzed in Chapter 6, in the period that followed the Gdansk agreement workers

gradually adopted a militant strategy ignoring the Church attempts to calm the situation. As a result Church leaders retreated from any political involvement as mediators (Zuzowski, 1992:201).

In fact, through the whole period Church leaders responded to workers' actions rather than the other way round. This constituted their role in the Polish events as mediators rather than active players whose actions directly caused the events.

Thus, the social processes during 1976-80 made free riding a less preferred strategy for an individual than taking part in a multi-participant struggle. Yet, having a payoff function of an assurance game, the mass of workers could have either adopted a strategy of mass participation in a collective action or complete defection. As mentioned, I argue that mass participation was achieved due to the workers' incomplete information. This is explained in the following section.

3.3 SIGNALLING GAMES, POLITICAL DEMANDS AND THE PIVOTAL ROLE OF SOCIAL ENTREPRENEURS

This section explains how social entrepreneurs achieved the workers' support in a political struggle in August 1980 and the particular characteristics of that struggle. The analysis emphasizes the importance of the information parameter and individual entrepreneurship in the dynamics of collective action.

The Transformation of The Information Set in The Social Game

In their attempts to transform the beliefs of the workers into the political dimension KOR members tried to show them that the communist system created a poorer society. Their consistent line of political propaganda was expressed in 'An appeal to the nation', published in 1978, where they specified the violation of civil rights and then stated:

"The system of preventive censorship does not only strike at culture and learning but at social and economic life as a whole. Censorship stifles not only all criticism but all authentic information which, against the wishes of the party, might allow the people to judge the situation for themselves... Basic economic reforms are essential. However, even the most thought out, the most consistent reforms will not bring any improvement, if they come up against a barrier of social indifference and discouragement... When the Polish society is able to organize itself in defense of its rights the process of overcoming the social, economic and political crisis will have started. The deepest cause underlying the crisis in our country is that the citizens are deprived of their rights and the state of its sovereignty." (Raina, 1981:224-230).

The Polish intellectuals not only attempted to reduce the cost of participation but also to define a new public good as the purpose of mass collective action - that is, individual rights in the form of new political rules. These were presented as a means of improving the standard of living. KOR suggested:

"It is imperative that there should be the widest possible discussion on the social and economic situation in the country. It will not be started by the authorities, but: (a) Every citizen can and should voice his opinion at the public meeting, present facts known to him and insist on receiving information from the authorities. (b) Every citizen can and should inspire among the people he works with discussion on the living and working conditions and the economic and political situation in the country. These discussions should lead to formulation of demands for change in the place of work and initiate the work on the programme of improving the general situation. (c) Every citizen can and should take part in breaking the state monopoly on information." (Raina, 1981:228).

Indeed, as was explained in the previous chapter (p. 83-4), when citizens believe that particular political rules determine economic outcomes, they reach the focal point of raising political demands. This transforms the citizen-rulers connecting game into a game

with incomplete information. By the same rationale, when social entrepreneurs attempt to transform the goals of the social game into political ones, they make other social players uninformed.

In other words, the entrepreneurs' political propaganda did not directly change workers' beliefs, since workers were primarily interested in economic improvements. Rather, entrepreneurs enjoyed a pivotal position as the informed players in the social game. Whilst coordination created mutual understanding among workers concerning economic issues, by August 1980 they were still ignorant of each other's political preferences and of the real intentions of their leaders. Workers had incomplete information and the payoff function of an assurance game.

Several observations support this characterization. Garton Ash reports, for example, of a suspicious response of fifty thousand other Gdansk workers, when the Lenin Shipyard workers had first accepted the management's offer of a pay rise. A delegation from the Gdansk public transport garage arrived at the yard accusing the shipyard workers of "selling itself too cheaply and leaving its comrades in the lurch" (Garton Ash, 1983:41).

Moreover, the relationship between workers and their leaders at the Lenin Shipyard itself were characterized by deep suspicion. Worker leaders established an inter-factory strike committee, but its independent activity created tension. It was mainly expressed during the negotiations which took place behind closed doors with intellectuals participating as advisers. This created doubts among workers about the real interests and goals of their leaders and intellectuals. In response Walesa tried to calm the growing uneasiness with the following speech.

"... there is nothing sinister about the working parties behind closed doors. The final verdict remains with the MKS. We will rely on your opinions. We have no competence to take decisions, only to draft a text that will be put to the plenary session of the MKS... We do not question the leading role of the Party or Poland's alliances; we just want the

workers to have the means to defend themselves." (Ascherson, 1981:162).

So, the mass of workers were the uninformed players in their game with social entrepreneurs. The decision situation under incomplete information is analyzed by a leaders-followers signalling game in the next sub-section.

Dynamics of Collective Action as a Signalling Process Between Entrepreneurs and Their Followers

To understand the ways by which cooperation emerges in situations with incomplete information, Ainsworth and Sened (1993) have suggested a formal model of a signalling game. According to this model political entrepreneurs act as signallers towards two audiences: the public and the government. The formal model shows that by coordinating collective action towards government, political entrepreneurs reduce uncertainty for rulers enabling them to reach optimal outcomes. Similarly, social participants have optimal outcomes. I follow this emphasis on entrepreneurs' role and use a signalling game to analyze empirical problems of collective action with incomplete information. It does not necessarily mean, however, that the conclusions mirror those of Ainsworth and Sened.

In the Polish leaders-followers signalling game the players have different utility functions. As presented in Figures 3.3 and 3.4, entrepreneurs had a dominant strategy of leading a political struggle while workers had the preferences of an assurance game. The players' preferences are presented in Table 3.1.

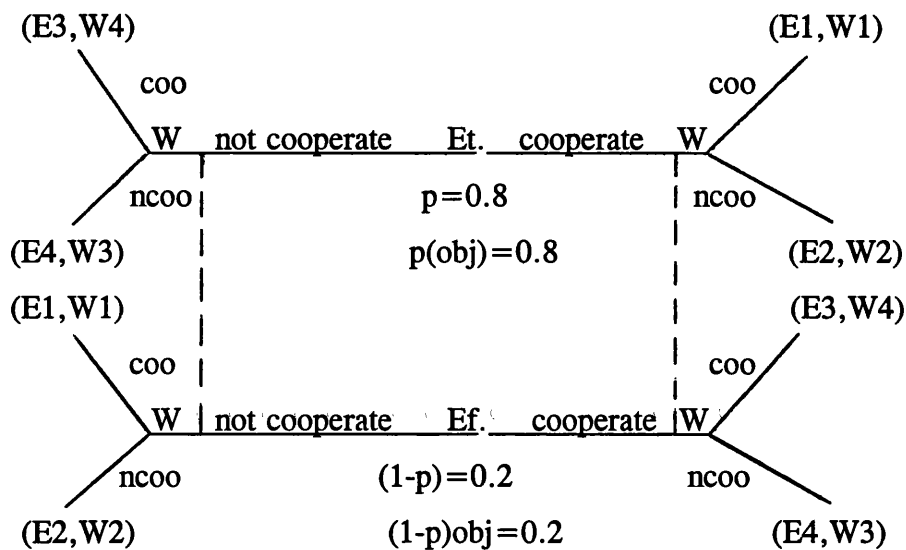
Table 3.1: Preference ordering of workers and entrepreneurs in respect of participation in a political struggle

Players:	Workers	Entrepreneurs
most preferred	CC (W1)	CC (E1)
:	CD (W2)	CD (E2)
:	DD (W3)	DC (E3)
least preferred	DC (W4)	DD (E4)

[C - participation; D - defection; Entries: (entrepreneurs,workers)]

The upper line in the signalling game (Figure 3.5) represents the players' calculations when workers assign high probability to the entrepreneurs' reliability. The lower line represents the same calculations when workers assign low probability to entrepreneurs' reliability. The payoff function in the case of unreliable entrepreneurs is overturned as compared to the upper line.

Figure 3.5: The signalling game between social entrepreneurs and workers over participating in a political struggle: August 1980



[Et - reliable entrepreneurs (worker leaders + intellectuals); Ef - unreliable entrepreneurs; W - workers; p - subjective probability assigned by the mass of workers to Et; $p(obj)$ - objective probability assigned to Et; $1-p$ - subjective probability assigned by the mass of workers to Ef; $(1-p)obj$ - objective probability assigned to Ef; coo - workers participate in a political struggle; ncoo - workers do not participate in a political struggle; Entries are preference ordering (i,j)=(E,W): best - E1...E4 - worst; best - W1...W4 - worst. The measures attached to the probabilities are only illustrative]

In this signalling game social entrepreneurs first decide what strategy to adopt and what signals to send. Since they mostly prefer a coordinated political struggle, they choose that strategy. They also observe that workers are likely to participate in a political struggle if they receive reliable signals from entrepreneurs (the upper-right line). Furthermore, since in August 1980 the entrepreneurs knew that a momentum of social movement could be kept in the long term only if the workers' standard of living were improved, they had to satisfy the workers' interests as well. So, we may infer that 'objectively' social

entrepreneurs truly intended to accomplish the workers' interests. Based on their previous successful activity we may also say that 'objectively' worker leaders were able to carry out a successful political struggle. Thus, we assign high objective probability to the entrepreneurs' reliability ($p(\text{obj})=0.8$).

Yet, workers follow their subjective interpretation of the entrepreneurs' intentions and ability when deciding whether to cooperate or not. Therefore, to explain the dynamics of collective action by this game, the workers' sources of information and their estimation of entrepreneurs' reliability need examination.

Polish entrepreneurs built their reliability as signallers using several strategies. First, during 1976 to 1980 they provided economic gains and demonstrated their coordination ability. Secondly, the process of associating changing the rules and improving economic conditions created safe grounds for the social entrepreneurs to raise political demands and still keep their reputation as true representatives of the workers' interests.

Thirdly, due to their good sources of information, social entrepreneurs had a pivotal position in the signalling game. To a large extent this enabled them to achieve mass support in a political struggle. The independent information network between towns and factories was controlled by either KOR members or worker leaders. That fact, in addition to the suspicions of the population about official information, left to the social entrepreneurs the decision about the way and time to inform the public. That gave them the opportunity to further manipulate the workers towards political issues. Walesa, for example, had a constant strategy, which we can trace by following the various reports, of presenting new information in times of disagreement or when he felt that he was losing control.

Through the signalling process he created a cumulative effect in order to increase

workers' support in the political struggle. For example, in one moment of crisis during the negotiations the workers at the Lenin Shipyard were informed that "an MKS [strike committee - S.M.] was formed at Wroclaw; a poll at Elblag shows that 90 percent of the strikers wanted to stay out; workers in the Lublin copper mines are striking in support of the twenty-one points; negotiations are beginning with the coal miners at the MKS at Jastrzebie in Upper Silesia; an MKS was formed at Bydgoszcz." (Ascherson, 1981;163).

Indeed, the new information included messages about the spreading of the strike, the formation of more strike committees that supported the political demands and messages of support from international organizations. In several occasions informing the strikers about those messages calmed the uneasiness among them.

This analysis explains how the fact that workers did not have complete information gave strategic advantages to their leaders enabling them to successfully implement their manipulative techniques. In comparison, historical and journalistic descriptions recognize the important role of worker leaders in the process but they do not explain the sources of their power nor the reasons for their success. They simply describe the tactics used by entrepreneurs during the crisis. A systematic game theoretical approach can thus give a fuller explanation of the events.

Hence, using those methods and channels to keep their reputation social entrepreneurs felt that a political struggle had a good chance of success. Yet, the particular nature of the workers' demands was strongly influenced by power relations among entrepreneurs. Basically, the worker leaders were regarded as more reliable than were KOR members. Although beliefs were changed by the messages of KOR members, it was clear that the workers' interests were the main issue. For example, in the debate over approving the Gdansk agreement several activists urged that KOR members should be released. But

Walesa responded:

"Don't mention names. We don't want to be accused of supporting any organization. We respect these people who have done much for us, but we are trade unionists, nothing but trade unionists." (Ascherson, 1981:165).

Indeed, the relations between the worker leaders and the academic advisers were based upon mutual advantage. The worker leaders needed the advisers' help and guidance and agreed to add some pure political demands to the list of economic demands. It was reflected in the twenty-one demands which expressed a delicate balance between economic and political issues (see Ch. 2 - p. 70).

Thus, by formulating these demands social entrepreneurs signalled to workers that they were heading towards a political struggle which was expected to lead to constitutional changes and eventually to an improved standard of living.

Following these signalling strategies and the intense manipulative activity of the social entrepreneurs, we may infer that the workers assigned high probability to the entrepreneurs' reliability and capability to win a political struggle ($p=0.8$). They followed the upper-right line in Figure 3.5 and chose to participate in the political struggle leading to the outcome (E1, W1). Indeed, in a few days, as information about the strikes in the Gdansk region spread and the political demands were formulated, more and more factories were manipulated towards joining the strikes.

It should be emphasized that the information parameter became central in the social game only after the workers' utility function had been transformed into that of an assurance game. Then, the fact that social entrepreneurs were well informed gave them strategic advantages over workers. In comparison, in the prisoners' dilemma the players have a dominant strategy of noncooperation and the fact of incomplete information does not explain much. Therefore, both the previous social changes, the rulers' incomplete

information and the manipulative activity of informed entrepreneurs explain the solution of the collective action problem in August 1980 and the mass support in a political struggle.

Nevertheless, the political struggle in Poland had a special characteristic of non-violence and a self-limiting strategy. To explain why it was adopted and its success, we may recall the workers-rulers signalling game presented in Chapter 2 as an hypothesis (p. 88-9). As explained there, the social activity made rulers uninformed about workers' preferences. The rulers' preferences in that game resemble those of rulers in the basic citizens-rulers game while workers prefer acceptance of political demands to acceptance of economic demands. Indeed, as established so far, Polish social players - especially social entrepreneurs - had this preference ordering in August 1980.

Facing that structure of game (Figure 2.3b), strategic entrepreneurs observe that reliable signals to rulers about their political intentions (the upper-right line) will be rejected while economic demands are likely to be accepted (the upper-left line). Yet, the only way to lead rulers to accept political demands is for social entrepreneurs to send confusing signals and create an impression that their political signals are false. Then rulers are expected to calculate their moves following the lower-right line in the figure and to accept political demands. Practically, rulers were expected to think that the political demands were only means of pressure for social players in order to achieve their real interests - namely, economic improvements.

This rationale explains how the fact that rulers had incomplete information enabled social entrepreneurs to carry out a self-limiting political struggle to its successful end. The confusing signals sent by society were both intended by social entrepreneurs and unintended. In principle, that rationale guided the intellectuals and worker leaders during

1976-80 to combine self-defense activity with delivering political messages to society.

The purpose of a self-limiting strategy was explained in the 'Appeal to the nation' issued by the KOR in 1978.

"The December 1970 and June 1976 experience have shown that it is possible to obtain concessions from the authorities by means of social pressure. However, the results proved to be short-lived... The program of self-organized groups is an alternative to the growing danger of a spontaneous social revolt which would result in a national catastrophe." (Raina, 1981:226-7).

The rationale of sending confusing signals to rulers also guided social entrepreneurs in formulating the list of demands in August 1980.

The social activity before and during August 1980 was also characterized by unintended confusing signals. Since workers were only partially convinced of the need of political struggle, they constantly signalled their interests in economic issues rather than political ones. That added to the rulers' confusion and contributed to the success of the workers' self-limiting strategy. Indeed, as I explain in Chapter 4 those confusing signals led rulers to sub-optimal decisions.

So, strategic entrepreneurs may worsen the rulers' information problem and lead them to sub-optimal outcomes. This illuminates an important aspect of entrepreneurs' coordination activity and their impact on outcomes.

Conclusion

The large-scale collective action which developed in Poland in August 1980 was one of a few similar phenomena in communist states. Most researchers who try to explain that social activity adopt an historical approach. They describe the history of workers' protest

in Poland (1956,1970,1976) as if it had necessarily led to the events of August 1980, and regard this as an explanation. Indeed, individuals are influenced by historical events, but not in the same manner. That history of protest in Poland, for example, could have encouraged one individual to protest in August 1980 and deter another.

A detailed and systematic analysis of the decision situation concentrating on the strategic role of individuals was suggested in this chapter. It illuminates several theoretical aspects of collective action dynamics. First, the nature of the collective action problem depends on the kind of rules individuals strive to change. Coordinating a political struggle requires significant belief changes in society. Secondly, such problems are solved due to the involvement of strategic entrepreneurs who alter certain parameters of the social game according to their own interests. Thirdly, by altering the structure of the situation entrepreneurs lead individuals to update beliefs and preferences and thus structurally change individual preferences. Such structural changes may include increasing the level of coordination in society or altering the information set of other social players.

Fourthly, the level of coordination within a collective player indicates its power and ability to carry out a long struggle. Since a high level of coordination reduces the expected cost of conflict, it leads individuals to change their beliefs and preferences in favour of participation even without the supply of significant material incentives. On the other hand, sub-divisions within a collective player may weaken its power and, therefore, should be considered in analysing socio-political processes rather than referring only to the leadership level.

Finally, information is a central parameter in analysing dynamics of collective action. In this respect I demonstrated how a signalling game can be an applied analytical tool to explain such dynamics. In many cases information asymmetries favour certain players

over others giving the informed players a pivotal position.

Hence, this chapter explained how Polish society overcame the collective action problem in August 1980. The impact of these social processes on rulers; the rulers' payoff function; and the signalling game between workers and rulers are analyzed in the next chapter.

CHAPTER 4 - INSTITUTIONAL GAMES IN 1976-80 AND THE AUGUST 1980 SIGNALLING GAME BETWEEN WORKERS AND RULERS

This chapter analyzes the dynamics that led the Party leaders to start negotiations in August 1980, although that move gave certain legitimacy to workers' political demands and weakened rulers. It explains how social processes and structural changes that took place during 1976-80 affected power relations between institutional groups as well as their interests and strategies.

In Poland three groups acted as unitary institutional players: the Party leaders, the military elite and mid-level Party members who composed the wide bureaucratic stratum. In August 1980 these groups were not coordinated. Mid-level Party members and the military elite pressed to make concessions while the Party leaders tried to keep their monopoly. Three questions are addressed: 1) Why were the Party leaders and mid-level Party members not coordinated? 2) Why did the military elite oppose a violent reaction against workers? 3) What were the specific reasons that led rulers to start negotiations?

The chapter answers these questions in three sections. Section 4.1 introduces the Party's response to the workers' protest as out-of-equilibrium behaviour and critically examines several historical explanations. While traditionally Party leaders and mid-level Party members coordinated their moves towards society, in August 1980 mid-level Party members supported the workers' political demands increasing Party discoordination.

Section 4.2 explains the behaviour of Party members by a preference change that occurred during 1976-80. Using the concept of sequential connected games I explain how social processes and structural changes in the Party strengthened the local bases of power

of Party members leading them to value the central government as an unreliable source of privileges. That created Party discoordination weakening Party leaders.

Indeed, that weakness enabled the political collaborators of the military elite to take control over the Politburo. Section 4.3 explains the decision of the new rulers to start negotiations. To understand their preferences the section first explains how structural changes in the army gave the military elite a pivotal political position from the late 1970s. Then, the decision of the new rulers to start negotiations is explained using a workers-rulers signalling game where rulers are the uniformed players. It demonstrates how information problems and misinterpretation of workers' signals led rulers to sub-optimal decisions.

4.1 THE BEHAVIOUR OF PARTY MEMBERS AND LEADERS DURING AUGUST 1980: PRELIMINARY OBSERVATIONS

The following analysis characterizes the Party's non-coordinated reaction to the workers' strike in August 1980 as deviation from the equilibrium behaviour of the 'basic' game. It then critically presents several historical analyses of intra-Party dynamics. This underlines the specific questions concerning the events and the roots of discoordination.

Party Discoordination in The August 1980 Crisis as an Out-of-Equilibrium

Outcome

The strategy of Polish Party leaders in dealing with social demands was traditionally influenced by the attitudes and behaviour of Party members. As explained in Chapter 2 (p. 73-4), the dominant players among the wide stratum of the Communist Party were mid-level Party members (*nomenclatura*). They composed the wide-bureaucratic stratum in Poland and held the major positions at most levels and arenas of the state organization (Weydenthal, 1978:108; *LFOEE* 4(4-6):55). Due to their positions they were also closer to society than were Party leaders. Therefore, although mid-level Party members were not directly involved in decision making processes, Party leaders were dependent on them in implementing policy. On the other hand, mid-level Party members were dependent on the Party's monopoly since it was their source of power and privileges.

It follows that, in principle, Party leaders and mid-level Party members had a mutual advantage from coordinating their moves. They also shared an interest in responding to citizens' demands. As explained by the 'basic' citizens-rulers game in Figure 2.1, they preferred to reject any political components of social demands while being more flexible in respect of economic demands.

Thus, as long as their power and privileges are based upon the Party's monopoly, the expected equilibrium behaviour of all institutional players is to coordinate their moves in rejecting political demands and partially accepting economic demands. Indeed, until 1976 both Party leaders and mid-level Party members followed this rationale. In March 1968 they cooperated in suppressing demonstrations of intellectuals and students who raised political demands (Weydenthal, 1978:126-132). Yet, when workers raised economic

demands in December 1970 and in June 1976, the Party was almost united in accepting the demands after several attempts to suppress the strikes (Weydenthal, 1978:144-146; Lewis, 1989:43). In 1970, though, a split in the leadership led to the replacement of the Party leader - Gomulka - by Gierek.

In August 1980, however, the Party's response to the workers' demands was not coordinated. Indeed, at the first stage of the events when workers in local factories raised economic demands, both mid-level Party members and Party leaders tried to keep the conflict in the economic dimension. Following their successful strategy in dealing with the July 1980 strikes, factory managers tried to resolve the conflict by rapid wage increases; and the Party leader - Gierek - announced the government's willingness to negotiate on economic issues but not on political ones (Robinson, 1980:109).

Yet, that response was more the result of improvisation than of coordination. Soon enough Party members pressed for a quick and non-violent solution causing divisions and disagreements among Politburo members (Ascherson, 1981:162). The Party journal reported that 'grave weaknesses' had appeared in the functioning of the Politburo; that the government ceased to function; and that Kania - supported by the military elite - replaced Gierek as the actual leader (Kemp-Welch, 1991:20). That move signalled the active role of the military elite in the crisis.

Moreover, when workers raised political demands and the strike spread, mid-level and working class Party members pressed the leadership to make political concessions. That was expressed, for example, in a report from the secretariat of the Gdansk Provincial Party Committee to the Central Committee of the Party.

"Political work aimed at persuading the strikers to return to work is becoming increasingly difficult, because support among workers for the demands of the MKS is spreading. At Party meetings yesterday the question of improving Party work was brought up. It ought to reflect the nature of our life more boldly. At Gdansk some of the

Party militants in the enterprises on strike have gone over to the side of the MKS and supported its demands. In general, Party members consider it necessary to put an end as swiftly as possible to this complex and dangerous situation." (MacDonald, 1981:45-46).

Other observers also report trends among rank and file Party members to join their non-party colleagues in the struggle against the Party (Sanford, 1983:79; Green, 1981).

Thus, mid-level Party members turned against the leadership at the very crucial moment when their positions and privileges were directly threatened. While they could use the events to demand tough measures and increase Party coordination, they simply joined workers in demanding political reforms. It follows that in August 1980 Party members deviated from their equilibrium behaviour as existed until 1976.

Those growing pressures of Party members enabled the political collaborators of the military elite to strengthen their power in the Politburo by removing the majority of Gierek's supporters on 22 August. Yet, the new Party leaders followed the strategy dictated by Party members and agreed to start negotiations. They also deviated from their equilibrium behaviour of rejecting political demands. Before we explain these processes we should consider how they are viewed in the existing literature.

Several Historical Explanations of The Party's Behaviour in August 1980

Most studies of the Polish crisis explain the behaviour of Party leaders by internal dynamics within the Communist Party while disregarding social processes. I present here few representative historical explanations and point to the disadvantages of such approaches.

A detailed analysis is suggested for example by Sanford. He describes a process in which Gierek - the Party leader during the 1970s - replaced the working class

membership with "a younger, more skilled, better educated, less ideologically motivated and more consumer oriented generation" (1983:78). He then argues that the fact that the system failed to satisfy their expectation of further consumer prosperity and ever expanding promotion prospects explains "why they did not want a revolution but why they behaved in a revolutionary manner in summer 1980" (1983:79). Sanford finally concludes as follows:

"All this explains why such rank and file Party members, especially industrial workers, found little difficulty in August-September 1980 in establishing common ground with their non-Party colleagues against the class of political and managerial incumbents." (Sanford, 1983:79).

This explanation points to an internal division within the Party between industrial workers and the managerial sector. This is a source of discoordination. But, since mid-level Party members had gone through similar processes of attitude change, their interests were not necessarily different from those of the working class members. During 1976-80 members of the managerial sector themselves - secretariats of provincial committees for example - demanded structural reforms (Lewis, 1989:68-71). As shown earlier, that was also their attitude in August 1980. Furthermore, the fact that the orientation and personal ambitions of Party members altered during the 1970s does not explain their support in the workers' political demands. As expressed in their own demands during 1976-80, Party members were more interested in structural reforms of the economy than in political rights (Lewis, 1989:72).

It follows that the new Party members actually wanted to reform the system in a way that the Party would serve them rather than the other way round. In this respect the workers' demands did not guarantee anything of improvement but, rather, since they threatened Party leaders, introduced the danger of further instability. In other words,

from Sanford's analysis it is not clear how free trade unions or freedom of speech could satisfy the personal ambitions of the new Party members, when this was likely to lead to the opposite. Instead, they could use the momentum of social unrest to increase their coordination with Party leaders and introduce their suggestions for reforms in the economic structure - especially towards decentralization of the Party. Since both the workers and Party leaders were interested in improving economic conditions, such an approach could have been accepted by all the sides whilst mid-level Party members would have improved their own situation. It is unclear, therefore, why most Party members chose to support the workers' political demands increasing Party discoordination.

A similar problem characterizes the analysis of Lewis (1989) as discussed in Chapter 2 (p. 73-4). He describes a process of decentralizing the Communist Party through which Provincial Party Committees were empowered with the authority of planning and implementation of policy during 1976-80 (Lewis, 1989:29-35). Yet, this does not explain Party discoordination, since the two groups could either increase their power and privileges reducing society's welfare or wait until the reforms showed results benefitting both of them. That was, for example, the strategy of institutional players at the beginning of the 1970s when Gierak, in cooperation with mid-level Party members, initiated successful economic reforms leading to economic growth from 1971 to 1974 (Sanford, 1983:27-28; Weydenthal, 1978:123).

Thus, a comprehensive explanation of the dynamics in the Party, should answer two questions: 1) Why did mid-level Party members support the workers' political demands and increased discoordination in the Party? 2) Why did Party leaders follow that strategy instead of acting against it?

The answers are given through analysing the processes that changed the relations

between institutional groups and created asymmetry of interests regarding the response to social demands. The following section explains changes in intra-Party relations whilst the involvement of the military elite, as well as intra-army processes, will be explained in the third section. It will also analyze the game between workers and the new leaders in the light of all these processes.

4.2 CONNECTED GAME ANALYSIS OF PARTY-SOCIETY RELATIONS DURING 1976-80 AND THEIR OUTCOMES

This section explains the Party's un-coordinated response to the workers' demands in August 1980. Using the concept of connected games, I explain how structural changes and social processes that took place during 1976-80 altered the preferences of mid-level Party members leading them to support workers. This limited the available strategies to Party leaders.

Intra-Party Dynamics in The Light of The 1976-80 Social Processes

To understand the mutual dependence of the equilibrium at the institutional level and social processes, we use the concept of sequential connected games. The interests of any institutional group in its relations with other institutional groups are influenced by its relations with society at a certain point in time. In return, new interests of institutional groups lead them to change their strategies towards society at the next stage.

The following analysis regards Polish society as an external parameter in the sense that

social attitudes and processes, as analyzed in Chapter 3, are taken as given. We first try to understand how the fact that mid-level Party members and Party leaders had different relations with society during 1976-80 affected the relations between the groups themselves and their interests. Then, in the next sub-section, we will examine how the new interests of mid-level Party members affected the Party's reaction to the workers' strikes in August 1980.

During 1976-80 Polish society went through a process of organizing society independently of the state. Intellectuals and worker activists established social organizations which provided incentives to act against the authorities, created independent information channels and coordinated alternative forms of education. Through those channels social entrepreneurs delivered political messages to society.

Most of those activities were given a lot of publicity but, still, the authorities did not use tough measures to prevent them (Zuzowski, 1992:63-5; Lipski, 1984:155). Rather, rulers harshly harassed worker activists and KOR members while attempting to coopt intellectuals whom they thought moderate (Green, 1979; 1980). In order to explain that flexible attitude we have to examine how those social processes influenced Party leaders.

In terms of public choice theory the wide-spread social activity can be understood as an alternative supply of public goods. When individuals face inefficient government's supply of goods such as information, health care, social services or education they are likely to demand a more efficient supply or organize themselves to supply the public goods on their own. As explained in the previous chapter, that is pre-conditioned by solving the collective action problem. Indeed, the phenomenon of citizens organizing to supply public goods on their own has been widely observed in all types of political systems (Lehman-Wilzig, 1991; Schopflin, 1993:171-181).

In principle, when citizens adopt such a strategy, they deviate from their equilibrium behaviour influencing the rulers' decision situation in two aspects. First, as elaborated in Chapter 2 (p. 84-5), this strategy creates a situation with incomplete information for rulers. Secondly, by reducing the dependence of citizens on the government it threatens the government's monopoly, and signals to rulers about the citizens' dissatisfaction with their outcomes. Since the rulers' monopoly depends on the minimum supply of social demands, such signals lead them in many cases to improve efficiency. Thus, by an alternative supply of public goods, citizens not only solve their immediate problem but also pressurize rulers to improve the socio-economic situation.

This rationale led Polish Party leaders to decentralize the Party during 1976-80 in order to improve efficiency and solve the economic crisis. Nevertheless, their attitudes towards the political components of the social activity were not altered. Party leaders - especially Gierek - understood the political activity as an ideological struggle against socialism and in public speeches presented it as dangerous to their regime (*LFOEE* 1(5):21).

It follows that Party leaders had incomplete information about the workers' preferences while their own interests towards society were not significantly altered. Why did they not act decisively against the political activity? I argue that the impact of the social processes on the interests and attitudes of Party members explains this.

Through the gradual decentralization of the Party mid-level members were authorized to plan policy and implement it. That gave them direct control over workers enabling them to build local bases of power which were dependent on the workers' cooperation. Such bases of power - Provincial Party Committees and managing positions in factories - were independent of the central government (Lewis, 1989:62). Furthermore, since mid-level Party members became more involved in society than they were in previous years,

they were also well informed about the workers' attitudes.

Under that new Party structure the social activity had a strong impact upon Party members, since it presented an alternative way to achieve their desired career prospects. The success of social entrepreneurs in organizing society and supplying certain public goods demonstrated to young Party members how significant structural changes in the system could create local bases of power and serve their personal interests. For example, the workers' demands for free trade unions and self-management in factories opened up the possibilities for a new management structure. Since young Party members were more professional and less ideologically oriented than were the old bureaucrats, they could present themselves to workers as professional alternatives to that administration. So, they could gain a lot from the workers' demand to change the management structure and to base it on self-management factories.

Thus, since the social activity presented alternative sources of power, mid-level and working class Party members did not have interests in acting against it. This explains why during 1976-80 Party members gradually understood that Party membership no longer offered any strong career prospect as it used to be during the 1950s and 1960s (MacDonald, 1978; Sanford, 1983:79).

It follows that mid-level Party members gradually changed their interests concerning society. Since their basis of power was transformed from the centre to the periphery, they became more dependent on the support of social players than on the central government. When workers created independent organizations they actually introduced the possibility of discoordination in the Party. In other words, in the absence of that social activity mid-level Party members would have not had any interest in increasing Party discoordination.

Indeed, that preference change among Party members allows us to explain the rulers'

indecisive reaction to the independent social activity during 1976-80 as well as their strategy in August 1980.

The Intra-Party Game and The Strategy of Party Members and Leaders Towards Society During August 1980

The rulers' strategy towards society in August 1980 was strongly influenced by the fact that Party members developed independent interests. The first sign of that process can be traced in the strategy adopted by Party leaders in response to the independent social activity during 1976-80.

As mentioned, rulers considered the social activity as dangerous but did not decisively act against it. This can be explained by two factors. First, since Party members had new interests concerning society, they gradually increased Party discoordination. Secondly, Party leaders, with incomplete information about the workers' preferences, misinterpreted their signals.

The growing Party discoordination was expressed in several arenas of the political system during 1976-80. Party leaders, in Party congresses for example, had to deal with constant demands for structural reforms (Sanford, 1983:36-38; MacDonald, 1978; Green, 1980). Furthermore, there was not flow of reliable information from the local level to the leadership (*LFOEE* 1(5):21). In this respect, Zolzislaw Gnudzien, a Politburo member and first secretary of Katowice specified in 1979 the problems between the local Party administration and the leadership to be:

"...unreliable collation of reports, evaluations and information; too much attention being paid to individual positions and personal interests; harmful tolerance of misbehaviour in order to gain personal popularity; inadequacies which reduced the dynamism of political and ideological activity including the avoidance of discussion and failure to take proper

note of Party resolutions; and weakness in the operation of intra-party control." (Lewis, 1989:81).

The internal discoordination was also expressed in the unwillingness of people in the economic administration to follow new policies which were dictated by the leadership as part of the economic manoeuvres (Green, 1979; Schopflin, 1993:92). That trend was identified, for example, by Gdansk delegates to a provincial Party conference who complained in 1979 about a 'very threatening tendency among managerial cadres to take a wait-and-see attitude, one of hiding away until better times arrive' (Lewis, 1989:81).

The second characteristic of the Party leaders' decision situation was incomplete information about the workers' preferences. Furthermore, during 1976-80 they constantly received confusing signals from society. As explained in Chapter 3 (p. 124-5), social entrepreneurs understood that in order to improve their own payoffs by winning a political struggle, they had to hide their intentions and send confusing signals to rulers. They adopted a self-defense strategy based on alternative supply of public goods while delivering political messages to society. In addition, the mass of workers constantly signalled their interest in economic issues. Since Party leaders did not have intimate relations with society to the extent to which the mid-level and working class Party members enjoyed, they misinterpreted these social signals. The complete analysis of this signalling dynamic is presented in section 4.3.

These two factors - the Party discoordination and the rulers' incomplete information - restricted the available strategies to rulers and, thus, the strategy of a decisive response against the independent social activity became difficult to apply. However, the basic interests of Party leaders concerning society remained unaltered. They preferred, as the 'basic' citizens-rulers game shows, to reject political demands and partially accept

economic ones.

The Party discoordination also had a strong impact on the leadership level in August 1980. It enabled the political collaborators of the military elite to strengthen their control over the Politburo. In order to understand that process and the calculations of the new Party leaders, we first need to analyze the strategy adopted by mid-level Party members in August 1980. The processes at the leadership level are analyzed in the next section.

Mid-level Party members had new preferences and respectively they adopted a new strategy towards society in August 1980. In their game with society (Figure 4.1) they could face either economic demands, political demands or the combination of both. As a response they could accept or reject part or all of the demands they faced. Acceptance meant pressing the Party leaders to make either economic or political concessions while rejection meant encouraging the leaders to suppress the workers' strike.

Mid-level Party members' utility had two components in this game - strengthening their local bases of power and keeping their monopoly privileges. Yet, in August 1980 they could not maximize both these components of utility. By supporting political demands mid-level Party members could have risked their privileges in the system, since the Party leaders preferred to reject such demands most of all. Thus, gaining the support and cooperation of workers meant for mid-level Party members reducing the Party's monopoly and thereby losing some of their privileges.

That decision situation can be analyzed as a bargaining game between mid-level Party members and society. The overall utility of mid-level Party members from the existing status quo ($U_i(A_i)$) was composed by their two components of utility. They faced an workers' offer for a new political status quo (A_j). Acceptance of that offer meant losing some of their privileges - namely, reducing their overall utility ($U_i(A_i) - U_i(A_j)$). On the

other hand, rejection of that offer meant a violent conflict with society. Mid-level Party members could benefit something from a conflict ($U_i(c)$) since it meant defending the Party's monopoly. But, they could lose the workers' support. Therefore, a violent conflict with society also bore a certain cost for them ($U_i(A_i) - U_i(c)$). They had to decide whether to accept the workers' offer or to stick to the government's position and risk a conflict. In other words, we have to estimate how determined to defend the Party's monopoly were mid-level Party members. In general terms such determination is defined by Harsanyi as risk limit (1977:150-2).

Harsanyi suggests that an individual in a bargaining situation will follow his risk limit and subjective beliefs about the situation when he decides whether to stick to his own offer or to accept the opponent's offer. An individual's risk limit (r_i) is the ratio between the cost of compromise on the opponent's terms ($U_i(A_i) - U_i(A_j)$) and the cost of conflict ($U_i(A_i) - U_i(c)$). The subjective beliefs of an individual i about the situation are represented by the subjective probability that i assigns to the possibility that the opponent will stick to his own offer (P_{ji}). An individual i will stick to his own offer if his risk limit is higher or equal to that subjective probability. That condition is presented in the following equation.

Equation 4.1: The condition that an individual i will stick to his own offer

$$P_{ji} \leq r_i = \frac{U_i(A_i) - U_i(A_j)}{U_i(A_i) - U_i(c)}$$

Mid-level Party members had to decide how to respond to the workers' demands under the threat of losing the Party's monopoly. As explained, during 1976-80 they developed similar views and interests to those of social players. They also valued the central

government as a poor source of privileges and power. Their possible loss from accepting political demands was relatively low: $U_i(A_j) \rightarrow U_i(A_i)$; $(U_i(A_i) - U_i(A_j)) \rightarrow 0$. Similarly, Party members could gain very little from a violent conflict with society: $U_i(c) \rightarrow 0$; $(U_i(A_i) - U_i(c)) \rightarrow U_i(A_i)$. Therefore, their risk limit in respect of defending the Party's monopoly was very low: $r_i \rightarrow 0$.

At the same time, due to their close relations with society, Party members had good information about the preferences of social players. Several reports that were sent by them to the central government at the beginning of the crisis demonstrate that they assigned high probability to the workers' determination (MacDonald, 1981:46; Green, 1981). It was higher than their risk limit: $P_{ji} > r_i \rightarrow 0$. This meant that they were not willing to risk a conflict with society in order to preserve the Party's monopoly but, rather, preferred to strengthen their local bases of power by accepting the workers' demands.

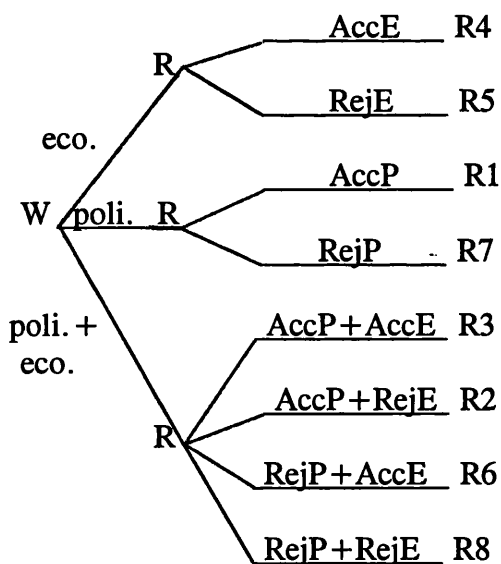
Based on this analysis we can now draw the preference ordering of mid-level Party members in their game with workers in August 1980. We have to consider two characteristics of their decision situation. First, mid-level Party members were interested in accepting political demands not only in order to satisfy workers but because it could also increase their independence and power. Secondly, since acceptance of economic demands meant improving the workers' payoffs without direct benefits to mid-level Party members, they could be interested in this only in order to satisfy workers.

We order the preferences of mid-level Party members on the eight possible outcomes in three stages (Figure 4.1). 1) Priority is given to outcomes that include acceptance of political demands. 2) Outcomes that include rejection of political demands are least preferred. These criteria enable us to gather the eight possible outcomes in three groups.

A group of the three most preferred outcomes includes AccP, AccP+AccE and AccP+RejE. The group of second best outcomes includes AccE and RejE. The group of the least preferred outcomes is composed of RejP+AccE, RejP and RejP+RejE.

To order the preferences within the groups we use a third criterion. 3) Since mid-level Party members can directly benefit from accepting political demands, they prefer that political demands are raised alone. They also prefer rejecting economic demands rather than accepting them when raised together with political demands. In that way they achieve workers' cooperation by political concessions while also improving their own payoffs. However, since they depend on workers' cooperation, Party members prefer to accept economic demands rather than rejecting them when raised alone or when political demands are rejected. This preference ordering is modeled in the following figure.

Figure 4.1: The preference ordering of mid-level Party members in their game with workers in August 1980



[W - workers; R - mid-level Party members; eco. - economic demands; poli. - political demands; AccE - accept economic demands; AccP - accept political demands; RejE - reject economic demands; RejP - reject political demands; Entries are preference ordering of R: best - R1...R8 - worst]

In this game, mid-level Party members prefer to concentrate on political changes which can benefit them directly. Yet, in August 1980 they faced both economic and political demands. In such a case they prefer to accept the political components of the demands whilst rejecting the economic demands. That is to say, they preferred to cooperate with workers on political issues such as free trade unions rather than buying their cooperation by economic concessions. Following these calculations Party members pressed the government to accept political demands in August 1980. As exemplified, many Party members in factories joined strike committees while secretaries of Provincial Party Committees pressed the Party leaders to make political concessions (Green, 1981).

That strategy had a twofold impact on the Party leadership. First, the wide stratum of Party members, who had a vital role in implementing any policy, created a strong opposition against a violent reaction. This is a major factor in the calculations of any ruler. Secondly, the growing discoordination weakened the Party leaders and they were removed by political collaborators of the military elite. This process is explained in the following section.

4.3 THE MILITARY ELITE AS A PIVOTAL POLITICAL PLAYER: WHY DID IT PRESS FOR POLITICAL CONCESSIONS IN AUGUST 1980?

The military elite strongly influenced the Polish leaders' decision to start negotiations in August 1980. This section first describes their behaviour in August 1980. Then, I analyze the processes through which the military elite became a pivotal political player during the 1970s. This will enable us to accurately model the relations between workers and rulers

in August 1980 by a signalling game.

The Strategy of The Military Elite in August 1980 as an Out-of-Equilibrium Behaviour

Traditionally, army-party relations in communist states have been based upon mutual advantage (Adelman, 1982:6-8). Party leaders need the army's support to preserve their monopoly and members of the military elite benefit in terms of power and privileges from this position in the system. In Poland the power and privileges of those two groups were strongly dependent on the Party's monopoly and they both had an interest in rejecting political demands and partially accepting economic ones.

Indeed, Polish Party leaders and the military elite were well coordinated when they faced citizens' demands. As explained in Chapter 2 (p. 66-67), that was expressed in their response to the March 1968 intellectual political demonstrations and to the December 1970 worker strikes. It was also expressed in the June 1976 workers' demonstrations demanding abolition of a price rise. Furthermore, after accepting that demand Party leaders and the army cooperated in arresting and harassing worker activists (Wiatr, 1988:145). Soldiers and officers followed orders showing no signs of hesitation and there was no apparent reason for the military elite to change its equilibrium behaviour.

Yet, in August 1980 members of the military elite consistently opposed any violent reaction against the workers' revolt. They first supported the personality changes in the Politburo and during the negotiations pressed to make political concessions while refusing to take tough measures against society.

That strategy is usually explained in the literature by the generals' unwillingness to destroy 'the image, prestige and possibly discipline of the army' (Wiatr, 1988:147; Ascherson, 1981:167). George Sanford suggests however a more detailed explanation.

He argues that:

"The Polish military was endowed with a fearsome capacity for internal intervention and repression which it utilised effectively during the state of war of December 1981 onwards." (Sanford, 1986:87).

Yet, concerning the August 1980 crisis he argues the following:

"The evidence is that the Polish army ruled out the possibility of military repression of the Baltic seacoast Workers' Upsurge. They endorsed a peaceful, negotiated outcome... The main considerations were not so much a patriotic refusal to risk civil war or ethical morality but a hard-headed awareness of the scale and intensity of opposition, the likely costs involved in suppressing it, and even the uncertainty of what the conscripts or junior line officers might do in such a situation." (Sanford, 1986:97-8).

But, if the military had 'fearsome capacity of internal intervention' why did it utilise that capacity during December 1981 and not in August 1980? As I will explain in the next sub-section, in August 1980 the military elite utilised their power through getting the control over the Politburo rather than through violent suppression. Others suggest that:

"The elite security units apparat in the 1970s and the reliability of the military institution as instruments of domestic repression appeared to be quite low." (Johnson et. al., 1980:55).

Hence, these explanations are either unclear or self-contradictory. Moreover, if we also consider the events of December 1981 in Poland when martial law was imposed by a military-dominated government, it turns out that the factors presented above cannot explain anything by themselves. Compared to August 1980 the months before 13 December 1981 were characterized by much more intense opposition activity and the likely cost of suppression was higher not lower. Furthermore, there was a risk of

escalation due to the well organized and militant opposition. Much the same, we may argue that there was uncertainty about the behaviour of soldiers and officers who had been exposed to intense opposition propaganda during September 1980-December 1981. Yet, despite all these characteristics martial law was imposed and the army violently and brutally suppressed a two-week social resistance.

So, the behaviour of the military elite in August 1980 and its impact upon the Party leaders needs a more systematic explanation. This is presented in the following analysis.

The Movement of The Military Elite to The Centre of The Political Scene

The following analysis explains the attitudes of the military elite in August 1980 by three factors. First, during the 1970s it became politically autonomous and less dependent on the Party's monopoly. Secondly, since the workers' demands at the early stages of the crisis did not directly threaten the military elite or officers, they did not have an interest in suppressing the workers' strike. Rather, the political collaborators of the military elite preferred to postpone stabilization until they used the momentum of social unrest to strengthen their control over the Politburo. Thirdly, the new Party leaders had incomplete information about the workers' preferences. That factor significantly influenced their decisions in later stages.

The Polish army, similarly to other communist armies, was subjected to political control and propaganda. Most soldiers and officers were exposed to a certain degree of communist education; and the Party had a direct control over the army through Party committees which functioned in units on a day-to-day basis together with officers (Korbonski, 1982). The Polish army also enjoyed very good esteem in Polish society.

However, during the 1970s a twofold process changed the army's political orientation. On the one hand, Party penetration of the officer corps increased up to its peak of 85% in the mid-1970s, while on the other hand, the military elite - headed by Jaruzelski - gradually became politically autonomous (Sanford, 1986:80-81; Michta, 1990:72). Due to his strong relations and cooperation with the Soviet leadership, Jaruzelski succeeded, after he had become Poland's defence minister, to establish two independent bases of power - the wide stratum of officers and several sections in the political administration.

The officer corps emerged as an independent base of power through a process of providing them better education, training and modern Soviet weapons. For example, the young generation was offered to earn engineering and medical degrees in military academies (Michta, 1990:75). Such channels opened opportunities to many Poles to improve their social status through military service. Moreover, officers enjoyed significant privileges in form of good pay, special shops, family allowances and free housing (Korbonski and Terry, 1982). These structural changes made officers dependent on the military elite.

These processes also included changes in the context of the political education. Instead of traditional communist messages that education emphasized the strong connection of the Polish army to society as well as nationalistic messages (Korbonski, 1982). Thus, officers became more involved than before in political issues but also more dependent on the military elite as far as material benefits were concerned. Since the military elite was composed of only few members with direct access to decision making processes, they had a wide range of possibilities to manipulate soldiers and officers. It follows that the military elite could rely on the obedience of soldiers and officers.

Jaruzelski also had good connections and certain support among the Party bureaucrats

who supervised the army's work (Michta, 1990:72). This, in addition to the declining support in Gierek who failed to handle the economic crisis, gave Jaruzelski a pivotal political position. We may conclude, then, that the military elite had independent sources of power in most sections of Polish society as well as the support of the Soviet leadership.

Students of Polish politics analyze the impact of those processes on army-Party relations using terms such as 'loyalty', 'control' and 'obedience'. Some argue, for example, that because the military elite increased its political autonomy, the Party lost its control over the army and, therefore, could not rely on its support in suppressing the workers (Johnson et. al., 1980:53; Korbonski, 1982). Others argue that either the military elite or the officers were less loyal to the Party in August 1980 than before and, therefore, obedience could not be taken for granted (Sanford, 1986:97). However, almost none of them explains those processes in terms of interests. That is to say, these researchers base their analysis only on 'sociological' factors ignoring the strategic orientations of the players. A strategic military elite may be autonomous and not loyal to the Party but still be interested in suppressing social resistance.

In calculating their moves in August 1980 the members of the military elite considered two main factors. First, since they had political autonomy, they were not dependent on the Party's monopoly. Secondly, the interests of the wide stratum of officers were quite specific and concerned their particular privileges.

It follows that the interests of the military elite regarding society were not identical to those of the Party leaders. The Party leaders were directly threatened by the workers' demands to reduce the Party's monopoly while members of the military elite could present themselves as alternative rulers who would stabilize the situation. In that way they

used the social unrest to get the control over the Politburo. So, although the military elite had political autonomy and several strategic disagreements with Gierek during the late 1970s, they only utilised their power in August 1980 after political stability grew following the social activity. This analysis points to the social processes as the immediate cause of the changes in power relations at the elite level.

Indeed, that asymmetry of interests and the pivotal role of the military elite led to significant changes in the Party leadership. The Party discoordination and Gierek's confusing response at the first stages of the crisis introduced the possibility of escalation endangering the interests of the military elite and the Soviet leadership. Therefore, from the very first stages of the crisis the government's actions were practically coordinated by Stanislaw Kania who was strongly supported by the military elite (Sanford, 1986:98). He also had strong connections to the Party-military complex (Michta, 1990:78; Wiatr, 1988:147).

Furthermore, on 22 August a Central Committee meeting removed a majority of the Gierek's supporters from the Politburo. That move was strongly encouraged by Jaruzelski who called for 'personal measures against members responsible for the economic crisis' (Politburo Protocol no. 22). There was also extended appearance of generals in the Politburo meetings during the crisis (Kemp-Welch, 1991:232; Ascherson, 1981:173). Indeed, the interests of the military elite were well represented in the decision making forums, while they were barely represented in previous years.

It follows that the dominant institutional players in August 1980 were the military elite and its political collaborators - especially Kania and Jaruzelski. They used the events to increase their power in the Politburo and, thus, stabilizing the situation by violent suppression at the first stages could have hardly served their interests.

Nevertheless, also after they had achieved control over the Politburo and workers raised significant political demands, the military elite and its political collaborators opposed a violent reaction against the workers. Instead, they agreed to open negotiations giving a certain legitimacy to the workers' political demands. That strategy is explained in the following sub-section using a citizens-rulers signalling game.

The Workers-Rulers Signalling Game in August 1980: Why Did The Rulers Open Negotiations?

The intra-Party processes and the social activity that took place during 1976-80 made the new Party leaders uninformed about the workers' preferences (see also Ch. 2 - p. 84-5). They were involved in a workers-rulers signalling game.

This game was modeled in Chapter 2 as an hypothesis with a conditional utility function (p. 88-9). Based on the separate analyses of the players' calculations as presented so far, we may now suggest a comprehensive explanation. When analysing the workers' preferences we should note that they raised both economic and political demands. Surely, their most preferred outcome was a complete acceptance of all their demands. Yet, having no physical power, this was unrealistic. Therefore, workers who were heading a compromise had to decide which component of their demands was the most important.

In the previous chapter I explained how worker leaders manipulated their followers to support a political struggle. The cost of conflict was reduced and the chance of success increased. Due to the dominance of worker leaders in the social game, changing the constitutional framework in Poland became the workers' most preferred outcome (see also p. 121-2 for a concluding analysis).

On the other hand, the military elite and their political collaborators had to consider the fact that the main reason for the social unrest was the worsening economic crisis. Their main problem was that if Party members had not been satisfied with the results of the crisis, they were likely to increase discoordination in the subsequent months and worsen the economic crisis. In such a situation the only alternative to Party members as de-facto managers of the system were officers and soldiers. That meant imposing a military regime. Yet, such a far-reaching move was not possible in August 1980, since Polish officers had not any managing or administrative experience of civil organizations. Without enough planning and preparations such a move could have also destabilized the situation and worsen the economic crisis.

Based on this reasoning the military elite and its political collaborators preferred a solution which would enable them to rule the country through Party mechanisms. In this respect, the growing pressures of Party members to reach a quick and non-violent solution restricted their available strategies. Under this non-optimal decision situation the only way for the new rulers to both achieve Party coordination and defend their monopoly was a non-violent solution based on acceptance of demands which they regarded not threatening (economic demands).

So, acceptance of economic demands was the rulers' most preferred option. That is to say, the leaders' preferences were not significantly altered comparing to their preferences in the period before 1976 (Figure 2.1) - they preferred to accept economic demands rather than reject political ones. Since they faced both political and economic demands that had a significant impact.

Since both workers and rulers had to differentiate between the economic and political components of the demands, we present their preferences in respect of those components

separately in the following table.

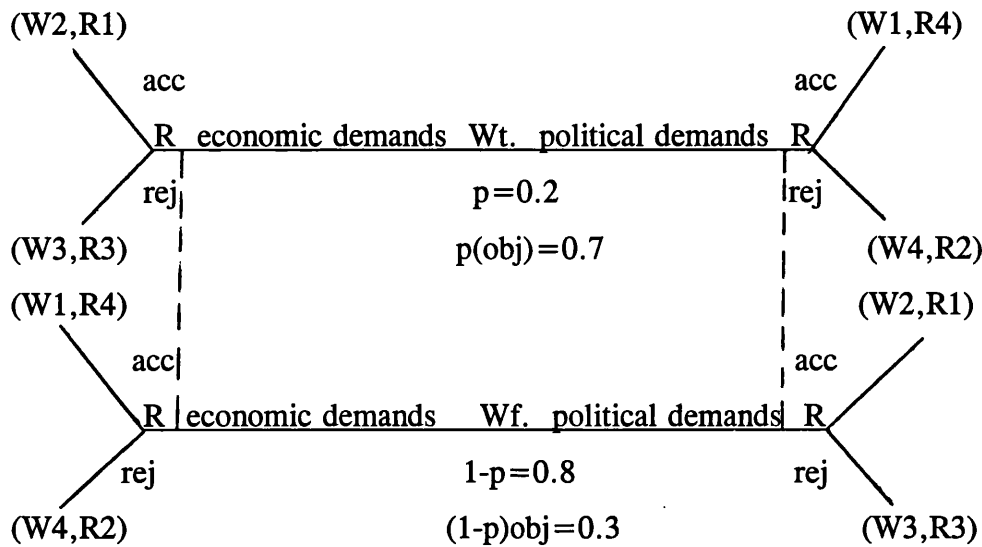
Table 4.1: Preferences of workers and rulers concerning political versus economic components of the demands

<u>Players:</u>	<u>Workers</u>	<u>Rulers</u>
most preferred	AccP (W1)	AccE (R1)
:	AccE (W2)	RejP (R2)
:	RejE (W3)	RejE (R3)
least preferred	RejP (W4)	AccP (R4)

[AccP - acceptance of political demands; AccE - acceptance of economic demands;
RejP - rejection of political demands; RejE - rejection of economic demands]

These preferences are modeled in a signalling game in Figure 4.2. Workers who move first decide what demands to emphasize and on their signalling strategy. They can send either true signals about their political or economic interests (the upper-right and upper-left lines respectively) or confusing signals attempting to hide their political or economic intentions (the lower-right and lower-left lines respectively). The players' preferences in case of false signals are overturned as compared to the case of true signals. For simplicity, if rulers regard workers as reliable both in their political and economic signals they follow the upper-right line since political demands threaten rulers most of all and dominate their calculations.

Figure 4.2: The workers-rulers signalling game over starting negotiations



[R - new Party leaders; Wt - reliable workers; Wf - unreliable workers; acc - accept workers' demands (start negotiations); rej - reject workers' demands (by suppression); p - subjective probability assigned by the leaders to workers' reliability; (1-p) - subjective probability assigned by the leaders to workers' being unreliable; p(obj) - objective probability of Wt; (1-p)obj - objective probability of Wf. Entries represent preference ordering: (i,j)=(W,R): best - W1...W4 - worst; best - R1...R4 - worst. The measures attached to the probabilities are only illustrative]

In this game the workers move first. They, especially the worker leaders, are mostly interested in constitutional changes. But, as strategic players they observe that true signals about their political intentions (the upper-right line) will be rejected. Therefore, as explained in Chapter 3 (p. 124-5), social entrepreneurs chose to focus on political demands but to send confusing signals in order to create an impression that their political signals did not reflect the workers' true interests. Rulers also faced signals from the mass of workers about their economic interests.

Thus, during ten days (14-23/8) of intense crisis society sent ambiguous signals to

rulers. On the one hand, rulers observed that the mass of workers were mainly interested in improving socio-economic outcomes. In addition, worker leaders themselves presented political changes as means to improve economic conditions (MacDonald, 1981:38,40). On the other hand, social entrepreneurs demonstrated a great mobilization ability and after several days also achieved mass support in political changes.

The rulers' information problem worsened when they received contradictory signals about the workers' goals. They were not even sure who were the dominant signallers among social players. These confusing signals could have easily led the Party leaders and the military elite to misinterpret the intentions and ability of workers.

The immense difficulty to distinguish between the economic objectives of the struggle and the political ones was clearly expressed in Gierek's policy speech that was broadcasted over all radio and television channels on 18 August 1980 (Robinson, 1980:109-113). Gierek concentrated on economic issues, expressed his understanding and willingness to negotiate over economic issues and even specified several possible reforms.

However, in respect of the strikers themselves he presented an ambiguous attitude. On the one hand, he addressed the strikers as 'dear fellow citizens' and even did not call them to return to work. On the other hand, he attacked the "unscrupulous, irresponsible individuals and groups whose machinations brought about the recent dangerous upturn in the labour dispute". He argued that "these enemies of socialism attempted to capitalize on the workers' discontent for their own devious political ends". Who were those 'enemies'? No doubt, Gierek referred to KOR members who had been regarded for years by the Party's propaganda as the 'enemies of socialism' (Green, 1978; 1979).

In other words, the Polish leadership fell in the trap of its own propaganda in an attempt to distinguish between the 'legitimate' economic goals of the protest and the

opposition activity of their old 'enemies'. But they did not understand either the changes in the political attitudes among workers or the pivotal position and interests of worker leaders. Having such a domestic information problem, rulers followed their experience from previous worker protest events and interpreted the political demands as instruments to press for economic concessions. It meant that the political demands were regarded as false signals.

The rulers' misinterpretation of the workers' signals was clearly expressed in the Politburo meeting of 22 August 1980. All the speakers concentrated on economic issues emphasizing the lack of public trust in the leadership, while hardly referring to any political intention of workers. Kania reported the spreading of the strike and the active participation of Party members in strike committees. He also identified the demand for wage increase as the workers' main interest.

"We cannot agree to pay workers while they are on strike, but of course we will. Otherwise, they will make things worse. Their demand for a 2000 Zloty pay rise is very problematic but everything stands on this. We can offer promotion of one stage on the salary scale to all workers. It will cost much but also this will not calm them. I receive reports that the market is going to collapse." (Politburo Protocol no. 22).

Other speakers suggested economic reforms arguing that "the Party should not disconnect itself from the interests of the working class", but "should win back the workers' trust while defending the Party from its enemies" (Politburo Protocol no. 22). The same attitude characterized the Politburo meeting of 23 August where personality changes were announced (Politburo Protocol no. 23).

The main problem of the Party leaders was wrong identification of the dominant players at the social level. They regarded KOR members as the real 'enemies' while worker leaders were considered mere representatives of the workers' economic interests. However, in fact worker leaders led, controlled and manipulated the social efforts

towards political issues. Respectively, rulers also misinterpreted the goals of the social struggle.

So, the Party leaders assigned high probability to workers' political signals being false ($(1-p)=0.8$). Following the lower-right line in Figure 4.2, the political demands were interpreted as instruments to achieve economic concessions and the new leaders thought that a reasonable compromise could be reached in negotiations. At the same time, they intended to improve Party coordination as well as their information during the negotiations. Finally, they agreed to start negotiations.

However, since the worker leaders were the dominant social players, the political demands were true signals ($p(obj)=0.7$). While the rulers agreed to open negotiations assuming that they were playing according to the lower-right line in Figure 4.2, they were actually playing against social entrepreneurs according to the upper-right line. Instead of leading to the outcome (W2,R1) they led to the equilibrium outcome (W1,R4). It meant that the new leaders ended the first stage of the crisis with their worst option (R4) while social entrepreneurs achieved their most preferred outcome (W1). Practically, it meant that the Party leaders gave a certain legitimacy to the workers' political demands whilst not improving their position in the game.

It should be emphasized that the leaders' decision to open negotiations was not the result of a domestic preference change. Rather, several structural factors and social processes created the need for them to temporarily use a different strategy whilst their interests remained almost unaltered. Their strategy during the negotiations is analyzed in the next chapter.

Conclusion

This chapter demonstrated the central role of social processes in creating discoordination among institutional players and thereby leading rulers to change the fundamental rules of the game. In this respect, structural or personality changes at the institutional level only create a potential for discoordinated moves towards society while social processes cause them.

Structural changes in the players' decision situation influence their behaviour in two aspects. First, they lead players to update their beliefs and preferences and re-consider their strategies. Secondly, such changes may create asymmetries which favour certain players over others. The least advantaged players often adopt sub-optimal strategies.

However, since structural changes in the decision situation are the result of complex interactions, they are very hard to observe. This has two main implications. First, no outcome-oriented analysis can explain the particular outcomes of such complex interactions. Game theoretical models that over-simplify a decision situation do not explain outcomes, but rather add to the confusion and misunderstanding. A detailed process-oriented analysis based on the concept of sequential connected games is required in order to explain macro-processes. Secondly, such an analysis should consider most parts of society. Otherwise, we get either an incomprehensive explanation or misleading conclusions.

The combination of these two principles creates an explanatory strategy based upon mapping interests and interactions in society. It was demonstrated in Chapters 2,3 and 4. The dynamic of the negotiations and their outcome - the Gdansk agreement - are analyzed in the next chapter.

CHAPTER 5: THE WORKER-RULERS NEGOTIATIONS (23-31/8) AND THE GDANSK AGREEMENT

The August 1980 crisis ended following negotiations during August 23-31. Each side was strongly influenced by their experience early on in the crisis. This chapter explains the dynamic of the negotiations and their outcome - the Gdansk agreement. It also develops several theoretical arguments concerning the mutual dependence of economic performance and political stability.

The negotiations had two main characteristics. First, worker leaders set the agenda concentrating on political issues. Furthermore, they presented the demand to legalize free trade unions as an ultimatum. Secondly, the military elite and their political collaborators, who controlled the Politburo, accepted that agenda and most of the political demands. The economic demands, however, were accepted only conditionally.

Three questions are addressed: 1) Why did the workers concentrate on the demand to legalize free trade unions? 2) Why did the rulers follow the agenda set by the worker leaders rather than controlling the agenda? 3) Why did the rulers accept most of the political demands while accepting the economic demands only conditionally?

The chapter answers these questions in three sections. Section 5.1 explains the workers' strategy in the negotiations. It first presents the players' starting positions and the bargaining model which will be used in the analysis. Then, I consider the options that were available to the workers and their leaders. Knowing the rulers' position against political changes, they could manoeuvre towards certain economic reforms. Finally, I explain the workers' concentration on the demand to legalize free trade unions through

analysing the interests of the worker leaders as well as their manipulative techniques.

In order to put theoretical grounds for the explanation of the rulers' strategy, section 5.2 develops an interactive model explaining the mutual dependence of economic performance and political stability. The structure of the political system affects economic efficiency which in return influences political stability. Then the analysis establishes the conditions for rulers, in general, to accept political demands.

Section 5.3 analyzes the Polish rulers' strategy and the outcome of the negotiations - the Gdansk agreement. Several factors led rulers to change their attitudes and understand that only limited political concessions could lead to stability and the maintenance of their power. That was indeed the general spirit of the Gdansk agreement which made the worker leaders and mid-level Party members the real beneficiaries.

5.1 THE WORKERS' STRATEGY IN THE NEGOTIATIONS

This section analyzes the workers' strategy in the negotiations while taking the rulers' actions as given. The analysis first describes the players' starting positions and presents the bargaining model. Then, I examine possible explanations of the workers' strategy and, finally, explain how the worker leaders manipulated their followers to support their own interests.

The Players' Starting Positions in The Negotiations

The negotiations started on 23 August 1980 at the Lenin Shipyard in Gdansk. The worker representatives were led by Lech Walesa and the head of the government commission was Mieczyslaw Jagielski - a Politburo member and deputy Prime Minister. The negotiations included five major sessions in the presence of the two delegations and most of the strikers, while the work on the details was done in small working groups.

The two delegations were assisted by experts - bureaucrats advising to the government commission and intellectuals counselling the workers. The experts participated in the working groups which gave them a great opportunity to advance their own interests.

The workers' starting position in the negotiations was introduced in their list of demands. It included five purely political demands together with sixteen economic ones. The political demands were: 1) To accept free trade unions, independent of the Party and employers. 2) To guarantee the right to strike. 3) To guarantee the right to publish and to give access to mass media. 4) To release political prisoners. 5) To establish the selection of people in leading positions on qualification rather than on Party membership. The economic demands were about issues such as efficiency, wages, prices, food supply and other services (Kemp-Welch, 1991:188-194). This position is represented in the following analysis by Aj.

The government's starting position was introduced by Jagielski in his opening speech. He suggested renewing the existing Party-controlled trade unions rather than forming new ones (Kemp-Welch, 1991:54). Jagielski also proposed possible economic reforms while emphasizing the danger of the political demands. So, the rulers expressed their willingness to make economic concessions but not political ones. That position is

represented in the following analysis by Ai.

We may analyze the expected course of negotiations. Since rulers, who had several strategic advantages, were only prepared to make economic concessions, they were likely to press towards these issues. Workers were supposed to follow this line since they wanted better living conditions. Indeed, this is the expected equilibrium behaviour of rulers and citizens in the 'basic' game.

Yet, the course of the negotiations did not develop according to this expected scenario. The worker leaders almost completely neglected the economic demands concentrating on the demand to legalize independent trade unions. The rulers followed that agenda making significant political concessions. How can we explain this domestic transformation in the players' attitudes?

As a first step we should note that both rulers and worker leaders had each two components of utility. Rulers wanted to achieve stability as well as defending their monopoly. Worker leaders desired both political and economic changes. Yet, due to the special structure of the game between them none of the collective players could maximize its overall utility. On the one hand, rulers still had the monopoly over physical power as well as several options to manoeuvre and, thus, the workers had to compromise. On the other hand, since the rulers faced a great demonstration of social power, they could not achieve stability without making any concessions. Under these circumstances both sides changed their attitudes through the negotiations and hence we have to explain this dynamic in order to understand the particular compromises made by the players.

In analysing the negotiations we will try to explain which component of utility was important for each side and to what extent they were willing to risk a conflict if their demands were not met. To analyze these calculations we use Harsanyi's bargaining game

(1977:151-160). In this game a Bayesian player i will stick to his own offer if his risk limit (r_i) is higher or equal to the probability that he assigns to the opponent j sticking to his own offer (P_{ji}). A player's risk limit is the ratio between the cost of a compromise on the opponent's terms ($U_i(A_i)-U_i(A_j)$) and the cost of a conflict ($U_i(A_i)-U_i(c)$). The condition that a player i will stick to his offer is formally presented in the following equation.

Equation 5.1: The condition that an individual i will stick to his own offer

$$P_{ji} \leq r_i = \frac{U_i(A_i)-U_i(A_j)}{U_i(A_i)-U_i(c)}$$

This equation will serve as an analytical tool to explain the players' calculations and the dynamic of the negotiations. These are not comprehensively analyzed by students of the Polish crisis. Most of them only describe events that took place during the negotiations (Ascherson, 1981; Garton Ash, 1983). Others try to explain the dynamics of the negotiations but either concentrate on the workers' side or do not suggest a systematic analysis (Kowalik, 1991). Kowalik (1991:153), for example, mentions the fact that 'the government representatives considered their own offer as unrealistic', but he neither explains why nor what were the implications of that. Similarly, he mentions fractions and debates among workers but neither explains the reasons nor the solutions of those problems (Kowalik, 1991:176).

This chapter provides a systematic explanation of the negotiations. The analysis is based on the full text of the negotiations published in the Polish press (translated to english by Kemp-Welch, 1991); and on secret Politburo protocols collected by Wlodka (1992) [co-translated to english by Vaserman N. and me]. We start the analysis with the workers'

strategy in the negotiations.

The Workers' Strategy in The Negotiations - Preliminary Observations and Possible Explanations

The workers' first offer was expressed in their list of demands. It included political demands - namely, to open channels for independent social activity - as well as economic demands aimed at improving standards of living.

Nevertheless, in the first meeting worker representatives presented the first demand - 'to accept free trade unions, independent of the Party and employers' - as an ultimatum (Kemp-Welch, 1991:57). The reason for that ultimatum was presented by Walesa when he responded to Jagielski's speech:

"We have not found out from what you said why we keep going round in circles and returning to the same spot. What guarantees do we have, as workers and employees who want to work and not have to strike and make demands like this, of what is our due?.... In my view, something is wrong with the steering, managing and controlling... We can tell you what one answer is from our own experience. You can find it in our first proposal: free trade unions, strong and active, as working people desire. This is not a political matter. It is a real counter-balance and control. We will do the controlling ourselves, spot mistakes, propose solutions. There will never be such methods as are used today: making things difficult for those who want to say or to do something by arrests, detention and strengthening the apparatus of power - the militia. If we are in order, if the authorities and government are in order, they will not have to surround themselves so much with the militia and security services." (Kemp-Welch, 1991:66).

Another illuminating explanation was presented by Andrzej Gwiazda who argued that the workers needed to have the right to create new trade unions in order to renew the system from time to time. He then stated:

"Trade unions must be provided with publications of their own to convey information. Our press would then cease its efforts to manipulate society. Such manipulation tends to work. It does bring results, but they are, regrettably, short lived. Society realises in the end. Indignation flares up, ferment spreads and the next explosion occurs." (Kemp-

Welch, 1991:78-9).

The worker representatives clearly signalled at the beginning of the negotiations their interest in legalizing open channels of activity as well as their willingness to postpone economic improvements. They kept only one component of their original offer (Aj) - the demand for political changes. Why did worker representatives press for legal recognition of independent trade unions instead of attempting to achieve both political and economic concessions?

As a starting point, we may argue that due to previous social changes and the KOR political propaganda, both workers and their leaders believed that political changes would lead to socio-economic improvements. Walesa pointed to a ten year cycle of economic crises. This belief change can basically explain the workers' concentration on political issues. Yet, it does not explain why the workers followed their leaders on the particular issue of legalizing free trade unions. The workers could demand, for example, mass participation in political processes in form of a referendum on major issues.

Moreover, knowing the government's position against significant political changes, worker leaders could negotiate, as Jagielski suggested, for further decentralization of the economic system within the framework of the Communist Party. Such reforms were also supported by mid-level Party members and most of the Politburo. Furthermore, previous decentralization increased the dependence of local managers on workers' cooperation. That, in addition to the existence of illegal independent trade unions, gave workers and their leaders great influence upon the management of production processes. Further decentralization could have given to worker leaders direct involvement in the economy even without legal recognition of their trade unions. It could have also led to economic improvements. Why did worker leaders insist on legal recognition of their right to form

free trade unions?

One possible answer is that the workers completely lost trust in any governmental promise or plan. According to this account, workers looked for a reliable and legitimate mechanism to change the dominant players - a democratic mechanism. Indeed, during the whole negotiations, especially after several KOR members had been arrested in Warsaw, workers expressed their distrust in government promises; and worker representatives emphasized the democratic character of the new trade unions (Kemp-Welch, 1991:97-8,125-7). To follow this rationale the workers wanted to achieve formal control over production processes in order to increase certainty and coordination in the economic system, and in the long term to significantly improve their situation.

However, this can be only part of the explanation. If the workers or their leaders did not trust government promises, then why did they negotiate at all? Walesa, for example, kept saying that if the government did not keep its promises workers would strike again. Actually, regularly used, strikes were part of the endless cycle to which Walesa had pointed. Why, then, did they insist on legal recognition of the right to strike? It was more reasonable to count on implementation of structural reforms of the economic system which had already taken place than to trust promises for far-reaching constitutional changes.

In other words, the workers tried to change the formal definition (de jure) of power relations while they could continue to change the de facto power relations between them and the authorities. Decentralization of the economic system together with the activity of their illegal trade unions could have achieved this.

It follows that the workers had several options to choose from - other than concentrating on the demand to legalize free trade unions. Such options had good chances

of success and could have served the interests of both the mass of workers and their leaders. How can we explain the workers' emphasis on legal recognition of the right to form free trade unions? The following sub-section answers this question by considering the pivotal role of worker leaders in the social game.

The Pivotal Role of The Worker Leaders in The Negotiations

The fact that structural and social factors only partially explain the workers' strategy brings in the pivotal role of strategic entrepreneurs in manipulating constitutional choices. During 1976-80 worker leaders established independent illegal trade unions as their bases of power. Legal recognition of these unions could improve their power and material benefits in two ways.

First, the illegal trade unions had limited resources because they were based on voluntary activity. Participation and material contributions could not be enforced. At the same time, due to the Party's monopoly the formal managers of the economy controlled most of the resources of the country. Therefore, being part of the formal system and participating in management processes could improve the private payoffs of worker leaders. Secondly, worker leaders recognized that the events of August 1980 were only the first stage in a long struggle against the authorities (Kemp-Welch, 1991:78,125,137). In order to guarantee their pivotal position in the social game, they needed their organization to be legalized and formally recognized. Walesa's statement clearly exemplified this (see above - p. 165).

It follows that worker leaders were not only interested in economic recovery but more in formal recognition of their power. They intended to use their social power in order to

become part of the managerial level.

Worker leaders had two important resources to encourage mass support. First, being the informed players in the social game, they had strategic advantages over their followers (see also Ch. 3 - p. 120-1). Since most of the negotiations took place in small groups, worker leaders completely controlled the information about the government's stand. This pivotal position allowed their interpretation to prevail. Workers were gradually led to believe that the coming struggle for better economic conditions required legalizing independent trade unions. Secondly, worker leaders used their manipulative skills and the high esteem that they had among followers to convince them on the issue of free trade unions.

This twofold strategy was clearly expressed in the main focal point of the negotiations when the strikers debated whether to approve a draft of the Gdansk agreement (Kemp-Welch, 1991:123-9). Worker representatives did not refer at all to economic issues but, rather, emphasized continual struggle in order to achieve economic benefits in the long term. In this respect, Walesa's explanation of the regional character of the new trade unions is representative:

"We are getting our own place. At least fifty rooms. We can even stay there sometimes. At least 300 people should get in - that's a minimum. We can shout and argue there....Now, about the union. Just now we can't set up unions all over the place. But we, they [the workers in regional factories - S.M] have statutes won by us. They can set up their own. We can help them when we have organized ourselves. Then, for sure, we will look further... But first we must become stronger ourselves. Hold elections, organize offices, do everything. The authorities won't help us, that's for sure. We are to get promises - that's clear enough. But legal registration? Really we must fight for it." (Kemp-Welch, 1991:123).

Walesa manipulated the workers using his control over information as well as his charismatic skills. He presented the compromise on legalizing only the free trade unions in the Coast region as necessary. But, maybe the broad economic interests of workers in

other regions could be achieved as well?

Worker leaders also used the world-wide interest in the events to create pressures on the strikers and present the strike as a test of their determination. For example, Walesa referred several times to the fact that 'the world is watching' reading messages of support from international organizations (Kemp-Welch, 1991:154,163).

In comparison, the negotiations that took place at the same time in Szczecin concentrated on economic issues. Unlike Gdansk, television crews and foreign correspondents were kept outside. As one of the inside observers reported:

"It was a very authentic business, a pure workers' movement. The Szczecin strike had no connection to the Warsaw intelligentsia. I admired the purity of their leaders, who denied themselves tempting publicity." (Ascherson, 1981:168).

Indeed, they hardly accomplished any political concessions but the economic agreements were very realistic including significant achievements for workers (Kowalik, 1991:182; Ascherson, 1981:171). That connection between strategies of worker leaders and different outcomes supports the argument that the worker leaders in Gdansk played a pivotal role in directing and manipulating their followers towards their own political interests. So, the workers' main demand in the negotiations (A_j) reflected the interests of their leaders.

The emphasis on the demand to legalize free trade unions had two implications. First, the strikers were willing to stick to that demand even at the risk of a conflict. Secondly, most of the economic issues were completely neglected.

The dynamic explained above led workers to regard any counter-offer that did not include a legal recognition of independent trade unions almost valueless ($U_j(A_i) \rightarrow 0$; $U_j(A_j) - U_j(A_i) \rightarrow U_j(A_j)$). In addition, previous coordination processes reduced the cost of conflict for workers (Ch. 3 - p. 111-2). Therefore, although they could not benefit from a violent conflict ($U_j(c) \rightarrow 0$), its cost was not higher than their utility from the

acceptance of their own offer: $(U_j(A_j) - U_j(c) \rightarrow U_j(A_j))$. We may now calculate the workers' risk limit as follows.

Equation 5.2: The workers' risk limit concerning the demand to legalize free trade unions

$$r_j = \frac{U_j(A_j) - U_j(A_i)}{U_j(A_j) - U_j(c)} \rightarrow \frac{U_j(A_j)}{U_j(A_j)} = 1$$

In this equation the ratio between the cost of a compromise on the government's terms and the cost of conflict is almost 1. This high risk limit meant that workers were willing to risk a conflict independently of their beliefs about the rulers' determination.

Furthermore, several observations show that workers questioned the government's reliability but considered the possibility of violent suppression as unrealistic (MacDonald, 1981:50,58). They assigned low probability to the rulers' determination to stick to their own demand ($P_{ij} \rightarrow 0$) and the condition $P_{ij} < r_j$ was fulfilled. Therefore, the workers preferred to stick to their first demand even at the risk of a conflict.

It follows that players update their beliefs and preferences when facing certain changes in the structure of the situation. Polish workers changed their attitudes during the negotiations due to the combination of previous social processes, the fact that they had incomplete information and the charismatic skills of their leaders. As a result they deviated from the equilibrium behaviour of the basic game and joined a political struggle.

The second implication of the workers' concentration on the demand to legalize independent trade unions was that most of the other issues - especially the economic demands - were neglected. Since the bargaining over the first demand took a week of the nine-day negotiations, both sides almost exhausted their resources. On the one hand, rulers were afraid that the strike would spread further if an agreement was not soon

reached. The very tangible threat of a general strike was emphasized by all the speakers in the Politburo meeting which discussed the approval of the Gdansk agreement on 29 August (Politburo Protocol no. 28). The workers, on the other hand, started to show signs of impatience. It was expressed in growing debates and disagreements among them at the Lenin shipyard (Ascherson, 1981:170).

So, both sides had limited time and the fact that most of it was spent on bargaining over the first demand created pressures on them to complete the negotiations as fast as possible. In addition, as one of the workers' representatives - Gwiazda - explained, since the government gave way on the political issues, the workers had to make concessions on the economic ones (Kemp-Welch, 1991:127). As a result of those dynamics, the economic agreements were not best thought of by both sides. That led to either conditional or unrealistic compromises over the economic demands.

In order to accurately explain these outcomes, we also have to consider the rulers' calculations. To put the grounds for the empirical analysis I first suggest a theoretical discussion explaining why rulers, in general, accept demands for constitutional change.

5.2 WHY DO RULERS ACCEPT DEMANDS FOR CONSTITUTIONAL CHANGE?

This section develops a theoretical rationale to explain the mutual dependence of economic performance and political stability. From this analysis we will draw the conditions for rulers to make political rather than economic concessions. Finally, the section will present a framework for the analysis of constitutional change.

The Mutual Dependence of Political Stability and Economic Performance

Rulers are unlikely to change the political status quo unless it bears high costs. That is, if they face internal instability. Since the existence of demand and supply relations between citizens and rulers is a necessary and sufficient condition for institutional stability (Ch. 1 - p. 42), changes in the parameters of these relations may cause instability.

On the demand side there are various reasons for people to change tastes - environmental, cultural, political, international and structural factors. In most cases, however, such factors are presented and manipulated by certain individuals - social and political entrepreneurs - who also try to achieve their own interests (North, 1990:84-6). The selective benefits they get often lead to sub-optimal and inefficient outcomes for the whole society (Mitchell and Munger, 1991).

A change of tastes is one of the factors that may create economic inefficiency leading to instability of demand-supply mechanisms. Others are external processes and structural factors. In Poland, for example, the economic crisis of the mid-1970s, which ended three years of economic growth, was strongly influenced by the 1973 oil-crisis (Sanford, 1983:28). In respect of structural factors, monopolies are generally viewed as an obstacle to deal with growing demands since they create a rigid system and make economic adaptation difficult (Hayek, 1978:110-2). Monopolies also limit entrepreneurship and may lead to stagnation (North, 1990:108). Yet, a significant crisis of a demand-supply mechanism arises due to a combination of several factors which increase transaction costs.

Transaction costs are commonly regarded as the main factor that creates inefficiency or non-perfection of economic systems (Coase, 1960; North, 1990). Put simply, the term

'transaction costs' refers to the various costs of economic activity such as the costs of communication, of contracting relations, enforcement of agreements and alike. Among these parameters the cost of enforcement is considered to be the significant one. As North puts it:

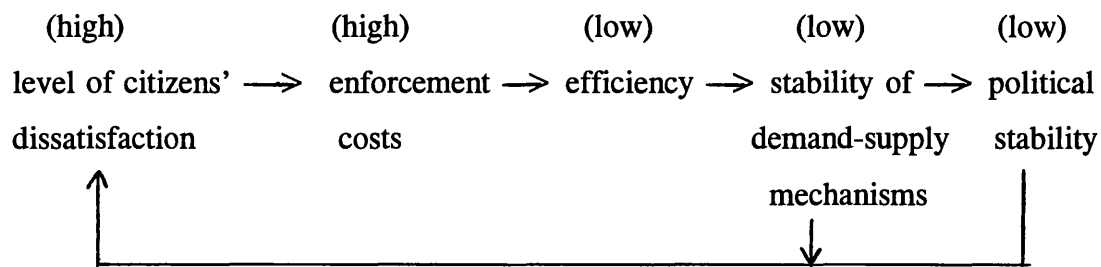
"The inability of societies to develop effective, low-cost enforcement of contracts is the most important source of both historical stagnation and contemporary underdevelopment in the third world." (North, 1990:54).

Factors that increase enforcement costs may lead to stagnation and inefficiency. Among these citizens' dissatisfaction plays a major role.

The mutual dependence of enforcement, centralized systems and citizens' dissatisfaction is explained by the following interactive model. As more as citizens are dissatisfied with their outcomes the higher expected enforcement costs. As elaborated in Chapter 1 (p. 45), citizens find democratic systems attractive while in non-democratic systems the level of citizens' dissatisfaction is likely to be high. Therefore, rulers need to attach high costs to disobedience and as a result enforcement costs in centralized and monopolistic systems are high. This creates supply difficulties.

Due to the high cost of enforcement and the monopoly privilege, centralized systems are often unable to supply citizens' basic needs. In return, a short-supply of such demands deepens citizens' dissatisfaction thereby increasing enforcement costs. Nondemocratic systems are trapped in a cycle of economic crises. This dynamic is demonstrated in Figure 5.1.

Figure 5.1: The mutual dependence of citizens' attitudes, economic performance and political stability (in non-democratic systems)



[The measures in parenthesis represent the situation in non-democratic systems]

Economic performance and political stability are mutually dependent. On the one hand, political stability can exist only if there is a minimal level of economic efficiency. On the other hand, political instability increases citizens' dissatisfaction and thereby also economic efficiency declines.

In comparison, similar cycles of economic crises are less expected in democratic systems where the level of citizens' dissatisfaction is much lower than in nondemocratic systems. In fact, this dynamic demonstrates that, contrary to the argument of the 'crisis theory' approaches (Offe, 1984; O'connor, 1987), capitalist democracies have efficient ways to channel demands and avoid overloading the economic system.

It follows that the structure of the political system has a domestic impact on economic performance. Yet, as elaborated in the first chapter (p. 45-6), the focal point of crisis in citizens-rulers relations is reached only when structural changes are transformed into individual actions. In the following sub-section I explain the basic mechanism of such transformations.

A Mechanism of Constitutional Change and The Scope of The Analysis of Constitutional Change

To explain how economic inefficiency affects the level of individual action we should consider the second factor that stabilizes institutions: the existence of a significant difference between political rules and policy regulations in respect of their impact on outcomes.

In a stable situation, policy regulations (and changes in them) fully determine the payoffs of most citizens while changes of political rules have only an indirect and long-term impact on these payoffs. Being interested in their own outcomes, citizens are likely to raise economic demands which also bear lower costs than a political struggle. Yet, as elaborated in the first chapter (p. 45-7), when such a differentiation between the two sets of rules does not exist, citizens understand that a real improvement of their payoffs can be achieved only in the long term - after re-structuring and re-organizing the system. In terms of game theory, they do not discount most future payoffs. That is to say, when social players reach (or are led to) that focal point they do not underestimate possible benefits simply because they are to be indirectly paid after a long period. Rather, they understand that immediate payoffs are of little value and they prefer long term payoffs under a more stable situation. That was, indeed, the rationale by which Polish worker leaders persuaded their followers to focus on political demands.

Nevertheless, rulers also go through a Bayesian learning process updating their beliefs and preferences. When rulers in non-democratic states observe the cycle presented in the previous sub-section, they gradually understand that in order to keep both stability and their privileges, they need to reduce enforcement costs. That is, to achieve the citizens'

cooperation and consent by other means than economic concessions.

Thus, when the demand-supply mechanisms totally collapse and citizens correctly identify the correlation between economic outcomes and political rules, rulers also reach a focal point. Through a learning process they understand that policy changes directly and immediately affect the economic situation while limited political concessions will affect the situation and their dominance only in the long term. They also realize that further economic concessions or attempts to supply the citizens' economic demands will not create stability even in the short term but rather will escalate the crisis further. Limited political concessions may, however, give them both time and opportunities to re-organize and manipulate citizens.

After experiencing a cycle of economic crises rulers prefer the option of making limited political concessions to calm social unrest. Rulers may even try to manipulate citizens towards particular constitutional changes that affect the situation only in the long term. For example, new information rules are not likely to threaten the rulers' privileges in the short term but only after a long period. In that way, rulers use new rules as instruments to satisfy citizens whilst keeping their power.

It follows that there are two conditions, at the level of the players' beliefs and preferences, for constitutional changes: 1) social players believe socio-economic benefits will follow new political rules; 2) rulers believe that policy changes and economic concessions will lead to further instability whilst they also think that certain political changes will not immediately threaten them.

These two conditions are preceded by two structural conditions explained earlier: a) the absence of demand-supply mechanisms between citizens and rulers; b) a lack of differentiation between policy regulations and political rules meaning that political rules

fully determine socio-economic outcomes.

The transformation from the stage in which the structural conditions exist (and observed objectively by us) to the final point of belief changes indicates the scope of a process of constitutional change and explains its outcomes. In other words, any process of constitutional change is marked by a starting point of structural conditions and an ending point of belief change among the players. The process between these points may vary according to the particular characteristics of the situation as well as the interests and resources of the players. Nevertheless, it is this process, rather than the conditions stated above, that causes the particular outcomes of a given event of constitutional change. Therefore, the two focal points and the transformation between them also mark the scope of a constitutional change analysis.

How did the socio-political processes in Poland influence the rulers' calculations in the negotiations? This is explained in the following section.

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5.3 WHY DID THE POLISH RULERS ACCEPT POLITICAL DEMANDS?

The early stages of the August 1980 crisis introduced the military elite and their political collaborators as the dominant institutional players. This section explains the strategy and calculations of the new Polish rulers during the negotiations as well as their outcome - the Gdansk agreement.

The Strategy and Calculations of The Party Leaders During The Negotiations

The government's first counter-offer to the workers concentrated on reforming the existing Party-controlled trade unions whilst rejecting any political demand (Kemp-Welch, 1991:41-2). Nevertheless, the government representatives soon dropped that offer and followed the agenda set by the worker representatives in two aspects - they accepted most of their demands concerning the procedures of the negotiations and later followed their emphasis on the demand to legalize independent trade unions.

The government representatives first compromised on procedural issues. These included negotiating inside the Lenin shipyard in Gdansk in the presence of all the strikers, academic advisers, television crews, Polish journalists and foreign correspondents; reconnecting telephone lines between Gdansk and other regions as well as other procedural concessions (Kemp-Welch, 1991:48-49,68,71-3).

Basically, these concessions are explained by the internal discoordination within the Party which led rulers to start negotiations in the first place (see Chapter 4 - p. 152-3). Due to the Party discoordination, Party leaders had not worked out their strategy, but rather left it to the negotiators themselves. Under the strong pressures of that time, the government representatives were willing to compromise on procedures in order to make some progress on the substantial issues. Nevertheless, those concessions indicated to the workers that the rulers were weak.

Yet, the leaders' decisions on the substantial issues cannot be simply explained by their weak bargaining position, since they had several options to handle the crisis. For example, in the crucial Politburo meeting on 29 August where the final draft of the Gdansk agreement was discussed, several hard liners demanded the use of the armed

forces to open the ports and to break the Baltic strikes (Politburo Protocol no. 28). Indeed, when they faced the workers' ultimatum the rulers could either break the strike by force, present a tougher position in the negotiations or concentrate on economic issues. Why did they follow the agenda set by the worker representatives?

To understand the rulers' calculations we need to analyze their determination to stick to their opening offer - namely, their risk limit and their beliefs concerning the workers' determination. Based on the analysis presented in previous chapters, we can explain two components of Equation 5.1 - the rulers' benefits from a violent conflict ($U_i(c)$) and the probability they assigned to the workers' determination (P_{ji}).

As explained in Chapter 4 (p. 152-3), due to their independent sources of power the military elite and their political collaborators succeeded in getting the control over the Politburo and it was they who decided to start negotiations. Basically, they wanted to strengthen their power basis within the Politburo and in the Party as well as preserving their privileges (A_i). The analysis also explained that the possibility of using the officers stratum as de-facto managers of the economy was ruled out as unrealistic. Since the wide-stratum of Party members pressed for a non-violent solution, violent suppression could hardly serve the leaders' interests and their possible utility from this was considerably low ($U_i(c) \rightarrow 0$; $U_i(A_i) - U_i(c) \rightarrow U_i(A_i)$). Indeed, rulers did not adopt tough measures against workers during the negotiations. It was expressed, for example, in Kania's report to the Politburo:

"We are concentrating on blocking supply channels in order to worsen the strikers' conditions and on limiting social activity." (Politburo Protocol no. 27).

At the same time, rulers had incomplete information about the workers' preferences (see also Ch. 4 - p. 156). Although they observed mass support for political demands, they

also received confusing signals from workers about their main goals. Therefore, the rulers were not sure how determined the workers were. We can say, however, that due to the mass participation they assigned high probability to the citizens' determination. On 28 August Gierek argued in this respect that "had we sent the army to take to streets, we would not have achieved anything but bloodshed" (Politburo Protocol no. 27).

Under those conditions of uncertainty the main parameter guiding the rulers was the value of the workers' offer ($U_i(A_j)$). If rulers had valued this offer the same as their own ($U_i(A_i) = U_i(A_j)$), then their risk limit was zero. In that case they were not willing, independently of their beliefs about the workers' determination, to risk conflict. In other words, due to incomplete information rulers preferred to compromise on an offer which they were convinced would lead to stability and increase Party coordination. At the same time, they were well aware of the Soviet position in the light of increasing tension. Gierek reported to the Politburo of Soviet warnings about the possible consequences if instability continued (Politburo Protocol no. 27). Therefore, the rulers recognized the urgent need to stabilize the situation.

Hence, they wanted a non-violent solution to stabilize the situation and had two reasons to concentrate on the demand to legalize independent trade unions. First, following the theoretical rationale developed in the previous section, Polish rulers went through a learning process and understood that under the deep economic crisis of that time any direct benefits to the workers would worsen the situation. Jagielski emphasized this point in a long speech which concentrated on the economic demands (Kemp-Welch, 1991:57-61).

Secondly, Polish rulers estimated that a compromise on the issue of trade unions would not threaten them. They regarded KOR members, rather than worker leaders, as political

activists and indeed arrested several of them during the crisis (MacDonald, 1981:35). Worker leaders were considered as true representatives of the workers' economic interests (see also Ch. 4 - p. 156-7). Since rulers observed their control over workers, they believed that by giving them limited power they would achieve stability.

It follows that the rulers accepted the agenda set by the worker representatives not only due to their weakness, but they also had an interest in focusing on the demand to legalize free trade unions. In that way they could maximize their utility from a compromise ($U_i(A_i) = U_i(A_j)$).

Under this rationale, rulers adopted a twofold strategy. First, the government representatives tried to reach a compromise over free trade unions in a way which would give worker leaders control over their followers, but not direct access to decision making or management processes. Secondly, they attempted to prevent any direct or immediate socio-economic benefits to workers. Such a compromise was expected to calm and stabilize the situation whilst increasing the cooperation of both Party members and workers with the new rulers.

Indeed, the point on independent trade unions was the significant one in the final agreement. Academic experts who participated in the small working groups had the impression that "the government preferred the appearance of being driven into conceding independent unions" (Ascherson, 1981:157); and that "the government representatives did not regard their own proposals [to restructure the Party-controlled trade unions - S.M.] as realistic" (Kowalik, 1991:153).

The economic points were formulated as if the demands were accepted but, actually, no real economic concessions were made by the rulers. Most of the economic demands were accepted conditionally - that is, further 'research' or a committee decision were

required before implementation.

That compromise was brought to approval in a Politburo meeting on 29 August 1980. The views of the speakers in that meeting summarize the reasons that led Polish rulers to approve the Gdansk agreement and enable us to present a concluding analysis of their calculations.

The speakers in the meeting expressed a great concern about the growing instability and the threat of a general strike in the whole country. Most of them agreed that the main problem in dealing with the threat was Party discoordination. It was clearly expressed in Gierek's opening speech:

"The Party is dismantling. I do not see what other measures can be taken, except those we have already taken. I believe we cannot control the escalating situation for long. In the Party branches my name is being mentioned more and more. Members have no trust in me...Free trade unions continue to appear and many join them. Maybe we should choose the least worst option and consider the situation later." (Politburo Protocol no. 28).

A more dramatic description was presented by Karkoszka:

"We should understand that we have no Party at this moment. More and more Party members are defecting to the other side - to support the strike committees. The main task is to re-integrate the Party. The first secretary of the Party in Warsaw told me, for example, that the Party has ceased to function over there. We cannot hold that situation any more. Something must be done and this is not the time to talk about propaganda." (Politburo Protocol no. 28).

Furthermore, the speakers understood the correlation between political instability and the economic crisis. They also agreed that the army could not replace Party members and workers in managing the economy. Jaruzelski clearly emphasized these points:

"We face a dramatic situation. The spreading of the strikes is only a matter of time. Then, the economy will be totally paralysed, which will lead counter-revolutionary elements to join in. Comrades suggest we call for a state of emergency, but this is against our constitution. We can declare a state of war, but we will not be able to implement it, since the whole country will be paralysed. Therefore, this is not realistic. We should not issue rules that we cannot enforce." (Politburo Protocol no. 28).

The practical obstacles of using the army were also explained by Kania and then by Kowalczyk:

"There is a plan to re-occupy the shipyards in the north using the army. But, even if we succeed, and this will not be easy at all, daily work will not go back to normal. Simply no one will work in these factories. We all know that the army cannot do it." (Politburo Protocol no. 28).

The Polish leadership faced a domestic problem of Party discoordination whilst no alternative to Party members and workers was at stake. The cooperation of these groups was necessary in order for the economy to function even minimally and to achieve political stability. The rulers did not see any option but to reach a non-violent solution based on necessary compromises.

Yet, their opinions about the particular type of compromise were directly influenced by their views concerning the nature of the social activity. As explained earlier, rulers tried to distinguish between the political goals and the economic aims of the strikers. They considered KOR members to be responsible for the political aims assuming worker leaders as representatives of the workers' economic interests. That was expressed by Kania in the meeting of 29 August as follows:

"The demands of the strike committee are encouraged by anti-socialist forces. It did not start there in Gdansk nor during the strike, but in Warsaw [the base of KOR members - S.M], and the demands are spreading because we did not stop the process when we had the power to do so. We should start a massive propaganda, explain to the public who is responsible for all that happened, but show concern to the workers' situation. We must guarantee that the workers' interests will be secured." (Politburo Protocol no. 28).

But, what were the workers' interests from the rulers' point of view? Much the same as at previous stages of the crisis, also at the crucial stage rulers still did not have complete information about the workers' preferences. That was expressed by Pinkowski as follows:

"If we take the shipyards by force, they may try to take the Party's regional branch by force. Using force is very dangerous. It is not useful to talk about wage increases at this

time since those who participate in the strikes have already received increases, and they still joined the strike committees. We should study the situation carefully and attempt a compromise that will calm the situation and give us time. We have to decide what is more dangerous: a temporary compromise after which we will take the initiative and strengthen the Party, or a total collapse." (Politburo Protocol no. 28).

The rulers were not sure how workers would respond to violent suppression nor did they know how to interpret their economic demands. Under these conditions of uncertainty and a deep economic crisis they followed the apparent signals as presented by worker leaders.

Indeed, the meeting was concluded by Gierek as follows:

"I think that we should give a mandate to Jagielski and accept the agreements concerning the new trade unions. The working class should know that the Party accept trade unions based on the control of workers rather than of the Party. But, without anti-socialism." (Politburo Protocol no. 28).

We may conclude the factors that led the Polish leadership to approve the Gdansk agreement and the particular constitutional changes included in it. First, the spreading strike and the growing instability affected the rulers' attitudes. They inferred that the real threat over their power was political instability rather than possible constitutional changes.

Secondly, the strategy of violent suppression was ruled out not because there was a danger that soldiers would disobey but, rather, since it was not likely to lead to stability. Due to lack of preparation, army officers could not replace Party members or workers in managing the economy. The rulers understood that any solution should be accepted by Party members and workers as a pre-condition for stability. Since Party members opposed violent suppression and many of them joined the strikes, this was ruled out.

Thirdly, following the rationale developed in the previous section, the rulers realized that any economic concessions would lead to further instability while limited political concessions could calm the situation without directly threatening their power. Fourthly,

rulers saw KOR members as political 'enemies' not worker leaders. They believed that worker leaders would try to serve the workers' economic interests rather than establishing a political opposition.

Finally, since the rulers did not accurately understand the real preferences of the workers nor their leaders, they found it hard to locate potential fractions among them or coopt certain groups. Rather, they followed the apparent signals of the worker leaders and approved the Gdansk agreement. Indeed, in the meeting of 29 August Politburo members also decided to present the agreement to the Soviet leadership in order to get its cooperation. The Gdansk agreement was signed in the final meeting of the delegations on 31 August 1980.

The Gdansk Agreement - Main Characteristics

The Gdansk agreement concentrated on the compromise over the first demand - "to accept free trade unions, independent of the Party and employers". The government not only accepted the fact of independent trade unions but also recognised the workers' right of 'freedom of association and collective bargaining' (Kemp-Welch, 1991:188-9). Nevertheless, the compromise formula was 'new independent trade unions' rather than 'free' ones. The exact character of the new trade unions was left to interpretation, since the agreement implied a renewal of the existing Party-controlled trade unions.

In practical terms, the agreement gave the strike committees in factories the status of either 'worker councils' or founding committees of new trade unions. The government also agreed that the Inter-factory Strike Committee was the founding committee of these unions and would be free to decide over which form of a single union or association the

Coast would adopt. The formal agreement granted those rights only to the workers on the Coast region rather than to all Polish workers. That compromise was a subject of major debates among workers but, as Walesa explained, they were too weak to demand more (Kemp-Welch, 1991:123).

However, that was not the only concession made by the workers. A much more significant compromise concerned the role and functions of the new trade unions. Those were defined in the agreement as follows:

"While acknowledging the leading role of the Polish United Workers' Party in the state and not questioning the established system of international alliances, their purpose [the unions' purpose - S.M.] is to provide working people with appropriate means for exercising control, expressing their opinions and defending their own interests." (Kemp-Welch, 1991:188).

That point enabled the military elite to present the agreement to their Soviet patrons as internal reforms rather than a domestic political transition.

In respect of policy changes and reforms of the management structure it was agreed that:

"The new trade unions should have a genuine opportunity to express their opinion in public on the major decisions which determine the living standards of working people.... the government undertakes to provide conditions for fulfilment of these functions." (Kemp-Welch, 1991:189).

Hence, although the worker leaders emphasized that "only direct workers' involvement in the management and decision making can improve the economic situation", they were limited by the agreement to represent the workers' opinions and interests - namely, to trade unionist functions. The workers accepted 'the leading role of the Party in the state', and were about to exercise control over themselves. In that way Polish rulers both achieved stability and kept their monopoly. Furthermore, concerning economic reforms it was agreed that:

"The reform of the economy should be based on a radical increase in the independence of enterprises and genuine participation by workers' self-governing institutions [the Party-controlled trade unions - S.M] in management." (Kemp-Welch, 1991:192).

By that the government, encouraged by its academic advisers and mid-level Party members, actually committed itself to continue decentralization empowering the Party-controlled trade unions, rather than the new ones, with more authorities. It follows that mid-level Party members increased their independence in the economic system and thus achieved their interests.

Concerning the demands to recognize the workers' right to strike and to publish, the agreement specified the general conditions under which those rights were to be granted. In principle, a new law concerning strikes was to be issued and a certain degree of free press under a more specified criterion of censorship was guaranteed. The government also agreed to release political prisoners, though people were arrested during the negotiations and the agreement was signed without them being released.

Thus, the agreements on the political issues reflected the dominance of worker leaders and expressed the interests of the military elite and mid-level Party members. Worker leaders were only given channels to increase their power and control over workers but not a direct access to policy-making or management forums. That meant that in the long term the mass of workers would hardly benefit from the changes. Nevertheless, worker leaders received direct payoffs in terms of power and material benefits.

The economic compromises also did not improve the outcomes of the mass of workers. As explained, most of those agreements were either conditioned by 'further research' or unrealistic. The government representatives ruled out the demand to abolish the privileges of the nomenclature as non-negotiable. Thus, the mass of workers did not achieve any immediate improvement.

The military elite and their political collaborators ended with optimal outcomes under the given conditions - namely their lack of information about the workers' preferences and the Party discoordination. These conditions were not drastically altered by the Gdansk agreement and, thus, instability worsened after a few months. However, the military elite and its political collaborators managed to transform the asymmetries in information and coordination to favour them leading to a different constitutional choice - the imposition of martial law in December 1981. These processes are discussed in the next chapter.

Conclusion

This chapter manifests several theoretical conclusions. First, new political rules are the outcomes of complex interactions between social and institutional players. They reflect power relations in society as a whole and are influenced to a large degree by structural changes. Secondly, the level of coordination within a collective player strongly influences its power and available strategies. Workers were willing to bear the cost of long negotiations due to high level of coordination while Party discoordination restricted the available strategies to rulers. Thirdly, the information available to the players has a significant impact upon outcomes. Informed players have strategic advantages over uninformed ones.

Fourthly, the analysis demonstrated the instrumental role of structural factors. Strategic individuals use structural changes to influence others' beliefs and preferences. Structural advantages then enable these individuals to manipulate behaviour according to their own

interests. Similarly, political instability or economic inefficiency affect outcomes through their impact on individual behaviour. The interactive model explained how these factors influence the players' time preferences and lead both citizens and rulers to calculate their moves to the long term. In the final analysis individual behaviour explains outcomes.

Finally, the nature of bargaining processes makes it difficult to explain their outcomes only by the starting conditions. Through the bargaining players change beliefs and attitudes and, therefore, only a detailed analysis of such dynamics can explain outcomes.

CHAPTER 6: THE SEARCH FOR A POLITICAL EQUILIBRIUM DURING SEPTEMBER 80-DECEMBER 81 AND THE IMPOSITION OF A MILITARY REGIME

The main characteristic of Poland in the period September 1980-December 1981 was political and social instability. During that period citizens-rulers relations escalated until a series of workers' strikes and demonstrations reached a focal point of instability forcing rulers to impose martial law on 13 December 1981. This chapter will explain the processes that led to that outcome.

Basically, although during most of the period Solidarity's leaders and Poland's rulers shared an interest in cooperating to solve the economic crisis, the conflict rapidly deteriorated. Three main questions are addressed: 1) Why did workers deviate from their equilibrium behaviour and raised demands which directly threatened rulers? 2) What dynamic explains the escalation? 3) Why did the rulers choose to stabilize the situation by imposing a military regime? To answer these questions the analysis will explain how changes in coordination and information asymmetries as well as economic conditions altered citizens-rulers relations leading both players to escalate the crisis.

The arguments are developed in three sections. Section 6.1 critically presents two game theoretical explanations of the Polish crisis and also models the Solidarity-rulers relations in September 1980 by the 'basic' citizens-rulers game. Following its rationale, Solidarity's leaders and rulers cooperated with each other to solve the economic crisis.

Yet, the workers' strategy started to change in December 1980 when local activists acted independently of Solidarity's leaders directly threatening rulers. Rulers, however,

compromised with workers in several events. That change in citizens-rulers relations is explained in section 6.2. Solidarity's leaders failed to convince their followers that they were able to provide economic improvements while rulers faced both Party discoordination and incomplete information about workers. The rulers' behaviour during December 80-February 81 is explained by their misinterpretation of the workers' signals.

Nevertheless, as I explain in section 6.3, the coordination and information asymmetries gradually changed after February 1981. Rulers militarized Polish society while workers became disordinated and began to misinterpret the rulers' intentions. That process led to the final stage of the crisis analyzed by a rulers-workers signalling game in which workers are the uninformed players. Local workers intensively used uncoordinated strikes and demonstrations leading rulers to respond with harassment and finally to impose martial law. These socio-political dynamics manifest several theoretical arguments with which the chapter is concluded.

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6.1 MODELLING THE POLISH CRISIS - THE EXPLANATORY STRATEGY AND ALTERNATIVE GAME THEORETICAL EXPLANATIONS

This section establishes the model which explains workers-rulers relations after the signing of the Gdansk agreement. Through a critical presentation of two game theoretical explanations it also underlines the advantages of the explanatory strategy developed in the study.

A Critical Presentation of Two Game Theoretical Analyses of The Polish Crisis

The following analysis presents the explanations suggested by Brams (1994:168-175) and by Colomer and Pascual (1994). At the conceptual level, both models suggest a dynamic approach. That is, an explanation of a certain event starts from a certain stable 'initial state' and analyzes the processes that led to the outcomes. Colomer and Pascual argue, for example, that the regime transition of 1989 in Poland actually started in the events of 1980-81. As demonstrated through the study I also adopt such a dynamic approach.

Yet, the two studies avoid a detailed process-analysis which I claim to explain the causes of constitutional changes (Ch. 1 - p. 51-2). Their over-simplification is expressed in two important aspects. First, referring only to the leadership level they ignore many players. Secondly, using the same game to analyze the whole process they fail to specify structural influences on the players' preferences and decisions. Moreover, they ignore attitude changes as a result of learning processes.

Both Brams and Colomer and Pascual suggest that in the process of 1980-81 "the communist party, generally identified with the government and the state, and Solidarity movement or, rather, their respective leaderships, are the relevant players whose interaction can explain the basic dynamics of the real process" (Colomer and Pascual, 1994:278). Concerning sub-divisions within the collective players, Brams argues the following:

"Of course, internal divisions within Solidarity and the party led to certain intra-organizational games; however, these sub-games generally concerned not strategic choices or broad policy issues but rather tactical choices on narrow operational questions." (1994:169).

Nevertheless, since the level of coordination within a collective player indicates its power, internal divisions can explain changes in the strategic choices, in the players' attitudes or indeed alternation of the dominant players themselves. Using the concept of sequential connected games the analysis in this chapter will demonstrate how internal divisions actually caused the outcomes of the crisis. For example, the movement of the army to the centre of the political scene from February 1981 onward marked a significant change in the rulers' preferences and available strategies.

In part, this over-simplification results from the tendency of rational choice theorists to neglect 'sociological' and structural parameters. Colomer and Pascual use, for example, a general categorization that enables identifying groups according to their strategic orientation towards change rather than their formal 'sociological' status (Colomer, 1991). However, since the power, resources and interests of players depend on organizational mechanisms as well as on their place in the hierarchy of society, we cannot completely ignore structural factors. I suggest that the combination of the strategic and structural components, starting with a 'sociological' definition of players, can identify their strategic orientation at each point in time thus providing a fuller explanation of the events.

When we turn to the models themselves we can locate the disadvantages of over-simplification. Brams tries to model the crisis by a 2x2 game where Solidarity's leaders and the Party leaders have each two possible strategies. Party leaders can either accept or reject limited activity of Solidarity and Solidarity's leaders can either accept or reject the monolithic structure of the state. He then argues that Party leaders had a dominant strategy of rejecting giving any autonomy to rural forces in society. Yet, he supports the argument by statements made by Party leaders after July 1981 ignoring the fact that the game is also supposed to model the starting point. In respect of Solidarity, Brams argues

that its leaders limited their goals wishing to avoid confrontations on political issues. They preferred a compromise if the Party had rejected Solidarity but preferred to reject the regime if the Party had accepted Solidarity. Brams then models the Polish crisis by the following matrix (1994:171).

Figure 6.1a: Brams's model of the Polish crisis 1980-81

		Party	
		Reject	Accept
Solidarity	Accept	2,4	3,3
	Reject	1,2	4,1

[Entries are preference ordering: $(i,j)=(\text{Solidarity},\text{Party})$, $4 > 3 > 2 > 1$]

This game serves to analyze the dynamics during September 80-December 81 as a threat process. Brams argues that due to Solidarity's stronger threat power, the Party leaders accepted its activity in the first months of the period leading to the outcome (3,3). Later, Solidarity's power weakened, though Brams does not explain why, leading to the outcome (2,4). Yet, we can hardly see how this dynamic is explained by the game. If the Party had a dominant strategy of rejection, we could expect it to immediately reject Solidarity. On the other hand, if it had a weak threat power, then it did not have a dominant strategy of rejection but, rather, an interest in cooperation. I argue that such asymmetries should be modelled in the game itself through the players' preferences. Otherwise, the game has a little explanatory power. So, the main problem in Brams's model is the oversimplification of the players' utility functions. As will be demonstrated later, a more accurate modelling improves the explanation.

Indeed, Colomer and Pascual suggest a more complex set of alternatives modelled in a 2x2 game where Solidarity's leaders and Party leaders each have two relevant strategies. The Party can either fight for the continuity of authoritarianism (C) or accept moderate reforms of the authoritarian regime (r). Solidarity can either fight for such moderate reforms (R) or try to rupture with the legal and institutional framework of the authoritarian regime (R).

Colomer and Pascual then argue that the Party had a dominant strategy of C, while Solidarity had a dominant strategy of R. Following the categorization mentioned earlier, the strategic orientation of Solidarity is identified as 'rupturist' and the Party as 'continuist'. This leads to the following simple prisoners' dilemma (Colomer and Pascual, 1994:280).

Figure 6.1b: Colomer and Pascual's model of the Polish crisis 1980-81

		Rupturist Solidarity	
		R	r
Continuist Party	C	2,2 ←	4,1
	r	1,4	3,3

[Entries are preference ordering: (i,j)=(Party,Solidarity), $4 > 3 > 2 > 1$]

Colomer and Pascual first use this game to explain the events of August 1980. They argue that since the situation before August 1980 can be described as Cr and Solidarity (or workers) chooses first, its leaders change their reformist strategy to a rupturist one (the arrow in the figure). That explains the workers' activity in August 1980. The Party, according to this account, calculated its moves to the future (non-myopic calculations) and

chose the strategy of reform leading Solidarity to do the same. Yet, from this game itself we can hardly understand why the Party had an interest in accepting the Gdansk agreement - an unstable outcome due to Solidarity's preferences. Therefore, the game has a limited explanatory power. As explained in previous chapters, much more complex dynamics led to the Gdansk agreement and we cannot analyze all of them in one game.

Moreover, Colomer and Pascual go on with the same game and argue that the outcome of rr is not stable since both players can get more. They argue that both rupturist Solidarity and continuist Party did not have any sufficient incentives to remain in the strategy of reform after August 1980. Therefore, Solidarity returns to its rupturist strategy and the Party to its continuist strategy, though it is unclear why they left these strategies in the first place. These moves lead to escalation and finally to the imposition of a military regime. That means sub-optimal outcomes for both players.

In respect of this model I argue that it inaccurately presents the players' preferences and over-simplifies the actual dynamics in several respects. First, the Gdansk agreement created a new constitutional status quo and thus the game altered after the August 1980 events. Secondly, when we consider the interests of their followers, a cost-benefit analysis will show that the leaders on both sides had incentives to stay with the reformist strategy. Thirdly, the changes in workers-rulers relations were more complex than a movement from an unstable situation to the stable equilibrium in the simple prisoners' dilemma. Rather, the dynamics included attitude changes as well as alternation of coordination and information asymmetries.

Thus, the two models have both advantages and weaknesses. As will be demonstrated through the chapter, a comprehensive explanation includes elements from both as well as factors which these models do not consider at all. In general, the theoretical approach

developed in the study emphasizes the following points. First, using the concept of sequential connected games it considers the interests of most sections in society. In this way we accurately model the players' preferences and asymmetries among them. Secondly, in this modelling we use an extensive form of game which enables to follow the actual sequence of moves. Thirdly, through a detailed process-analysis structural changes and learning processes are modelled as changes in the parameters of the game (see Appendix 6.1). It is worth while to turn now to my modelling of workers-rulers relations in September 1980.

Solidarity-Rulers Relations in September 1980 in The Context of The 'Basic' Citizens-Rulers Game

The preferences and calculations of Polish players from September 1980 onward were strongly influenced by the August 1980 events as well as the Gdansk agreement which created a new constitutional status quo. Following these events the military elite and its political collaborators became the dominant institutional player. As explained in Chapter 5 (p. 183-4), they could not use the army to stabilize the situation but rather were dependent on Party members.

Basically, since the political unrest was triggered by the deep economic crisis and by demands of Party members for reforms, rulers could not carry out a strategy of confrontation. Through a learning process they also understood that unplanned economic concessions do not improve stability. Therefore, they had a clear interest in cooperating with workers in solving the economic crisis through a reform programme. At the same time, both Party leaders, Party members and the military elite wanted to preserve their

privileges. It follows that Polish rulers' utility had two components: to increase stability using non-violent methods and to defend their monopoly from Solidarity. The dominant factor was maintaining power and privileges, but the need to find a solution to the economic crisis modified their calculations.

We may infer that the rulers' decision situation resembled the 'basic' citizens-rulers game. First, rulers had an interest in partially supplying the workers' economic demands. Secondly, the rulers' payoffs were directly determined by the political rules. Thirdly, rulers were directly threatened by political demands while they had to be more flexible in dealing with economic demands.

The workers' interests following the Gdansk agreement also corresponded to the assumptions of the 'basic' citizens-rulers game. In principle, although they achieved political concessions, workers still had an inferior position in the system. Furthermore, the workers did not achieve their economic interests in the Gdansk agreement (see Chapter 5 - p. 186-7). Therefore, they wanted further economic improvement (Garton Ash, 1983:70).

Since the mass of workers were their source of power, worker leaders also had to supply their demands. That is the demand-supply mechanism between social leaders and their followers which maintains a mass social movement (Chong, 1991:164-166). So, in principle all sections among workers had an interest in demanding policy changes. Such changes determined workers' payoffs and also bore lower costs than the strategy of raising political demands.

Thus, the calculations of Party leaders and worker leaders were more complex than those suggested by either Brams (1994) or Colomer and Pascual (1994). Both players had to consider the interests of their supporters while they also learned from their previous

experience. Based on this analysis we can model the workers-rulers game as was played in September 1980.

In this game workers have three possible strategies. They can raise economic or political demands solely or raise both economic and political demands. Raising economic demands meant acting under the new constitutional status quo towards policy changes. Raising political demands meant attempting to change the new constitutional status quo. We assume that citizens always raise a certain kind of demand. Rulers can accept or reject all or part of the demands they face. Under the new status quo acceptance of economic demands meant negotiating with Solidarity over economic issues while acceptance of political demands entailed granting more political rights to Solidarity. There are eight possible outcomes to this game. In ordering the players' preferences on outcomes we adopt a realist approach according to which individuals consider also the cost of the strategies in their cost-benefit analysis.

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Since the decision situation of both workers and rulers resembled the structure of the 'basic' citizens-rulers game, we follow the players' preference ordering as presented there (Ch. 1 - p. 38-9). The players' preference ordering in the period that followed the Gdansk agreement is presented in Table 6.1.

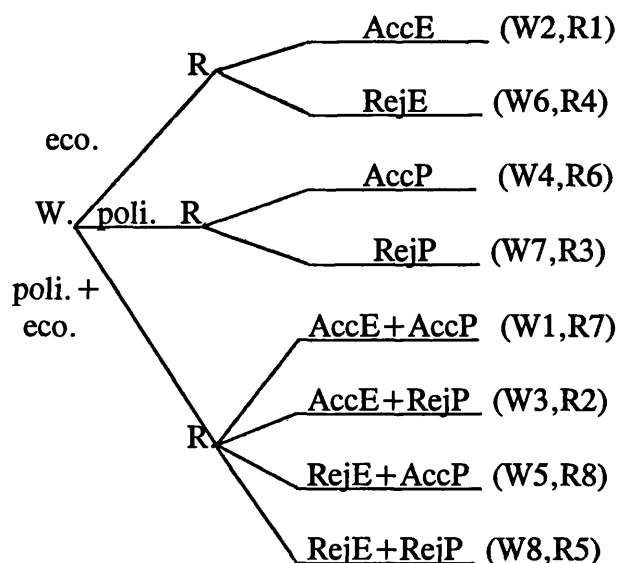
Table 6.1: The players' preference ordering under the new status quo

Players:	Workers	Rulers
most preferred	AccE+AccP (W1)	AccE (R1)
:	AccE (W2)	AccE+RejP (R2)
:	AccE+RejP (W3)	RejP (R3)
:	AccP (W4)	RejE (R4)
:	RejE+AccP (W5)	RejE+RejP (R5)
:	RejE (W6)	AccP (R6)
:	RejP (W7)	AccE+AccP (R7)
least preferred	RejE+RejP (W8)	RejE+AccP (R8)

[AccE - acceptance of economic demands; AccP - acceptance of political demands;
RejE - rejection of economic demands; RejP - rejection of political demands]

That preference ordering is modeled in the following extensive form.

Figure 6.2: The workers-rulers' 'basic' game in September 1980



[W - workers; R - rulers; eco. - economic demands; poli. - political demands;
Entries are preference ordering (i,j)=(W,R): best - W1...W8 - worst ;
best - R1...R8 - worst]

In this game workers move first. Adopting non-myopic calculations they observe that raising both economic and political demands will lead rulers to accept economic demands whilst rejecting political demands (W3,R2). Indeed, a combined strategy was likely to focus attention on political issues and delay economic changes. However, workers observe that solely raising economic demands will lead to the best possible outcome. Therefore, they adopt that strategy and rulers respond by partially accepting the demands. The outcome (W2,R1) is a non-myopic equilibrium.

The expected equilibrium behaviour from September 1980 onward was for workers to concentrate on policy changes, and for rulers to accept Solidarity and partially cooperate with its leaders in solving the economic crisis. The expected outcomes then were an improvement of the economic situation, stability and a reasonable degree of privileges for rulers.

So, unlike the argument of Colomer and Pascual both players had incentives to stay with the reformist strategy. As mentioned, Brams reaches a similar conclusion, though he does not model the Party's weakness in terms of the available strategies to rulers. The game presented above demonstrates how this can be included in the players' preferences. Since the rulers were bounded to use non-violent methods, their preferences were modified. On the workers' side, since the high level of social coordination was the worker leaders' source of power, they had an interest in providing economic gains to their followers. In that way, the players' sources of power are also modelled in their preferences.

To a high degree these equilibrium strategies were adopted by both players during September-November 1980. After forming Solidarity as a nation-wide trade union, its leaders adopted a self-limiting strategy based on strike activity. While political issues

remained at the level of public statements, economic demands were at the centre of Solidarity's activity. For example, on 6 October 1980 the Solidarity Coordination Committee issued a statement declaring its intention to adopt 'conscious well-considered social action' (*Uncensored Poland*, 24.10.80:2). Rulers followed that line and accepted Solidarity. That mutual acceptance had the form of direct talks and several compromises. It was mainly expressed in the long dispute over having Saturday off, which ended with a compromise between Solidarity and rulers (*Uncensored Poland*, 8.1.81:2).

Nevertheless, that equilibrium behaviour did not achieve stability. Rather from December 1980 instability grew. Solidarity's leaders gradually lost control over their followers who initiated intensive independent strike activity. Rulers, however, also compromised in events that threatened their privileges. What were the reasons for these changes?

To answer this question we need to examine the kind of compromises reached between the leaders as well as the influence of intra-games and structural factors on the leaders during September 80-February 81. These are analyzed in the next section which explains how the dominant social and institutional players altered.

6.2 A CONNECTED GAME ANALYSIS OF SOCIO-POLITICAL PROCESSES DURING SEPTEMBER 80-FEBRUARY 81

This section analyzes the internal dynamics within Solidarity during September 80-February 81 and their influence on the rulers' calculations. Using the concept of sequential connected games, it will show that the basic game presented in Figure 6.2

describes the relations at the leadership level during the first three months of that period, while after December 1980 several dynamics altered its parameters.

The Internal Dynamics Within Solidarity as a Leaders-Followers

Signalling Game

The following analysis explains the growing discoordination within Solidarity during December 80-February 81. This dynamic is not properly explained by most existing studies which only consider the influence of workers' actions on the rulers' behaviour (Sanford, 1983; Garton Ash, 1983; Brams, 1994:172). The parameter of discoordination is also completely disregarded by Ost (1991) who studies Solidarity during 1980-88 as a social movement. He analyzes Solidarity as a well coordinated movement whose leaders had to respond to the rulers' moves. Nevertheless, social leaders do not act independently of their followers' actions but rather respond to them. To comprehensively explain the complex interactions we use the concept of sequential connected games.

I suggest a twofold explanation of the internal dynamics within Solidarity. First, Solidarity's leaders failed to convince their followers that they were able to achieve better standards of living. Secondly, due to blocked opportunities to change outcomes, local worker activists regarded escalation as the best way to achieve quick results. They started to act independently of their leaders also threatening rulers.

As elaborated in Chapter 3 (p. 118), the relations between social entrepreneurs and their followers can be analyzed as a signalling process in which followers are the uninformed players. In principle, followers cooperate with their leaders as long as some of their demands are met. Therefore, social leaders usually use a demand-supply mechanism to

convince followers about their ability and intentions. Since Polish workers mainly wanted economic improvements, the outcomes of the signalling game between Solidarity's leaders and their followers depended on the success of leaders in providing that public good.

That was, indeed, the focal point in the leaders-followers signalling game. Solidarity's leaders, who demonstrated great manipulative skills in August 1980, failed in the subsequent period to convince the mass of workers that through coordinated and self-limiting bargaining process they would achieve significant improvements. Why did Solidarity's leaders fail to achieve economic improvements?

I argue that the main reason was the unclear structure and goals of Solidarity. The structure of Solidarity was decided in a meeting of representatives of thirty five independent trade unions' founding committees on 17 September 1980 (Ost, 1990:102). They debated whether to form a united trade union or separate local ones, and whether to insist on the demand for a nationwide organization.

Decentralists argued that separate regional organizations would provide a better bargaining position in confronting authorities and would strengthen democracy. The centralists argued that only a united national organization would succeed. As a compromise the sides agreed to establish a united national trade union - Solidarity - while the regional unions were to keep their autonomy. That compromise gave Solidarity no clear structure as exemplified in Walesa's statement.

"Let everybody know that Gdansk has become the headquarters for everybody - no wait, that is wrong - that...a central authority has emerged in Gdansk, though it is not really a central authority, something like it, but not that exactly." (Ost, 1990:106).

Another decision of that meeting was that Solidarity would concentrate on socio-economic rather than political issues.

Furthermore, kept outside of any formal decision making or management process,

worker leaders did not have any means to build authority over local activists. As a result, Solidarity's leadership was dependent on the regional branches. That created the appearance of a national and democratic organization but its structure was not clearly defined nor the overall strategy agreed.

Under these conditions Solidarity's leaders emphasized that they preferred to reach a compromise based on working with the government rather than against it (*Uncensored Poland*, 24.10.80:3). Therefore, the Party leaders did not feel directly threatened by Solidarity. At the same time, due to the union's lack of clear goals, Solidarity's leaders did not suggest any concrete reform programme. Rather, they demanded the implementation of the unrealistic points in the Gdansk agreement concentrating on wage increases. Yet, as explained in Chapter 5 (p. 181), rulers understood the danger of unplanned economic concessions. So, it was most convenient for rulers to calm the situation using reform plans and promises with no immediate concessions. In that way, they created an impression of cooperation while gaining time for re-organization as well as defending their monopoly.

This was expressed, for example, on 3 October 1980 when Solidarity's leadership initiated a nation-wide one hour warning strike demanding the implementation of the economic points in the Gdansk agreement (*Uncensored Poland*, 17.10.80:7). The Party leadership responded with a general commitment to Party reforms not specifying details or deadlines. This calmed the situation for several weeks.

Hence, following the rationale of the basic game presented in Figure 6.2, the leaders on both sides adopted a strategy of mutual acceptance and compromises. Yet, the actual outcomes of the game were reflected in the particular compromises that did not include real policy changes. As a result, local worker activists inferred that Solidarity's leaders

were unable to provide the public good and chose the strategy of non-cooperation with their leaders.

It follows that Solidarity's leaders achieved sub-optimal outcomes in the game with rulers due to the previous stage of the social game in which Solidarity was formed with unclear structure and goals. On the other hand, their failure in the game with rulers led Solidarity's leaders to sub-optimal outcomes also in the next stage of the social game (see Appendix 6.1). These sequential connected games explain the internal mechanism of the process.

This rationale explains the fact of growing discoordination at the social level. Yet, the mass of workers could choose either to adopt a passive position or to act independently against the authorities. In both cases the outcome could have been social discoordination, but the second option also constituted a direct threat to the rulers. Indeed, although that option bore high costs, local worker activists chose it. How can we explain that strategy?

According to the theoretical framework developed in this study, individuals who want to improve their outcomes first try low-cost channels. Yet, if they do not succeed, individuals face a situation where all the non-violent channels to change outcomes are blocked. I argue that although we assume that most individuals are risk-averse, such structural obstacles may lead individuals to change their attitudes towards risk. They infer that only escalation will drastically change the players' decision situation and thus regard conflict as an end rather than a means. Still, such attitude changes rarely lead individuals to take any kind of risk. That is to say, even if individuals are willing to take risk, they will not choose a strategy that will evidently lead them to lose.

When we analyze the situation of Polish workers from December 1980 onward, we observe that they indeed tried all the available channels to improve the economic

situation. Those attempts included formation of a strong civil society, successful attempts to change political rules and a short period of activity within legal trade unions. Moreover, during August 1980 national worker leaders created high expectations and when they failed local worker activists had a strong impression of blocked opportunities. At the same time, through social activity they learned the advantages of collective action. Thus, after all the non-violent attempts had failed, local worker activists considered escalation as the best way to break the circle and were willing to carry out high-risk activity. Furthermore, they had sufficient signals about the rulers' weakness. These were expressed in the 'Narozniak Affair'.

The Narozniak branch was regarded as one of the most important and militant of Solidarity's regional branches. On 20 November 1980 several local activists were arrested. Local Solidarity members responded with a strike demanding the release of the prisoners. Although national Solidarity leaders pressed local activists to go back to work, the strike spread to other regions. Finally, national Solidarity leaders managed to get the authorities to promise to start negotiations. On 28 November the strikers agreed to go back to work.

The Narozniak events demonstrated the players' behaviour in the subsequent months. Local activists, acting independently, used almost any excuse to start a strike increasing internal strategic disagreement. The pressures on local worker activists were triggered by planned internal elections and by their need to get quick results. Rulers, however, did not respond decisively and thus encouraged the extremists. As a result, a wave of local strikes spread during January-February 1981. Two events had a significant impact in this respect: the Bielsko-Biala and Jelenia Gora strikes.

On 27 January Bielsko-Biala's local activists started a regional general strike demanding

the dismissal of twenty top local officials whom they blamed for the abuse of local government funds. Walesa, whose attempts to negotiate a compromise failed, called for a national strike if force was used in Bielsko-Biala. At the same time a Church representative received an official guarantee that local officials would resign after a decent interval. This ended the strike on 6 February 1981.

Meanwhile, Jelenia Gora's activists threatened to start a regional general strike on 9 February demanding the resignation of the Minister for Trade Union Affairs and also the right to control a sanatorium reserved for security forces and police (Garton Ash, 1983:142). Once again Walesa's attempts to prevent the strike failed. However, after a one day strike the government agreed to hand the police sanatorium over to the public health service.

Indeed, following the model of Colomer and Pascual, it may be argued that from that stage on Solidarity adopted a rupturist strategy. Yet, we should emphasize the two main characteristics of these events. First, the social player in these events was not 'rupturist Solidarity' that acted according to its stable preference ordering through the whole process. Rather, these activities were initiated by fractions among workers who had changed their attitudes according to the changing circumstances. Secondly, the sporadic militant activity increased discoordination at the social level limiting the union's ability to act as a united and strategically calculating political opposition. It follows that a comprehensive explanation requires a dynamic approach which considers changes in the parameters of the game.

Through this process Solidarity's leaders gradually lost control and had to respond accordingly. It was expressed in the 'Solidarity resolution on aims and methods' issued on 17 February 1981. Solidarity's leaders first stated:

"The plethora of local and regional strikes pursuing disparate aims without the consent of National Consultative Committee, often against its advice, not only made little impact; they have sometimes been provoked by advocates of confrontation among those in authority as a means to disrupt our unity. As a result we are threatened with dismemberment into 50 regional organizations. This would mean the destruction of our movement and would herald a period of uncontrolled social conflict." (*Uncensored Poland*, 21.2.81:1)

These observations were followed by a statement presenting Solidarity's aims and strategy for the subsequent period.

"We intend to define in the first place our demands concerning wages and conditions of work, with particular stress on the interests of the lowest paid and most threatened. Furthermore, it will be necessary to outline a programme of institutional reforms without which the renewal of public life would be impossible and our union, as the only powerful independent body, would become subject to popular pressures demanding that it should undertake functions that go beyond our statutory aims." (*Uncensored Poland*, 21.2.81:2).

Although Solidarity's leaders faced a new situation, created by popular demands for swift progress, they neither adopted new aims nor developed new strategies. Solidarity's leaders did not want to replace the Party but, rather, wanted institutional reforms within the Party's framework as a way to achieve economic improvements and thus keep their power. It follows that they did not initiate a political struggle at that stage as Ost argues (1991:113). Moreover, by making statutory aims the parameter of its activity, Solidarity's leadership demonstrated a lack of willingness to take drastic measures even in the struggle over economic issues. That strengthened the impression of blocked channels among local worker activists.

We may therefore infer that contrary to the argument of Colomer and Pascual, Solidarity's leaders preferred to stay with their reformist strategy as far as possible. Furthermore, through these social dynamics local worker activists became the dominant social player. The influence of these social processes on rulers is discussed in the following sub-section.

The Rulers' Strategy During September 80-February 81

In this sub-section I address the following question: why did rulers make concessions also when they faced direct threats to their privileges during December 80-February 81? While Colomer and Pascual do not consider this question at all, Brams suggests that 'the Party leaders considered Solidarity more powerful' (Brams, 1994:173). Nevertheless, through the whole crisis rulers had an absolute advantage in physical power. So, what were the sources of their weakness? I argue that certain parameters of the workers-rulers game altered due the social activity and the rulers' strategy can be explained as equilibrium behaviour in the new game.

The rulers' decision situation from December 80 to February 81 had two main characteristics. First, the new mode of social activity and the mass mobilization of Solidarity made rulers worse informed compared to their situation in September 1980. While then rulers faced a coordinated social movement with unclear goals, from December 1980 the militant strategy of local worker activists signalled certain attitude changes among workers. Secondly, Party leaders faced increasing discoordination within the Party while they were still not prepared to use the army as an alternative to Party mechanisms.

It follows that the rulers' decision situation in that period resembled that of the last stage of the August 1980 events and can be explained using the workers-rulers signalling game presented in Figure 4.2 (see p. 153-5 for the players' preferences and the game itself). It demonstrated how the fact that rulers faced Party discoordination and confusing signals from society led them to start negotiations and to later accept political demands. Indeed, in the events of December 80-February 81 we find similar dynamics.

On the internal front, Party discoordination reached a new level after December 1980 when Party members started to organize in large industrial enterprises signing 'horizontal' agreements with each other to jointly press for far-reaching reform (*Uncensored Poland*, 12.2.81:3). Therefore, the Party leaders could not rely on Party members in violently suppressing workers. Nor could they dictate a moderate reform programme. This problem worsened due to their incomplete information about workers. Jaruzelski described the rulers' information problem in a Politburo meeting on 29 January 1981 as follows.

"Due to the escalation and in order to explain our stand in respect of social demands, we must exactly spot which forces are acting within the organizational structure of Solidarity and what is the scale of the independent local activity. We also have to know who inspires these activities." (Politburo Protocol no. 66).

Indeed, during December 80-February 81 rulers faced confusing signals from society. On the one hand, by adopting a self-limiting strategy Solidarity's leadership signalled that political preferences among workers had not significantly altered. On the other hand, Solidarity mobilized millions whilst local activists used strikes to back demands which threatened the Party's monopoly.

The rulers' interpretation of these signals can be understood from a statement of a Politburo member, Andrzej Zabinski, in a meeting with ranking police and Security Service officers of the Katowice region. In the part that deals with the events of December 80-February 81 Zabinski said:

"We have realized that many of the slogans put forward in the workers' demands have been inspired by the enemy [KOR members - S.M]. One would not talk of any violence because it would have ended with I do not know what: generally speaking with the limitation of Poland's sovereignty. Secondly, this dry calculation of struggle in that period did not give us any guarantees that anybody would listen to us. The workers support the enemy because they do not trust us. We have always proclaimed the social goals but have been doing exactly the reverse. Therefore, the attitude of the Party towards the new unions must not be like the unions' attitude towards the Party, that

is to say it is not an attitude of struggle. We think that both the new and the old unions are working class in character. Of course KOR is behind all these new unions and they have the support of the clergy." (*Uncensored Poland*, 17.4.81:8-9 [originally published in Solidarity's newspaper - 'The trade unionist' 5.3.81]).

Rulers faced continuous instability which led to Soviet threats of intervention. These threats, also expressed by military manoeuvres, were most significant in December 1980 (Sanford, 1983:120). At the same time, rulers did not know how to regain public support nor did they understand the workers' preferences and intentions. Facing such uncertainty they tried, similarly to August 1980, to distinguish between the 'legitimate' economic goals and the threatening political aims of the social activity.

In this respect, the common interpretation among Politburo members was expressed by the Minister for Internal Affairs, Milewski, in a Politburo meeting on 23 December 1980. He analyzed the relations between KOR and Solidarity's leaders identifying KOR as the dominant political force in society.

"Following the arrest of Kuron [a leading KOR member - S.M], KOR has cut itself off from Solidarity. KOR members are strongly criticizing Walesa and want to replace him. Walesa's position is unsettled. He tries to avoid the advice of KOR members when deciding on matters at issue." (Politburo Protocol no. 57).

Yet, Milewski also emphasized the fact that Solidarity succeeded in getting a million people to sign a petition calling for the release of prisoners. He thus concluded that workers were primarily concerned with economic issues while their political demands were ascribed to the influence of KOR activity. Milewski then suggested to avoid further arrests which might improve the cooperation between KOR and Solidarity. Moreover, even after a month of intense pressures of local worker activists, he argued that "KOR members trigger all this unrest in order to raise society against the authorities." (Politburo Protocol no. 70).

Polish rulers identified a split between KOR members and Solidarity's leaders but they did not fully understand either the coordination problem within Solidarity or its causes. Since in previous events worker leaders dominated the social game and due to the declared self-limiting strategy of Solidarity, rulers interpreted the workers' struggle as mainly aimed at moderate economic reforms while political ambitions were attributed to KOR members. Following that interpretation and restricted by Party members who demanded reforms, rulers preferred to compromise even in events where their privileges were threatened. They thought that this would enable Solidarity's leaders to improve their control over their followers and would calm the situation.

Nevertheless, as explained in the previous sub-section, neither KOR members nor Solidarity's leaders escalated the situation. In fact, KOR members tried to convince workers to be patient and "to consider the economic situation before raising demands" (*Uncensored Poland*, 12.2.81:5). However, local worker activists who were interested in escalating the crisis became the dominant social players. Therefore, the rulers' misinterpretation led them to calculate their moves according to the lower-right line in Figure 4.2 (p. 155), while the actual situation was presented by the upper-right line. In that way, rulers' concessions encouraged local worker activists to increase instability leading rulers to sub-optimal outcomes.

So, we can hardly explain the processes of September 80-February 81 as the result of both Party leaders and Solidarity's leaders adopting a dominant strategy of non-cooperation (Colomer and Pascual, 1994). Nor can we explain them only by the abstract notion of threat power (Brams, 1994). Rather, the transformation of power relations at the social level, Party discoordination, the deep economic crisis and the rulers' information problem led to growing instability which threatened rulers.

Through this process Polish rulers updated their beliefs and needed to find a different strategy to re-structure the situation (or the game). Kania analyzed the situation in a Politburo meeting on 29 January 1981 as follows.

"The situation is very complex since we have to rely on Party members who continue their disintegration activity. This is the reason that all sorts of activists find ways to attack the central government. It is necessary to take such military operations which would strengthen the government." (Politburo Protocol no. 66).

A similar view was presented by Jaruzelski in a Politburo meeting on 7 February 1981. He criticized ministers for the ways in which they had handled the situation and attacked the disintegration trends among Party members. Jaruzelski also emphasized the need to use force in order to calm the situation (Politburo Protocol no. 70).

The first step in this direction was appointing Jaruzelski Prime Minister and dismissing eight Central Committee members. That move signalled to all players initial changes in the strategic calculations of Polish rulers because until then members of the military elite channelled their political influence mainly through their political collaborators. The new strategic orientation had far-reaching implications.

6.3 THE FINAL TRANSFORMATION OF THE WORKERS-RULERS

GAME - THE IMPOSITION OF MARTIAL LAW

This section explains the imposition of martial law through analysing the final transformation of the citizens-rulers game. The structural factors which transformed the game explain the behaviour of the players during February-December 1981 whilst the new game explains the players' behaviour in December 1981 as an equilibrium behaviour

(see also Appendix 6.1).

The Transformation of The Information and Coordination Asymmetries in Poland - February-August 1981

In the following analysis I argue that during February-August 1981 two parameters of the citizens-rulers game altered: the players' information sets and the level of coordination within the collective players and, therefore, also power relations.

The main characteristic of the period was continuous instability. The new leaders, appointed on 8 February, developed a twofold strategy to stabilize the situation. First, they gradually militarized Polish society while weakening mid-level Party bureaucrats. Secondly, they tried to divide the workers-intellectuals coalition and destroy the cooperation between worker leaders and local activists.

The strategic change in form of gradual militarization of Polish society cannot be solely explained by the fact that members of the military elite ruled the country, because since the late-1970s they were reluctant to either use the army against citizens or to use army personnel in civil assignments (Johnson et. al., 1980:55). Instead they preferred to rely on Party mechanisms. Why did the military elite adopt that strategy in February 1981?

I argue that rulers were pushed to adopt that strategy by Party members who organized internal political opposition within the Party (This was called 'The horizontal movement'). Since mid-level Party members were interested in strengthening their local bases of power, they intensively demanded domestic political reforms such as secret elections to all Party posts, separation of state and Party posts, changes in Party statutes, access to genuine information and even the abandonment of the principle of democratic

centralism or that of the leading role of the Party (*Uncensored Poland*, 17.4.81:1). It follows that the strategic orientation of the Party was not necessarily continuist as Colomer and Pascual suggest.

The impact of those activities on the rulers' attitudes was expressed in the statement of Andrzej Zabinski, a politburo member, in a meeting with police and Security Service officers (which was cited earlier).

"You comrades are already doing extremely well but we must also think of our Party. As it happens, Party activists have forgotten these fighting methods. They got their instructions and the rally system did not encourage any struggle; there were simply no enemies. We are so strong that nobody can do anything to us and that is why they are disarmed in the sense of not knowing to fight. And suddenly a disaster and what happens? - either apathy or anger, anger because there are enemies and counterrevolution - and no struggle, a struggle which is difficult, painstaking, it is a game one plays with the enemy and his moves have to be foreseen." (*Uncensored Poland*, 17.4.81:9-10).

The internal political opposition introduced a twofold challenge to rulers. First, Party members blocked the implementation of any tough measures against workers triggering instability. Secondly, they demanded reforms which meant a complete transition of the political system. Knowing the Soviet position and derived by their own interest, rulers felt directly threatened by such demands.

Under these circumstances they needed to increase certainty in the system and face both workers and Party members with a new situation in order to force them to re-consider their strategies. Due to the high level of control they enjoyed over soldiers and officers (Ch. 4 - p. 148-9), they decided to adopt the military option. Indeed, the new institutional game was characterized by a high level of coordination between the leadership and military forces while mid-level Party members gradually lost their power.

The central role of the security forces was clearly expressed in the second dimension of rulers' activity where they tried to weaken Solidarity and its great support. Referring

to this point Zabinski said:

"A struggle is going on, a struggle to prevent the new unions from becoming anti-party. What do we intend to do? First of all we have to mount a political attack on the principle of unions regions, the principle proclaimed by Walesa or those who promote him. We have to attack this principle very strongly...The inter-factory workers' committees have to be involved in the enormous work of explanation; we have to reverse the situation... Let them taste a little power, it will have a cooling effect on them... The aim of this struggle is to take the leading KOR people from factories and break the unions up into the branches or trades." (*Uncensored Poland*, 17.4.81:9-12).

Rulers' strategy towards citizens had two objectives. First, they tried to break and weaken KOR members whose influence on Solidarity's leaders had been observed in previous events. Secondly, rulers attempted to cause conflicts between Solidarity's leadership and the local branches by harassing local activists and by forcing the leadership to decide on unpopular issues. In the terms of Colomer and Pascual's model, at this stage Polish rulers adopted a 'continuist' strategy based on the army. But, since they did it only after all the other possibilities had not succeeded, the particular dynamics, rather than the static preference order at the beginning of the crisis, explain the outcome.

In practical terms, the rulers' new strategy included continual harassment, arresting activists and preventing many publications (*Uncensored Poland*, 21.2.81; 15.3.81; 14.5.81; 29.5.81). Through these processes rulers improved the coordination at the institutional level and also their information about the workers. The rulers' new strategy was expressed in one of the focal points in the crisis - the Bydgoszcz events.

The Bydgoszcz events began on 19 March 1981 in a meeting of the Party's local branch. Solidarity's local activists, demanding the right to state their position, refused to leave the meeting. Police forces responded with brutal violence against three of them claiming that this was an occupation-strike. Solidarity's leadership had no choice but to respond decisively after pressure from local activists. After several attempts to negotiate

a compromise, Solidarity initiated a four-hour warning strike throughout Poland demonstrating a great mobilization ability. At the same time Soviet manoeuvres near the Polish coast and diplomatic threats signalled the possibility of Soviet intervention (Sanford, 1983:130). Under these circumstances both sides agreed to a compromise on 31 March 1981. It included a ten-point reform programme with no sanctions against people in high ranks of the Party who were responsible for the attack.

Although Walesa presented that compromise as '70% successful', it did not include concrete achievements of any kind. He was criticised by Solidarity members for that failure and also for not consulting them during the negotiations (Garton Ash, 1983:159). So, the rulers' new strategy further destroyed the reliability of Solidarity's leaders increasing discoordination at the social level.

What exactly was the workers' response? In Brams's model, workers were expected to stop any activity against the authorities after they had faced the rulers' new strategy (rejection). So, why did rulers have to use a breakdown strategy after all? I argue that the transformation of the workers-rulers game explains this.

The workers' behaviour after the Bydgoszcz crisis had two characteristics. On the one hand, Solidarity's leaders continued their attempts to negotiate with rulers while, on the other hand, local worker activists gradually transformed the movement into a political opposition forcing the leadership to join in.

Solidarity's leaders not only concentrated on negotiations but also ceased organized strike activity. That new strategy was expressed on 27 May 1981 in a discussion of Solidarity's leaders in Gdansk:

"It is not possible to announce a strike alert as a purely tactical move without the mass membership taking it seriously. Millions of people are not manipulable. Attempts at manipulation would result in destroying the credibility of the leadership...The prevailing attitude is that there should be no national strike at present. (*Uncensored Poland*,

29.6.81:2).

Nevertheless, the escalation was caused by local worker activists who adopted a political opposition strategy from May 1981 onward. Independently of Solidarity's leaders they organized a Network of ISTU Solidarity Chapters which by June 1981 operated in seventeen industrial establishments. It was supposed to improve efficiency in factories as a means of restoring the economy (*Uncensored Poland*, 4.8.81:12). But its objectives grew and by August 1981 it had developed a complete socio-economic programme.

The main component of the Network programme was a new concept of social struggle - self-management in factories. It was presented as follows:

"Self-management in an enterprise means making its employees and their representatives the highest managing authority. Organizational and official dependence of managing directors of enterprises on administrations and Party nomenclature must be eliminated and a principle must be introduced that only the workers' councils may appoint and recall a managing director. Workers' council is to be elected in universal, equal and direct elections with secret ballot by all employees of an enterprise and must have unlimited control over the functioning of the enterprise," (*Solidarnosc* No. 26/69:18).

Finally, Solidarity's leaders adopted the Network programme transforming Solidarity into a political movement. They stated on 26 August 1981:

"The advancing ruin of the economy and the Government inability to stop the crisis places certain responsibility on the Union. The Union put forward a programme of both short-term and long-term action designed to save the country." (*Uncensored Poland*, 3.9.81:6).

How did that dynamic influence the rulers' calculations?

Although at first Solidarity's leaders did not accept the concept of self-government, Party members immediately realized that their monopoly was threatened. In a document distributed on 19 June 1981 among central and local Party members the Party's Social-Industrial Department analyzed the situation as follows:

"Until recently Solidarity activists and commentators stressed that their task is 'to defend workers' interests' and that 'they are not interested in problems of management'. Now they attach great importance to the idea of plants being run by 'representations' of workers elected under the guidance of Solidarity...The fact that Solidarity has embarked on such course may indicate that it is preparing another confrontation with Party and state authorities...It is important to undertake immediately a politico-organizational and programme-agitational counter-offensive." (*Uncensored Poland*, 4.8.81:12-13).

In another document the Party's Social-Industrial Department reported workers' actions towards implementing these ideas emphasizing that "Solidarity extremists are openly advocating a replacement of the state authorities" (*Uncensored Poland*, 4.8.81:14). Through these widely reported activities rulers further improved their information about the workers' intentions. They understood that Solidarity's leaders played a marginal role while local worker activists sent clear signals of threat. That threat also encouraged all Party members to improve Party coordination. It was expressed in the Party's Ninth Extraordinary Congress that met on 14-20 July 1981.

The Ninth Congress was mainly concerned with internal elections resulting in the replacement of over 90% of members of the Central Committee. The results were most significant since the procedure of the election was accepted by both reformists and hard liners (Sanford, 1983:214). The newly elected leaders were dominated by neither reformers nor conservatives but, rather, were politicians from the second rank. In that way Jaruzelski neutralized any possible opposition and created a new consensus according to which the Party should concentrate on restoring the economy. This was demonstrated in Jaruzelski's Government Report which stated that the time for concessions had passed and that the Party would defend its power against Solidarity and other extremists (*Uncensored Poland*, 20.10.81:2).

It follows that the asymmetries in coordination and information which favoured workers until February 1981 gradually transformed. Due to the open social activity, rulers

improved their information about workers while the fact that rulers relied more and more on the army worsened the workers' information. At the same time, workers became discoordinated while rulers became more coordinated. Both sides faced during September-December 1981 a new citizens-rulers game. It is analyzed in the following sub-section.

The Final Transformation of The Workers-Rulers Game and The Imposition of a Military Regime

Several parameters indicated that the workers completely lost coordination during September-December 1981. First, as a response to the worsening economic crisis, uncoordinated protest activities in form of hunger marches, petitions, street demonstrations and local strikes spread all over Poland (*Uncensored Poland*, 20.10.81:2-3).

Secondly, the Solidarity Congress which met during September 1981 indicated major divisions and disputes among workers (Sanford, 1990:123). Thirdly, Solidarity's leaders almost desperately urged workers to cease local strike actions as expressed in the following statement.

"Wishing to save what we have achieved as a union, and wishing to retain the possibility for further actions which are considered and not contrary to the interests of the entire community, we appeal to members of the union to cease strike actions immediately... At its next session the Presidium will submit a proposal for an intra-union limitation of the right to strike and for the determining of unions means of disciplining those who are guilty of weakening the unity and discipline of the union." (*Uncensored Poland*, 14.11.81:4-5).

Fourthly, opinion polls showed that most Polish citizens had strong interests in economic recovery rather than escalating the political struggle (Mason, 1985:163). Opinion polls also showed that not only the Party but also Solidarity was blamed for the

deteriorating economic situation. Finally, on 22 November 1981 Walesa's deputy and fourteen others resigned from the Gdansk region presidium claiming that Solidarity was not negotiating properly (*Uncensored Poland*, 27.11.81:5).

Rulers felt better informed due to these indications and decided to confront workers as expressed in the following statement of the Politburo:

"Previous agreements were replaced [by Solidarity - S.M] by a programme of political opposition which strikes at the vital interest of the Polish nation and state. This means a course aimed at confrontation threatening bloodshed" (*Uncensored Poland*, 27.11.81:7).

In practical terms rulers accepted two significant decisions to improve their situation. First, at the elite level, Jaruzelski replaced Kania as Party leader signalling the intention to adopt a military solution. Secondly, on 23 October Jaruzelski's government decided to establish 'Local Operational Groups' of soldiers. These groups were sent to the countryside in order to inspect the local administration and its enterprises, listen to complaints from citizens and formulate recommendations for quick improvement (Wiater, 1988:161).

By that move the military elite removed the two obstacles that stopped it from using the army in previous stages. First, it improved its information about workers. Secondly, officers and soldiers became involved in the daily management of the economy and were prepared to replace Party members. Moreover, several statements of the Party leaders made it clear that these groups may be used against public demonstrations and strikes creating the impression that a state of emergency had been actually proclaimed (*Uncensored Poland*, 14.11.81:3-4).

Nevertheless, unorganized protest activities spread. The government concentrated on preventing the distribution of independent publications and arresting leading activists but used no large scale violence against protesters. These characteristics altered on 27

November when the government announced that military operational groups would be sent into the cities (*Uncensored Poland*, 27.11.81:5). Why did workers continue the escalation although they had signals that they were about to lose all their achievements?

In principle, the transformation of coordination and information asymmetries rules out the possibility to explain the escalation as the stable equilibrium outcome in the symmetric prisoners' dilemma (Colomer and Pascual, 1994). Since workers were weaker than rulers in several aspects and lost public support, violent conflict was their worst option. Brams who considers asymmetries does not explain at all that dynamic which is not expected in his model.

To explain that dynamic we model the final transformation of workers-rulers relations by a signalling game where workers are the uninformed player. This game basically describes the workers' decision situation in each protest event where they took the rulers' behaviour in a previous event as their point of reference.

The moves in the game. First rulers have to decide whether to accept or reject workers' demands and send signals accordingly. Acceptance meant continuing negotiations while rejection meant suppression and harassment of activists and protesters. Then, workers estimate the credibility of rulers' signals and choose whether or not to cooperate with them. Cooperation meant ceasing strike and protest activities while noncooperation meant protest and escalation. As usual, the players' calculations in the case of false signals are overturned as compared to the case of true signals.

The rulers' calculations. Rulers were better informed and coordinated than workers. The previous dynamics taught them that acceptance of any kind of demand signalled weakness and triggered escalation. Therefore, they preferred to reject demands regardless of the workers' response. Rulers preferred, however, that workers would respond with

cooperation. It follows that rulers had a dominant strategy of rejecting demands.

The workers' calculations. Basically, local activists learned that when rulers were indecisive in rejecting demands, their militant activity could better lead to achievements than cooperation. Therefore, if reliable rulers had accepted demands, workers preferred noncooperation (W1). The workers' second order preference was then to cooperate with rulers who signalled acceptance (W2).

Nevertheless, in the case of rejection the workers' lack of coordination had a significant impact on their calculations. Since the level of coordination indicates the power of a collective player and its ability to bear the cost of conflict (Ch. 3 - p. 111-2), we may infer that in principle workers could not bear the cost of massive violent suppression. In other words, although in previous stages local worker activists had an interest in escalating the crisis, after the citizens-rulers game had been significantly transformed their weak position made the option of escalating towards a violent suppression a lost gamble. Such a gamble is not expected to be taken in a perfect decision situation. Therefore, the workers' third order option was to cooperate after they had faced rejection by rulers whom they regarded as reliable (W3); and the workers' worst option was to follow previous rejections of demands by further demands - namely, noncooperation (W4). Indeed, a similar reasoning is suggested by Brams (1994:175). But, he does not explain why workers did not follow that rationale.

The players' preferences concerning the possible outcomes of the game are presented in the following table.

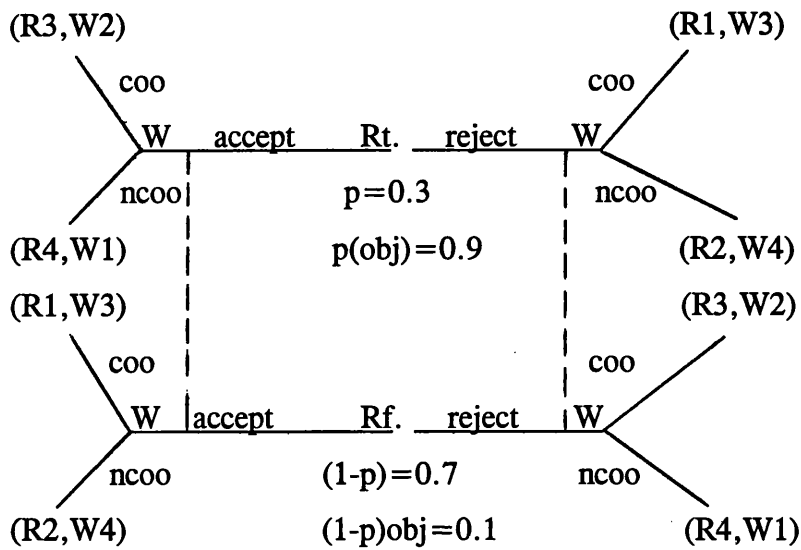
Table 6.2: Preference ordering of rulers and local worker activists during
October-December 1981

<u>Players:</u>	<u>Worker activists</u>	<u>Rulers</u>
most preferred	Acc+Def (W1)	Rej+Coo (R1)
:	Acc+Coo (W2)	Rej+Def (R2)
:	Rej+Coo (W3)	Acc+Coo (R3)
least preferred	Rej+Def (W4)	Acc+Def (R4)

[Acc - rulers accept demands; Rej - rulers reject demands; Coo - workers cooperate;
Def - workers do not cooperate]

This preference ordering is modeled in Figure 6.2 in a signalling game which simulates the decision situation in each event of protest activity. In that signalling game workers do not know the rulers' preferences.

Figure 6.3: The rulers-workers signalling game - October-December 1981



[W - local worker activists; Rt - reliable rulers; Rf - unreliable rulers; coo - workers cooperate: cease protest activities; ncoo - workers do not cooperate: continue the intense protest; p - subjective probability assigned by workers to rulers being reliable (Rt); p(obj) - objective probability assigned to Rt; (1-p) - subjective probability assigned by workers to rulers being unreliable; (1-p)obj - objective probability assigned to Rf; Entries are preference ordering: (i,j)=(R,W): best - R1...R4 - worst; best - W1...W4 - worst. The measures attached to the probabilities are only illustrative]

In this game, rulers, adopt their dominant strategy of rejecting demands. They observe that if workers receive the true signal of rejection (the upper-right line) they are likely to cooperate and, therefore, rulers send such signals. Nevertheless, this game demonstrates how the workers' misinterpretation of the rulers' intentions led them to sub-optimal outcomes. Although post-factum observations show that rulers were coordinated and therefore reliable in their signals, local activists assigned low probability to this ($0.7=(1-p)>p=0.3$). They falsely interpreted rulers' suppression activities as demonstrated by a number of points.

First, in the Solidarity Congress of September 1981 local activists thought that a violent attack was unrealistic (Sanford, 1990:24). The popular view was that Solidarity was so deep-rooted in the Polish society that the military elite would hesitate to use soldiers against citizens (Wiater, 1988:176). Secondly, as mentioned, rulers did not use large-scale violence against workers during July-November 1981. That strengthened the impression that the military elite was not enthusiastic about using the army against citizens.

Thirdly, opinion polls demonstrate that during September-November 1981 the public's expectations of a peaceful solution grew from 53% to 69% while expectation of a use of force declined from 40% to 19% [Data from (Mason, 1985:185) - source OBOP 'Napiecia spoleczne']. Fourthly, sources of independent information were blocked during October-December 1981 through suppression. In addition, Solidarity was not given access to the mass media whilst Polish society was very suspicious of official information (Mason, 1985:190). Rulers were not regarded as reliable, yet they were the main source of information.

Due to these information problems, local activists followed their previous experience with the authorities and thought that further escalation might lead rulers to accept the self-management programme. That is to say, workers calculated their moves as if rulers had sent false signals when suppressing previous activities (the lower-right line). In that instance, noncooperation, expressed by militant protest activity, was their best choice. However, in fact rulers who were coordinated and decisive seriously considered a military option. As the upper-right line in the figure shows, the workers' continual noncooperation was actually carried out against decisive rulers who finally chose to impose martial law on 13 December 1981.

This was followed by many worker strikes and demonstrations (*Uncensored Poland*,

20.12.81:3). But, rulers' violent attack and the blocking of communication channels left workers no real chance. As a result, the last major occupation-strike ended on 27 December 1981 laying the grounds for the establishment of the military regime which demonstrated the actual equilibrium outcome: (R2,W4). Workers lost all their achievements while rulers gained only their second best outcome, since they had not achieved the cooperation of the workers.

The final outcome of the 1980-81 crisis was the result of workers' misinterpretation of the rulers' intentions. The factor of incomplete information is not considered at all by Brams while Colomer and Pascual argue that during 1980-81 "the relevant actors seemed to have a good perception of their interests and to behave appropriately according to their priorities" (1994:276). However, the analysis showed that this was not the case. On the other hand, it is not enough to simply say, as indeed several studies do, that Solidarity's leaders underestimated the power of the military elite (Garton Ash, 1983:247; Wiatr, 1988:177). As explained, they clearly understood the danger and called upon the workers to stop strike activities.

Furthermore, as elaborated in Chapter 2 (p. 84-5), if an uninformed player has a dominant strategy, it does not matter how he interprets the signals, since in any case he will adopt the same strategy. In our case, for example, if Polish workers had a dominant strategy of escalation, their preferences, rather than the information parameter, would have caused and therefore explain their behaviour. But, due to their weakness, violent conflict was the workers' worst option and thus the problem of incomplete information explains their behaviour. Through ruling out the workers' preferences as the explanatory variable I established the workers' misinterpretation as the immediate cause of the outcomes. It follows that a comprehensive explanation requires giving an accurate account

of all the parameters of the decision situation.

Martial law defined a new constitutional framework and entirely different rules of the game. These rules restructured the situation by prohibiting all kinds of demonstrations and gatherings; imposition of absolute censorship ruling out any free publication; abolition of workers' right to organize and strike; militarization of the vital units in state administration and economy; and other regulations defining an emergency situation.

These new rules made the army, rather than the Party, the leading force in society. That included the replacement of the Party's Central Committee by a Military Council for National Salvation composed of generals, and the appointment of plenipotentiary military commissars at all levels of the state administration and in some economic units (*Uncensored Poland*, 20.12.81:8).

By the imposition of martial law rulers restructured the situation according to their superior power. Yet, it was not a return to the pre-1980 situation since the Party elite lost its domination. Polish citizens, however, maintained constant social activity during 1982-88, despite the restrictions, in a process that also included changes in political preferences.

Conclusion

The events of September 80-December 81 provide a very special study of the processes of constitutional change. The dynamic analysis in this chapter illuminates several theoretical points. First, it demonstrates how structural factors and complex interactions influence attitudes and change the decision situation.

Secondly, this complexity of socio-political processes makes it hard for players to carry out their original intentions to a successful conclusion. A detailed process-analysis based on the concept of sequential connected games is needed in order to explain particular outcomes. The events of September 80-December 81 led the main players to sub-optimal outcomes. But, that was explained by several structural factors.

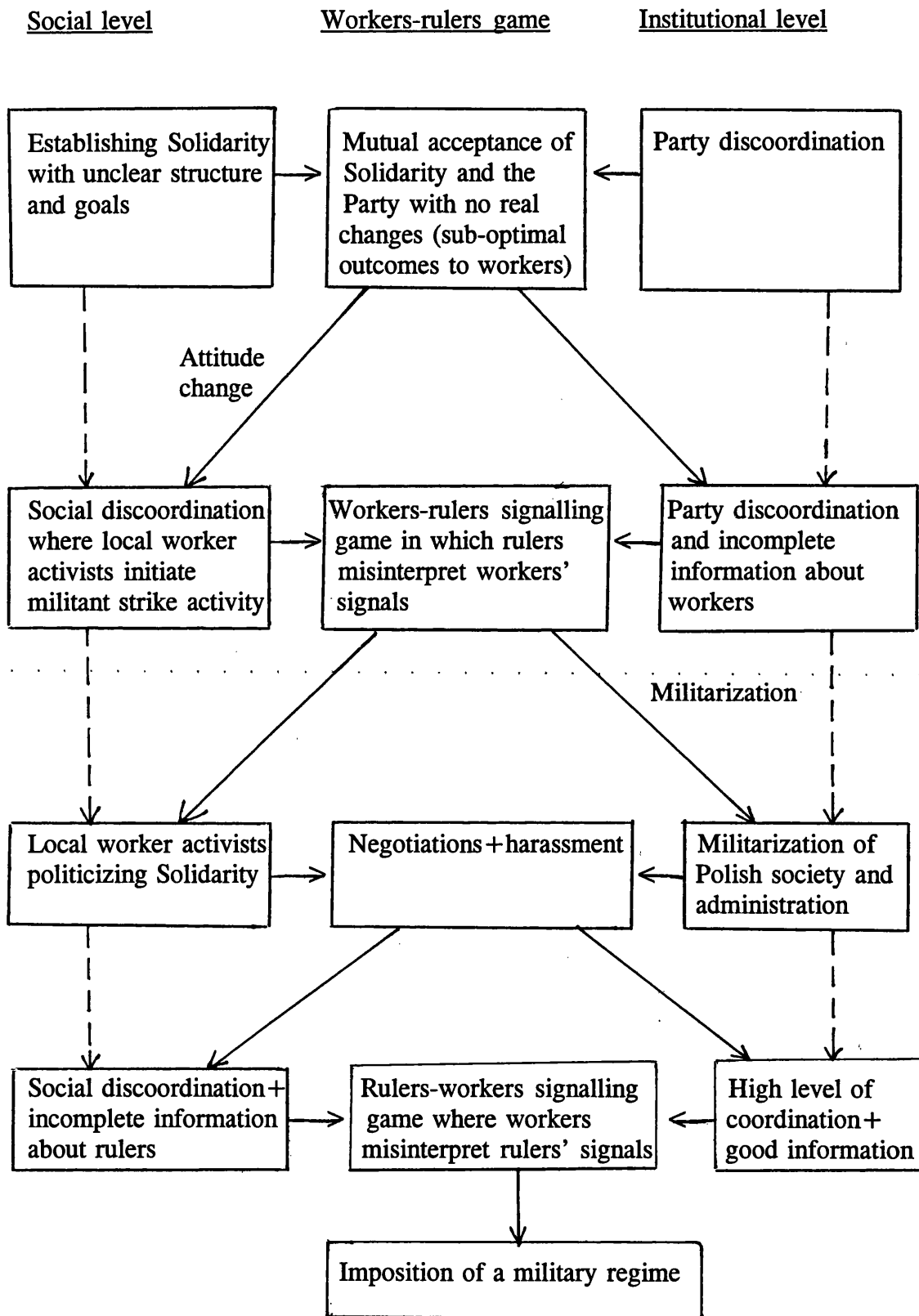
Thirdly, the level of coordination among collective actors is a crucial parameter in understanding socio-political processes. Coordinated actors have more power as well as ability to bear the cost of conflict than have uncoordinated ones. The coordination parameter is thus modelled in the game through the players' preferences. This argument suggests a different perspective for applying game theory to the analysis of macro processes.

Fourthly, social entrepreneurs have a major role in coordinating social players' actions. However, the analysis showed that leaders of social movements must supply their followers' demands in order to maintain support. Otherwise, they are regarded as unreliable and unable to carry out the leadership. Therefore, social leaders are strongly influenced by their followers' interests in their game with rulers.

Fifthly, the information available to the players strongly affects outcomes. Better information gives strategic advantages to the informed player over the uninformed one. Unclear information led Polish rulers on several occasions to make concessions whilst workers' lack of information in later stages led them to misinterpret rulers' moves.

Finally, factors external to the particular decision situation influence the players' calculations and strategies. In Poland, the economic crisis and the external threat of Soviet intervention clearly delimited the available strategies to the players.

Appendix 6.1: The sequential games in Poland, September 80-December 81



CHAPTER 7 - CONCLUSION: INDIVIDUAL BEHAVIOUR, STRUCTURE, RULES AND A THEORY OF CONSTITUTIONAL CHANGE

This study tries to provide theoretical and empirical insights into the nature of constitutional change. The theory developed here has two objectives. First, using a general model it explains stability and change in political systems. Secondly, the theory provides an explanatory framework for empirical analysis of the processes of constitutional change. The application of the theory to the Polish case also illuminates how structural changes influence individuals' beliefs, expectations and preferences.

This chapter concludes the arguments concerning these research areas in two sections. Section 7.1 presents the general reasoning which explains political stability and the conditions for constitutional change. Section 7.2 explains how the dynamic approach may be used as an explanatory strategy to analyze any process of constitutional change. I then discuss the generalizations that we may draw from the empirical analysis regarding the influence of structural factors on individuals' beliefs and preferences.

7.1 A THEORY OF POLITICAL STABILITY AND CONSTITUTIONAL CHANGE

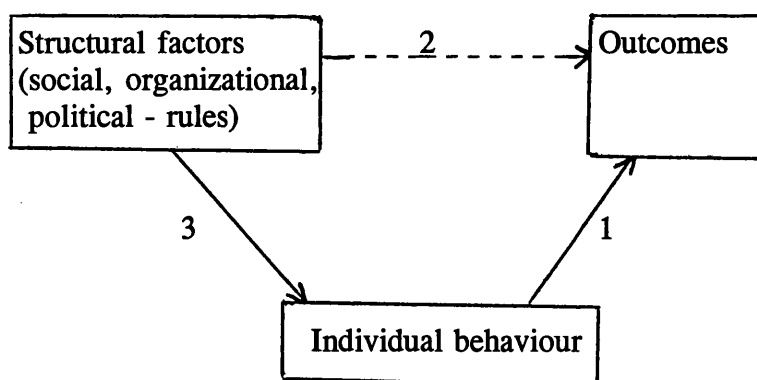
This section outlines a theory of political stability and constitutional change. I first discuss the dynamic approach developed in the study in the context of new institutionalism. The section then presents the general model which explains political

stability and the conditions for constitutional change. Finally, I generalize a mechanism of constitutional change.

Explaining Constitutional Change in The Context of New Institutionalism

New institutionalism is related to two theoretical traditions: the individualistic-liberal approach and the structuralist-functionalist approach. The first concentrates on individual behaviour in explaining (or justifying) outcomes while neglecting structural factors. The second approach, going back to Aristotle and Montesquieu, explains outcomes by social and structural factors overriding individual actions. New institutionalism basically combines the two. The differences between the three approaches are schematically presented in Figure 7.1.

Figure 7.1: Mutual relationship between individual behaviour, structural factors and outcomes



The purely individualistic approach (arrow 1 in the figure) has been adopted by those liberal theorists who assume a certain initial state of nature. They take an institution-free symmetric situation as a starting point to explain why individuals create and follow rules.

Rational choice theorists often follow this rationale and try to explain why new institutions evolve when the prisoners' dilemma describes the initial stable situation (Sened, 1991; Schotter, 1980).

On the other hand, structuralists regard individual behaviour as fully determined by structural factors. Therefore, they cause outcomes (arrow 2 in the figure). This approach is adopted, for example, by political sociologists who try to find statistical correlations between certain structural factors and particular outcomes. Similarly, March and Olsen (1989) try to establish an almost purely structural approach arguing that people follow rules in order to conform with the system rather than for their own self-interest. This implies that institutions and structural factors determine individual actions and can explain outcomes. Yet, since they are not events, structural factors cannot provide causal explanations by themselves (Dowding, 1994).

New institutionalism concentrates on individual behaviour as the cause of outcomes while considering the structural influences on it (arrows 1+3 in the figure). Since aggregating individual preferences by pure majority rule always creates intransitive outcomes, there is a potential for constant instability (Arrow, 1963; Riker, 1980). Stability is thus induced by political rules which limit the possible strategies and outcomes (Shepsle and Weingast, 1981). This rules out an institution-free model as the general starting point to analyze empirical events of constitutional change.

When we expand this rationale to include not only political rules but also social, organizational and cultural parameters, we may infer that structural factors influence outcomes through their impact on individual behaviour. The fact that individuals are differently affected by the same structural factors explains the variety of outcomes. Using games to analyze individual relations, these influences are modeled through the

parameters of the game.

Nevertheless, static models can explain equilibrium outcomes under given rules and structural factors but not changes of these parameters themselves. Taking new political rules as the explanandum, this study developed a more complex framework. It treats existing rules as factors that structurally induce stability with new rules as the dependent variable. The movement from the 'stable initial state' as modeled by the 'basic' citizens-rulers game to another institutional equilibrium is explained through a dynamic analysis based on the concept of sequential connected games. Structural changes in the decision situation are modeled by transforming the 'basic' game.

Thus, the theory developed in the study has two objectives. First, the 'basic' citizens-rulers game generally explains stability of political systems illuminating the conditions for constitutional change. Secondly, the theory suggests a dynamic explanatory strategy for any process of constitutional change. In the next two sub-sections I discuss the first aspect while dealing with the second in section 7.2. There I will also draw several generalizations concerning the influence of structural factors on individuals' beliefs and behaviour.

A Model of Political Stability and The Conditions for Constitutional Change

The 'basic' citizens-rulers game explains political stability by modelling together three fundamental characteristics of human societies: 1) asymmetries in individual relations; 2) the impact of rules on individuals' beliefs and behaviour; 3) the problem of collective action. The model thus contributes to our general understanding of very complex interactions.

In principle, the assumptions of the basic game point to several potential factors as explanations of the particular process of constitutional change. In respect of individual behaviour, we assume that individuals are risk-averse and strive for immediate benefits. They follow their cost-benefit calculations attempting to maximize their self-interest. We also assume that individuals shape their beliefs following their own experience and observations about reality.

The underlining rationale which explains stability and change in political systems may be presented as follows. By definition rules can be formally altered only by rulers. Since they directly benefit from the political status quo, rulers are unlikely to change it on their own. They will do it only if they face a different decision situation where the constitutional status quo bears a high cost - namely, internal instability. In this respect, structural conditions or external factors such as international sanctions only create a potential for instability but citizens' actions cause it. Yet, the fact that citizens increase internal instability does not necessarily mean that the outcomes reflect their interests. Instability may lead, for example, to a military coup or other forms of constitutional change. These dynamics are discussed later.

It follows that citizens' mass collective action creates the actual changes in the rulers' decision situation. It is a sufficient condition for constitutional change. Clearly, it is a necessary condition for a revolution. Yet, since new rules are public goods, a collective action problem emerges whenever citizens want to change rules.

Coordinating a political struggle significantly differs from coordinating collective action aimed at policy changes. Since citizens' material payoffs are determined by policy regulations, they intuitively understand the need to change them in order to immediately improve their payoffs. Then, only technical coordination activity is required - that is,

formation of organizations and communication mechanisms. Furthermore, since rulers have an interest in supplying some of citizens' economic demands in order to maintain their power, the cost of raising such demands is not so high.

Nevertheless, since the material payoffs of most citizens are only indirectly influenced by political rules, they have to be convinced that they will materially benefit from changing these rules. This is not a 'natural' or intuitive understanding as rational choice theorists often assume (Sened, 1991; Riker, 1980). Rather, citizens reach such a conclusion through a learning process which can be completed only if they observe structural changes in their decision situation. It follows that coordinating a political struggle requires belief changes among citizens. Since this is a long process, individuals who want to change political rules face a domestic collective action problem.

Thus, not only the cost attached to changing political rules induces stability but also the need to change individual beliefs. If there is a strong differentiation between political rules and policy regulations, a very intense effort is required to convince citizens that political changes will improve their material benefits. In other words, the fundamental asymmetry between citizens and rulers and their different attitudes in respect of changing rules worsen the problem of coordinating a political struggle. The combination of these factors creates political stability.

This analysis explains why democratic systems are more stable than non-democratic ones although in the latter the cost of a political struggle is higher. The clear differentiation between political rules and policy regulations and the stability of demand and supply mechanisms create great difficulties for interested individuals to change beliefs and coordinate a political struggle.

The model of political stability also illuminates the nature of the process of

democratization. As explained, individuals do not intuitively understand the causal relations between the political structure and their socio-economic situation, even though such relations exist. By the same rationale, only through a long process of belief change will people learn that democratic rules of the game, such as individual rights, may improve their socio-economic situation. Thus, the fact that individuals update beliefs and preferences following their own experience creates a gap between their subjective beliefs about reality and the 'objective' conclusions which we may reach as political scientists. Since in nondemocratic systems this gap is widened by limiting the circulation of information, they appear to be stable.

This reasoning implies that the struggle for liberties in many societies does not necessarily reflect fundamental characteristics of human nature as liberal theorists often assume but, rather, it is more the result of learning processes and belief change. These processes and the need to reach strategic agreement among citizens over the particular constitutional changes required in order to improve their situation explain why non-democratic systems sometimes seem very stable.

Thus, the model of political stability manifests the underlining rationale of any process of constitutional change. Such a process starts when two structural conditions are fulfilled: 1) a collapse of the demand and supply relations between citizens and rulers; 2) political rules and policy regulations similarly affect outcomes meaning that political rules determine socio-economic outcomes. The process ends when these conditions are transformed into the following belief changes: a) social groups realize that improving socio-economic outcomes is pre-conditioned by particular constitutional changes; b) a decisive ruling coalition believes that immediate policy changes will increase instability whilst political changes will improve their situation.

Yet, these conditions alone do not actually explain particular examples of constitutional change. Rather the process between these two stages explains constitutional change. Structural factors or beliefs are not events and cannot causally explain events (Dowding, 1994). Only actions which are events can be causally efficacious. Since the sequence of players' actions creates a process, it explains outcomes.

This approach significantly differs from outcome-oriented analyses. They specify necessary and sufficient conditions for the occurrence of events as part of a law-like theory (Hempel, 1965; Riker, 1962). In contrast, the conditions stated above only mark the scope of institutional change analysis. Yet, based on the theoretical rationales developed in the study, we can generalize a two-stage mechanism of constitutional change. I now outline its main characteristics.

Social Entrepreneurs and The Mechanism of Constitutional Change

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The theoretical framework developed in the study suggests that any event of constitutional change may be explained by two interacting processes: 1) belief changes among citizens; 2) changes in power relations at the institutional level creating incentives for a ruling coalition to change political rules. Through the study I have explained two dynamics in which changes in citizens' beliefs affect power relations at the institutional level: revolutions and constitutional changes which result from citizens' mass collective action. As explained in Chapter 2 (p. 84), through a political struggle citizens alter, directly or indirectly, the rulers' decision situation. Since coordinating such a struggle requires belief changes, the key question in these dynamics concerns learning processes among citizens.

Yet, I argue that changes in citizens' beliefs also help explaining constitutional changes

which do not directly follow citizens' mass collective action - for example, military coups. Assuming that in order to maintain their power rulers have to supply citizens' basic demands, we may infer that any ruling coalition must have the support of domestic groups in society. This underlining rationale characterizes democracies and it is also a basic condition for a military elite to gain power. For example, military coups are often backed by social groups who shift their support from a certain ruling group to the military elite (Linz and Stepan, 1978:15). In other words, changes in power relations among ruling groups are usually influenced by changes in the relations and attitudes at the social level.

Thus, since social players update their beliefs through observing changes in the structure of the 'basic' citizens-rulers game, the conditions stated earlier mark the scope of any process of constitutional change. Yet, the characteristics of the process may differ according to the way in which citizens signal belief change. They may either use mass collective action, create a coalition with certain ruling groups or retreat from any involvement in political activity. Similarly, in democracies rulers may learn about changes in citizens' beliefs through opinion polls.

It follows that the key question in any process of constitutional change concerns the nature of belief changes among citizens and the methods they use to signal these changes. However, learning processes are hardly spontaneous but often accelerated and manipulated by social entrepreneurs. They also have a central role in signalling changes in the relations and attitudes at the social level. Thus, in order to explain a particular process of constitutional change, we need to explain the involvement of strategic entrepreneurs in processes of belief change.

Individual entrepreneurship is usually considered as the playground of imagination,

intuition and improvisation (Riker, 1986; Hayek, 1976). Within this arena individuals express their unique qualities. Therefore, it is often argued that deductive generalizations in respect of entrepreneurs' activity are almost impossible. At the most we may inductively accumulate strategies used by them (Riker, 1986).

Nevertheless, following the various theoretical rationales developed in this study we can suggest few common characteristics of entrepreneurs' activity. First, they are derived by their self-interest and act instrumentally to achieve their private goals. The fact that entrepreneurs sometimes attempt to achieve public goods which in principle do not materially benefit most citizens - such as individual rights - does not mean that they are motivated by altruism or by the desire for social goals for everyone. Rather, they disproportionately benefit from these public goods.

This rationale explains why in many cases intellectuals act as social entrepreneurs attempting to achieve an open society. In order to maximize their benefits from their intellectual skills, they need to communicate and spread their ideas in the society in which they live. Intellectuals spend open political rules to trade their skills. Similarly, other citizens spend policy changes such as wage increases or privatization in order to improve their material payoffs.

Secondly, entrepreneurs do not directly change citizens' beliefs. Rather, by forming organizations and communication mechanisms - usually included in the concept of civil society - entrepreneurs lead citizens to update their beliefs. In that way, they structurally change citizens' beliefs and preferences.

Thirdly, by changing the decision situation entrepreneurs achieve strategic advantages, in form of better information, over citizens. They use this to further manipulate citizens according to their own interests. The information parameter is thus central in dynamics

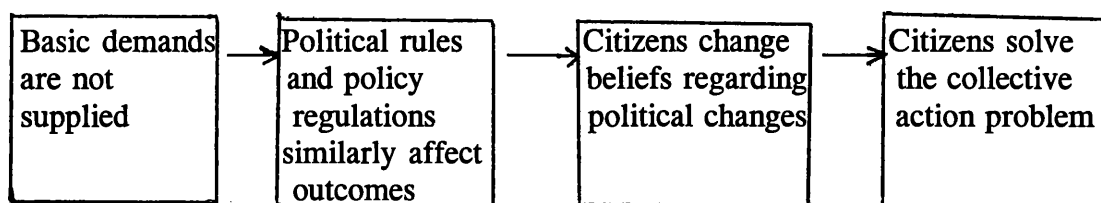
of collective action. It is modelled in a leaders-followers signalling game.

Entrepreneurs may also use these strategic advantages to structurally alter rulers' beliefs. Since citizens cannot formally change rules on their own, by altering the rulers' decision situation they try to lead rulers to do it. Citizens deviate from their equilibrium behaviour and raise political demands. This transforms the citizens-rulers game into the strategic arena where rulers have to re-consider their whole set of strategies while having incomplete information about citizens' preferences.

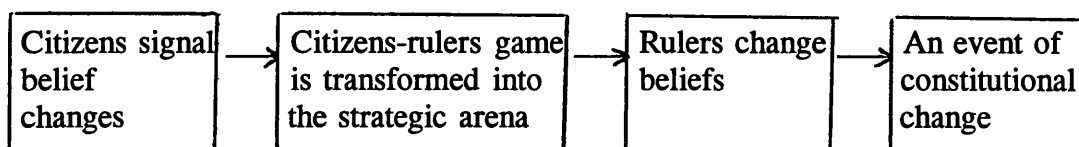
Such an imperfect decision situation combined with great instability leads rulers to change their time preferences and consider limited political concessions as the best way to improve stability. On the other hand, if rulers improve their information about citizens and have strategic advantages over them, citizens' collective action may result in other constitutional changes. It follows that particular constitutional choices reflect the power relations between the dominant groups in a given society at a certain point in time. The mechanism of constitutional change is presented in the following figure.

Figure 7.2: A mechanism of constitutional change

First stage: a transformation of citizens' beliefs



Second stage: citizens' actions transform rulers' beliefs



This model describes the internal mechanism of any process of constitutional change. The particular characteristics of the mechanism may vary among processes in three aspects. First, citizens may signal belief changes in various ways. Secondly, the citizens-rulers game is transformed according to the signalling strategy that citizens use (Chapter 2 - p. 83). Thirdly, particular constitutional changes reflect both power relations between citizens and rulers and the relations among ruling groups at a given point in time.

This theoretical framework significantly differs from sociological and comparative approaches in two respects. First, the theory developed here explains political stability and the basic mechanism of constitutional change based on general models and rationales. Comparative studies however induce their conclusions from particular examples of constitutional change (O'Donnell et. al., 1986; Linz and Stepan, 1978). They tend to produce useful classifications but lack theoretical tools to causally explain events which do not completely resemble these examples. Secondly, the theory and the explanatory strategy concentrate on individual actions as the cause of events. In comparison, sociological studies try to explain stability and change of political systems only by factors such as economic conditions, social structure or the nature and composition of the elite (Diamond et. al., 1989). These structural factors cannot explain outcomes by themselves but only through their influence on individuals' beliefs and behaviour.

Hence, the theory developed here considers both 'sociological', structural and strategic elements of individual behaviour in analysing constitutional change. It enables to comprehensively explain the decision situation and individuals' actions. In the following section I discuss the dynamic approach and the possible generalizations concerning the impact of structural factors on individual behaviour.

7.2 A DYNAMIC EXPLANATORY STRATEGY AND THE INFLUENCE OF STRUCTURAL CHANGES ON INDIVIDUALS' BEHAVIOUR

This section first explains the dynamic approach of the study as an explanatory tool. It then suggests possible generalizations concerning structural influences on individuals' beliefs and preferences.

A Dynamic Explanatory Strategy of Constitutional Change

The dynamic approach developed in the study explains particular constitutional changes by the processes that preceded them. To apply it to empirical processes, we first need to locate the point in time where the real world conditions correspond to the assumptions and structure of the basic citizens-rulers game. This is the 'stable initial state' from which the analysis starts. The analysis then works by explaining structural changes and their influence on individual beliefs and preferences. As elaborated in Chapter 1 (p. 52), the basic game is separated into several sequential connected games and then re-structured according to the structural and belief changes through the process.

This explanatory strategy can be applied to analyze processes of constitutional change in any political system. In democracies, for example, a 'stable initial state' is characterized by the existence of a decisive coalition of ruling groups which directly benefit from the political status quo and do not have any interest in changing it. Then we should explain how structural changes influence power relations among them as well as their attitudes in respect of certain constitutional changes. Through the study I developed several rationales to explain the ways in which structural changes and interactions

between citizens and rulers influence individual beliefs. These are presented in the next sub-sections.

The Impact of Coordination on Players' Power and Beliefs

The power of individual players is basically determined by their resources and formal positions in the system as well as social factors. However, in analysing behaviour of collective players we face the possibility of sub-divisions or different resources within a group. Rational choice theorists usually override this problem by concentrating on the leadership level. Nevertheless, in this study I developed a different rationale to analyze interactions between collective players.

As elaborated in Chapter 3 (p. 111-2), formation of organizations and communication mechanisms increases the level of coordination within a collective player. As it influences the players' beliefs and expectations in respect of conflict, this improves the ability to stand long bargaining or threat processes and indicates the players' power. In principle, rulers are in a better position than citizens, since they enjoy a high level of coordination based on these components while citizens face a collective action problem. Therefore, there is a fundamental asymmetry of power at the stable starting point as modeled by the 'basic' citizens-rulers game.

This asymmetry may, however, change through internal dynamics in the collective players and through exogenous shocks to the system. Understanding 'citizens' and 'rulers' as collective players, we can regard actions of one as structural influences on the power and preferences of the other. A high level of social coordination, expressed in mass collective action, changes the strategic choices of rulers making them uninformed about

citizens' preferences (Ch. 2 - p. 85). This gives strategic advantages to citizens over rulers even though rulers maintain physical power. For example, workers' collective action in Poland weakened rulers in several aspects. On the other hand, rulers have several ways to change the citizens' decision situation creating divisions and discoordination among them.

This analysis has an important implication. Group leaders need the support of their followers in order to maintain a high level of coordination, or alternatively are restricted by discoordination. Therefore, when taking a group as a unitary player, its preferences should represent the interests of all its members. This can be technically done as follows.

Since the level of coordination within a certain group indicates its power, it influences the cost of the various strategies. Being part of the players' cost-benefit calculations, this cost affects their preferences. If a certain unitary player is not coordinated, the strategy of confrontation bears high costs and the outcome of this is least preferred. The level of coordination is thus modeled through the players' preference ordering on outcomes.

Structural Influences on Attitudes Towards Risk

In principle, we assume that individuals are risk-adverse and commonly use the Nash solution concept to analyze game-like models. Yet, several structural factors may change attitudes towards risk.

As explained in Chapter 3 (p. 111), individuals' willingness to take risks in bargaining or threat processes increases as the cost of a conflict is reduced. Since a high level of coordination achieves this, formation of organizations leads individuals to change their attitudes.

Nevertheless, the actual need to take high-risk actions appears when individuals do not succeed to improve their situation through all low-cost channels. They then face a situation of blocked opportunities to change outcomes (Ch. 6 - p. 207). Respectively, they update their beliefs and consider conflict as the best way to drastically change the structure of the situation.

A situation of blocked opportunities is the result of asymmetric power relations where a powerful collective player can stick to its position. For example, rulers in non-democratic systems have strong monopolies which enable them to fail citizens in all their attempts to change outcomes. On the other hand, after increasing their power through a high level of coordination, citizens can stick to their position creating blocked opportunities for rulers. Rulers then consider high-risk actions as necessary in order to improve stability. Since power relations are strongly influenced by coordination and organization mechanisms, attitudes towards risk are altered due to structural changes.

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Structural Influences on Time Preferences

A rational choice analysis starts with the assumption that individuals strive for direct and immediate material payoffs. However, several factors and processes may lead them to calculate their interests to the long term.

Changes in players' time preferences are usually taken by game theorists as given. For example, cooperation in the repeated prisoners' dilemma will emerge only if players do not discount future payoffs too high (Axelrod, 1984; Fudenberg and Maskin, 1986). Similarly, game theorists suggest that certain games may have unexpected outcomes because players follow non-myopic calculations (Brams, 1994:16,33; Colomer, 1995:7).

Nevertheless, these accounts do not explain the structural factors which may change individuals' time preferences.

I suggest two structural conditions for such changes among citizens and rulers respectively. First, when political rules and policy regulations similarly affect outcomes, citizens understand that in order to improve their socio-economic situation they need to change political rules. They realize that immediate economic payoffs are likely to quickly lose their value and prefer long term payoffs under a more stable system. We may generalize this point and argue that when individuals face instability of any kind, they prefer long-term rather than immediate payoffs.

Secondly, since economic efficiency depends on the political structure, highly restrictive rules create potential for a cycle of economic crises (Ch. 5 - p. 174). This increases political instability leading rulers to realize that they need to achieve the cooperation of citizens by other means than immediate and unplanned economic concessions. They then prefer to change the constitutional framework in order to improve stability in the long term. The nature of these changes depends on the power relations between them and citizens.

Strategic Orientations Towards Change, Preferences and The Impact of Information on Individual Behaviour

All the structural influences on the players' beliefs and attitudes are accumulated to form their strategic orientations towards change. They are formally presented through the parameters of the game - especially, the players' preferences. In this way, structural factors become a coherent part of a game-like analysis. The distinct characteristic of this

dynamic approach is the transformations of the initial game according to structural and belief changes through a certain process.

Beside the players' preferences, such transformations include the players' information sets. Asymmetry of information may explain individual behaviour, since it indicates the strategic balance between the players. Informed players enjoy strategic advantages over uninformed ones who often misinterpret signals or data leading themselves to sub-optimal outcomes.

Final Remark

This study developed a general theory of political stability and constitutional change, yet the empirical analysis concentrated on constitutional changes which result from social demands. As explained, the theoretical framework can be applied to two other categories of constitutional change: 1) rulers changing political rules on their own, though are somehow influenced by social processes; 2) citizens try to revolutionize the institutional setting by force.

Applying the theoretical framework to such case studies may further clarify the ways in which structural changes influence individuals' beliefs and behaviour. It may also deepen our understanding about the mutual dependence of the social and institutional level. This lays grounds for further research.

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