

CHAPTER 1

1989 AND AFTER: MEANINGS, EXPLANATIONS, LESSONS

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In the Eyes of the Global Modernity

A European Event

Global power politics has, of course, changed with the dissolution of the Soviet Union. But the collapse of European Communism has not affected the basic functioning and the dynamics of the capitalist world economy. The international trade of the Soviet Union made up 2.5 - 3 percent of world trade in 1990, in 1993 the share of the successor states had shrunk to 1.5 - 2 percent. In 1994 the receipt of foreign direct investment by all the ex-Communist countries together was equal to the flow into Argentina in 1993.

Politically, the fall of Communism is mainly an Eastern European phenomenon. Outside Europe, Communist regimes are still standing, apparently stable in China and Vietnam, defiantly in Cuba. Significant Communist parties remain across the globe, in Japan, India, South Africa, France and Southern Europe, in Latin America.

The end of the Cold War had two major effects on domestic politics. In South Africa and in Central America it cracked the anti-Communist shield of racism and violence, opening up for negotiated political settlements. In Italy and Japan, the parliamentary bulwark of postwar anti-Communism imploded, amidst charges of exorbitant corruption.

Yalta, EU, and Globalization

Europe has suddenly got eleven new states - not counting the Caucasus region - and overcome its political East-West division. This shake-up of a continent has been contained by a system of national borders, drawn up at Yalta and ratified in Helsinki in 1975.

The Yalta-Helsinki system served the peace in Europe, from Finland to Bulgaria, from the Oder-Neisse to the Don. But there was no particular justice

to it. When it was extrapolated to the borders of new polities seceding from multinational states, it could explode.

Western Europe has gradually emerged as a supranational *normative area*, through the Council of Europe and through the European Union. Post-Communism in Eastern Europe turned to "Europe" because of its coincidence in time with a major drive towards integration in Western Europe. "Europe" has stabilized the new Eastern Europe, subduing nationalist urges.

However, there are also powerful non-European forces at work. Post-Communist Europe might become a wedge for a de-Europeanization of Europe, especially with regard to social institutions and policy. The predominant economic prescriptions to the new regimes are North American and North Atlantic, their examples taken from Latin America.

A Wider Turn of World History

The end of Eastern European Communism was one variant of a much wider socioeconomic change of course in the world, that had started earlier. This was a shift from tendencies towards socialization to privatization, from (part) state to market led economic development, from a strengthening to a weakening of the collective power of workers.

The 1980s was the decade when the tables turned. The regimes of Pinochet in Chile and of Thatcher in the UK, both originating in the 1970s, provided the crack troops and the pioneering examples.

The reasons for this change of economic gear still have to be unraveled. One component was the dislocations spawned by the 1970s crisis. The crisis coincided, largely by chance, with the peak of industrial labour and working class strength. Together, those two phenomena led to the agenda of rightwing revenge. The crisis also accelerated the process of de-industrialization, begun in the OECD countries in the 1970s, a process that weakened the power of labour. There was further the explosive growth of supranational financial markets, originally fed by US deficit spending, first for the Vietnam war.

While Eastern European de-socialization was part of a global switch of mainstream modernity, its democratization might be seen as a realization of long term tendencies of socioeconomic development. In any case, the political changes of Eastern Europe formed part of a sequence, starting with the democratization of Southern Europe in the 1970s.

Time-s Bent Arrow

A "normal" state, a "normal" economy, a "normal" life were what was desired in the anti-Communist revolution. The point in this context is the non-linear conception of time. In that respect Eastern European 1989-91 was a star moment of post-modernism. The emplotment was neither a morality of counterrevolution, nor a high ideological drama of Liberation nor a romance of

Capitalism, but irony and farce. The oppressive master narrative of Communist socialism was no longer taken seriously. For all its vices and flaws, Communist rule was a modernist project. At the time of taking power, Communism was usually the most radical and consistent proponent of modernity, against a background of stalled or defeated alternatives. Communism originally represented a modernity of the working class, who as individuals were told to abide by the norms of accumulation, while promised power as a collective.

Eastern European post-modernism was part of a fundamental challenge of modernity-s central tenets. On the Parisian ideological stock exchange, the latter had been sold out en masse since 1979. Environmentalism had since the early 1970s been attacking all the modernist economic projects as ecologically destructive.

1989-91 was the end neither of modernity nor of history, but its manner of occurrence was post-modern. Modernity-s arrow of time has been bent crooked. It may go off in various directions, but perhaps not very far in either.

Explanation: The Paths of the Unexpected

Systems and Empire: Two Good Ways of Getting Lost

The economic debate on socialism had by the 1980s reached a common ground. Detailed physical planning was clearly inadequate for the tasks of advancing the developed and complex economies that Eastern Europe had now got. There was no satisfactory purely administrative solution to this. A formation of prices by supply and demand, and the adaptability of economic actors to "real" prices were needed.

What the systemic common ground indicated, however, were mounting pressures for change and agendae for reform. Neither an imminent collapse, nor a consensus about the non-viability of some form of "market socialism".

Serious theories on offer, predicting in some specified manner the possible end of Communist power focused on the "imperial" character of the Soviet Union. One approach highlighted the growing contradiction between the cost of maintaining a military superpower position, or an "overextended empire", and an inefficient economy in relative decline (Kennedy, 1988, pp.488ff; Collins, 1986, pp.196ff). The other stressed the fragility of the multiethnic Soviet state, threatened, in particular, by the Central Asian nations (Carrère D'Encausse 1978) or by the "exhaustion of military resources" at the centre (Collins, 1986, p.203), whereby the imperial and the ethnic roads of dissolution met.

Even the careful and perceptive argumentation of, especially, Collins and Kennedy turned out to be wide off the mark, however, and not only with regard to time.

Abstention from empire and appeasement constituted the thrust of Gorbachev's foreign policy. The nationalist card that brought down the USSR was played by the leading Russian politicians, by Yeltsin and his entourage.

In the Back Mirror: The Dialectics of Politics, Sociology, and Economics

In retrospect, what appears to be the most obvious immediate reason for the fall of Eastern European Communism was *the mutually reinforcing weakness of its domestic politics and its economics*.

Empirical democratic theory held, that the dictatorial polities of Communist Eastern Europe were anomalies, because of their level of social and economic development. Since the 1960s intra-systemic, sociologically determined pressure was rising in the polity as well as the economy of Eastern European Communism. Authoritarian one-party politics was becoming increasingly anachronistic to a developed and educated society, furthermore instructed by Western television.

On the economic front, late industrial Communism was facing the first, and prolonged, post-industrial boom of advanced capitalism, while (in most countries) hearing the ticking of a foreign debt day of reckoning approaching. Indebtedness and dependency on the West were not due to a military build-up, but on the contrary to a political need to cater to the consumption needs of the population. (Adam, 1996; Pirker et al., 1995).

Neither tendency ran up against a wall and exploded. The institutions in place yielded. Orderly processes of democratization were embarked upon, in the USSR, in Poland, in Hungary and Slovenia with the opening up towards parliamentary democracy. Private ownership was re-introduced in the Soviet Union, and in Budapest a stock exchange opened.

The two socio-economically most advanced Communist countries, Czechoslovakia and the GDR, the latter the most vulnerable, had resisted any institutional change. They turned out the two weakest links of a chain that burst in the autumn of 1989.

Fatal to Eastern European Communism was the intertwining of simultaneous political and economic crisis. Reforming the economic system turned out painful and slow. The political crisis meant, that an increasingly angry population was confronted by vacillating, self-doubting, divided rulers.

The imbrication of the conjunctural economic and the domestic political crisis - neither of which necessarily fatal by itself - of Eastern European Communism in the 1980s opened the machinery of systemic change to the contingent triggers of the pressure against the Berlin Wall in the autumn of 1989 and of the farcical Putsch in the Soviet Union in August 1991.

Six Lessons

Disciplinary Myopia Rather than Ideological Bias

Sovietology and Eastern European studies were dominated by people hostile to or at least unsympathetic to Soviet Communism, but no "normal science" could feed on predicting catastrophe of its subject matter.

A major reason why the fatal crisis of Eastern European Communism was not anticipated, alternatively not predicted in any concretely correct manner, was the myopia of disciplinary training and paradigms in face of a complex macroscopic dynamics.

Implosion

The figure of change was implosion. It refers to systemic change by the system so to speak falling in upon itself from above, rather than by erupting or exploding from revolutionary pressures from below.

The dynamics of social implosion in Eastern Europe followed from a negative spiral of interdependent, mutually reinforcing crisis of the economic and the political subsystems, a spiral leading to disintegration, exhaustion, collapse under weak pressure.

Dominoes and Other Configurations

The systemic changes of East-Central Europe, set in motion in the late autumn of 1989 are incomprehensible within any purely national context. Europe has experienced such linkages before, most clearly in 1848. But its reach and pre-requisites remain under-theorized.

The Eastern European "transition" is crucially shaped by a particular spatio-temporal constellation, the predominance of postindustrial neoliberalism in the world of Atlantic capitalism, and the sustained efforts at continental integration in Europe. The recipes, the promises, the rewards, and the sanctions would have been very different, if the "transition" had taken place, say, around 1970.

The Leninist Moment

The peaceful implosion of the end of Eastern European Communism was followed by a Leninist moment of an ideological minority establishing a new regime in the face of uncertain, hesitant, and divided majorities.

Two sets of actors in 1989-91 played a decisive part in giving the processes of large-scale social change a particular systemic direction. One was the West German government, proposing a rapid inclusion of the GDR into the FRG -

at a moment when the GDR population was divided half for and half against unification., and while the overwhelming majority of the GDR population wanted "a better, reformed socialism". (Forster and Roski, 1990, pp. 53, 56)

The other set was a small party of neoliberal economists of various nationalities, with a sense of mission and a blueprint, provided with special powers by bewildered politicians throughout the region. The US economist Jeffrey Sachs (1990), an adviser in Poland and in the former USSR, set out the party line.

The pioneering politician of the economists' party was the Polish Finance Minister Leszek Balcerowicz. The extraordinary powers he was given were used for a policy almost exactly the opposite of what the Solidarity movement had demanded and negotiated from the Communist rulers, and had gained the elections with. (Balcerowicz, 1995, p. 293n)

Historical Limitations and Contingencies of Institutional Design

Stalinism did not succeed in rolling one single red carpet across all Eastern Europe. The program of one market economy will not hold water either. The patterns of property, labour market institutions, and social entitlements now rising in Eastern Europe looks rather different from the blueprints held out in 1989-90. There is a general pressure towards and regime acceptance of a liberal capitalism, but the footprints of competing external pressures, and of national forms of implementing the program are already very variable.

The Costs of Systemic Change

The Eastern European transition to capitalism is taking place under conditions favourable without precedent in the history of revolutions, meeting virtually no resistance but a generously sympathetic environment.

Nevertheless, the costs have been considerable, to the majority of the population. By the turn of 1995-96 Eastern European GDP was about fifteen percent below the level of 1989 (EBRD 1996) In the former USSR and in the Balkans infant mortality has gone up and life expectancy down (UNICEF, 1995, p.111, 143). From Rudolf Andorka's survey data, we can calculate that ten percent of Hungarians gained economically from 1989 to 1995, while 70% clearly lost.

Modesty and caution in policy recommendations would become social science, including "scientific liberalism".

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