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Ivan T. Berend. *From the Soviet Bloc to the European Union: The Economic and Social Transformation of Central and Eastern Europe since 1973.* Cambridge: Cambridge University Press, 2009. 316 S. $99.00 (cloth), ISBN 978-0-521-49365-9; $37.99 (paper), ISBN 978-0-521-72950-5.

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Navigating in a Free Market World

With this book, Ivan T. Berend has produced a transnational history of the path taken by ten former communist countries from the oil crisis of 1973 to their entry into the European Union in 2004-07. In so doing he describes globalization–defined primarily in terms of the "opening of new markets," especially in computers and telecommunications, the "eliminat[ion of] trade barriers" and the "rise of global, multinational companies" (pp. 39-41)–as both cause and effect of the sudden breakup of the Soviet empire in the years 1989-1991.

After 1973, Eastern and Western Europe faced the same problem–stagflation caused by shrinking demand, outdated industries, and rising energy prices. The West, with its openness to new technologies, its more flexible, consumer-oriented policies, and its willingness to accept (and pay for) high levels of unemployment, coped with these challenges far more effectively, however, and its countries reached rising levels of prosperity again by the mid-1980s. This development also explains the growing income gap between workers living under capitalism and communism. For instance, while GDP per capita in Central and Eastern Europe was on average 51 percent of that of Western Europe in 1870, and 51 percent again in 1950, by 1973 it had fallen to 47 percent and by 1989 to 40 percent. Significantly, this increasingly poor economic performance came at time when high living standards in the West were ever more visible to those on the other side of the Iron Curtain–through television and other media, personal and family contacts with westerners, and also, to a more limited extent, through business and holiday trips abroad (Yugoslavia, Poland, and Hungary all had relatively liberal travel policies, but even in the much more restrictive GDR, the number of private visits to the West grew substantially in the 1980s). To make matters worse, even relatively poor Western European countries like Ireland, Portugal, and Spain were beginning to catch up economically with the richest nations in the 1980s. This divergence further underlined the notion (which was far from evident in the 1950s and 1960s) that integrated free markets rather than communism offered the best and quickest route from industrial backwardness to postindustrial affluence.

Not surprisingly, Berend puts himself forward as a severe critic of socialist command economics. In particular, the countries of Central and Eastern Europe were unable to shield themselves from global economic trends in the 1970s and 1980s, as the Soviet Union had done under Stalin in the 1930s. To survive the downturn after 1973, they needed to make the transition from "extensive, import-substituting" to "intensive, export-oriented" growth, but they were incapable of doing so. Either they could not afford new technologies, or were not willing to undertake the restructuring necessary to make more efficient use of existing resources, or both. At same time, loss of political legitimacy after the events of 1956, 1968, and 1970 meant that Eastern European regimes had to appease their subjects through higher standards of living, a strategy that created a massive debt/hard currency crisis. Most of the money borrowed from the West in the 1970s and 1980s was consumed rather than invested. It was used primarily to subsidize food prices and housing costs, and/or to meet the wage increases made necessary by rising levels of inflation rather than by higher productivity. "We pretend to work and they pretend to pay us," the saying went. The only country not to placate its workforce in this way was Romania, which descended into a brief, but very violent civil war in late December 1989, a few weeks after paying off all its debts to the West. This discipline was achieved by squeezing domestic consumption down to levels that even Romania's communist neighbors considered to be well below the absolute bare minimum necessary for dignified human existence.

Yet Berend is also very critical of U.S. policy. Certainly the strategic ban on a growing range of exports to the Soviet bloc–not just military hardware but modern civilian technologies as well–played an important role in bringing communism down in 1989-91. But having won the Cold War, America went on to pursue a short-sighted "one size fits all" model of global economic development (the "Washington consensus"), based on the false assumption of a radical, quick fix transformation of the communist bloc according to the dictates of "market fundamentalism" and irrespective of social costs. This model soon failed, as witnessed by falling living standards and a declining per capita GDP, which at its low point in the early 1990s was only 77 percent of what it had been in 1989 across the region as a whole.

In contrast, Berend has greater sympathy for the European Union, whose more integrated model of free market economic development helped to open up Central and Eastern Europe to new investment and at least gave it a chance to modernize its telecommunications and banking sectors, admittedly without offering an immediate path to full-scale equality with the West. Why were so many Western European countries in favor of EU expansion after 1989/91? In part this sentiment can be put down to perceived "moral obligations" (p. 84), especially in relation to guilt over past omissions at Yalta and past inaction during the uprisings and revolutions of 1953, 1956, and 1968. In part, too, it stemmed from views of expansion as a way of complementing deeper integration (for Euro-enthusiasts) or as a means of stemming it (for Euro-skeptics). Above all, however, it was due to economic self-interest and the search for new markets among the millions of eager consumers in the the ten new member states of Central and Eastern Europe. In this sense, the EU was able to find its own "backyard," just as the United States had Latin America and Japan Southeast Asia. With its twenty-seven members it could become a global player in a way that the original twelve of the mid-1980s or fifteen of the mid-1990s could hardly have expected to be.

Overall, much recommends this great book, especially in terms of the useful empirical data it provides on all manner of things, from comparative economic growth rates to demographic trends and statistics on homelessness. However, I have two criticisms. Firstly, as important as economic factors were in the downfall of communism, they cannot tell the whole story. Individual leaders–both communists and non-communists–were equally important. Indeed, one of the great ironies of the communist system was its ability to survive a decade or more of systemic economic failure from the mid-1970s onwards because, as Victor Sebestyen stated, "capitalist bankers from the West were willing to bankroll it." The system then collapsed in 1989, but this was due to the "human factor" more than anything else, and above all to the famous "law of unintended consequences." Thus, according to Sebestyen, Mikhail Gorbachev "did the right things but for the wrong reason. His overriding aim was to save communism in the Soviet Union. He believed [that] the people of Eastern Europe would choose to stay allied to the Soviets in a socialist commonwealth."[1] And for that reason he decided not to intervene when communist regimes came crashing down, one by one, in the weeks and months after September 1989.

Secondly, like a great many specialists on the Soviet bloc, Berend seems largely content to omit East Germany from his general analysis as if it were a special case. Admittedly this decision makes more sense for the period after 1990, when the former GDR, by dint of being swallowed up by the Federal Republic, was able to join

the European Union fourteen to seventeen years earlier than other ex-communist states. In Berend's own words, German reunification meant a "wholesale replacement of the *nomenklatura*, mostly with West German appointees" and thus a transformation of "not only the political, but also the business, academic and administrative elites" (p. 236). This turn was buttressed by a much larger injection of per capita capital investment than any of the other former Soviet bloc countries could expect. In Hungary, Bulgaria, and elsewhere, in contrast, it was often the ex-communists themselves who emerged as the best capitalists, with the old elite in effect reinventing themselves as the new elite. But even so, the story of East Germany's socioeconomic transformation, in terms of "winners and losers," is surely an important part of the overall picture, especially when placed in a pan-European or global context. The recent success of Die Linke in the September 2009 Bundestag elections, where it won 11.9 percent nationally and an average of more than 28 percent in five of the new federal states (excluding Berlin), would be a clear case in point. Indeed, while "populist-nationalist fundamentalism" may still represent the biggest challenge to political stability in Central and Eastern Europe today, the anticapitalist Left remains a force which should not be underestimated.

Note

[1]. Victor Sebestyen, *Revolution 1989: The Fall of the Soviet Empire* (London: Weidenfeld and Nicolson, 2009), xix.

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