



UNA DÉCADA DE TRANSFORMACIONES EN EUROPA CENTRAL Y ORIENTAL DESDE UNA PERSPECTIVA DIFERENTE

Robert Schediwy

RESUMEN

Análisis de la última década en los países del Este de Europa, en el que diferentes aspectos, tales como, las condiciones que favorecieron el cambio, la posición y el comportamiento de diferentes actores, la situación internacional en que se desarrollan, la interrelación entre los procesos que tienen lugar en los distintos países, son tomados en consideración. Posteriormente se analizan las consecuencias en diferentes aspectos, en lo económico, lo social, lo político, etc. Como conclusión, el cambio es posible, lo peor es la guerra, y declara: “ si las situaciones conflictivas y la guerra civil pueden evitarse por una tendencia reformista temprana y fuerte, que gane apoyo espontáneo en el país, una joven élite reformista del país en transición puede “ lidiar el cambio” bastante bien.

Palabras clave: Ampliación, situación internaciona, guerra civil

Abstract

A review on the last decade in eastern European countries, where different aspects such as, the conditions promoting the change, the position of the different actors and their behaviour, the international situation by the time, the interrelation among the processes taking place in the different countries, are considered. Then the author analyses the consequences, on different aspects, economic, social, political, etc. As a conclusion, change is possible the worst is war, he states: "If conflictual situations and civil war can be avoided by an early and strong reformist tendency gaining spontaneous support inside the country, a younger reformist elite of a country in transition can „ride the tiger of change“ quite well”.

Keyword: enlargement, international situation, the civil war

Teléfono 91-3942404

Fax 91-3942499

Dirección postal

Papeles del Este, Transiciones Poscomunistas.

Departamento de Economía Aplicada I. Pabellón de 2º Curso.

Universidad Complutense de Madrid. Facultad de Ciencias Económicas y Empresariales.

Campus de Somosaguas. Pozuelo de Alarcón. 28223 Madrid. España.

Correo electrónico

Información general: papeles@ccee.ucm.es

Administrador de Web: papeles@ccee.ucm.es

A DECADE OF TRANSFORMATIONS IN CENTRAL AND EASTERN EUROPE - SEEN FROM A DIFFERENT PERSPECTIVE.

Robert Schediwy

Let me at first resume, in brief words, what we all know but still have difficulties to believe:

The year 1989 set the impulse for tremendous changes in the world of „Real Socialism“. In China a political reform movement was put down with an iron fist by a government, that thereby assured its stability, but which continued its successful reform aspirations in the economic sphere up until today. In Europe, the avantgarde countries of transformation were Poland and Hungary. They chose - obviously favoured by the reformist leadership in the Kremlin - openly the road towards political pluralism in that year. This, however, had a decisive domino effect on the GDR, which was dependent on tight travel controls in order to survive as an independent political entity: As the so-called „Iron curtain“ was put down in Hungary, mass exodus from the GDR became unmanageable, and the „weakest link in the chain“ had to break. This in turn led to a speedy reorientation in the whole realm of „real socialism“ which found its culminating point in the - relatively peaceful - disintegration of the former Soviet Union in 1991, and in the beginning of a period of warlike disintegration in Yugoslavia, during the same year.

When we look at the decade of 1991 to 2001 from a European perspective, leaving aside the interesting but geographically distant Chinese experience, it may be useful to categorize the transformation according to four criteria:

- 1)Peace and orderliness of transition
- 2)Effects on GDP
- 3)Effects on Social Cohesion
- 4)Efficiency of privatization methods.

All this has been done many times already. However, we might add a little touch of innovation by undertaking these comparisons giving special preference to the point of view and experiences of the more open-minded younger members of the technocratic elites of the countries concerned.

THE PROBLEMS TO BE DEALT WITH

Despite being in the great majority loyal and patriotic citizens, younger and even middle-aged technocrats, in all COMECON countries, were ready to admit that some things were really going wrong there - they would do so at least in private or semi-private circles.

There were of course aspects of the system which they upheld and appreciated: political stability, a relatively high standard of education and social and medical benefits for everybody. The lack of unemployment and equal albeit modest living standards.

However, there were serious reasons for concern from a patriotic point of view, as well as on a personal level:

The processes of growth and innovation, specifically with relation to EDP were seriously lagging behind Western European countries. The burden of military competition with the West became harder and harder to bear. The maintenance of social benefits and a minimum standard of consumer satisfaction had to be paid for by a dangerous reduction in investment volume in infrastructure and industry: many East European cities showed that they had been „living on substance“ for several decades. The proliferation of „grey economies“, often based on foreign currency, increased inequalities drastically and even threatened social achievements, e.g. in the fields of socialized medicine („tipping“ abuses combined with the scarcity of certain vital drugs, etc). From the point of view of those favoured by the existing form of government, it was also evident that the given structure of society impeded conspicuous consumption and also simply certain forms of the „good life“ they were legitimately striving for: cars, pleasant housing, trips abroad.

Even the top of the „nomenclatura“ could not openly display their privileges but had to enjoy them in special „restricted areas“.

As a result there was a widely felt belief inside the most informed circles of the Warsaw Pact Countries (intelligence people, economic experts etc) that some things had to change: not only for the benefit of their countries but also for their personal benefit.

Thus, the deep transformations of the former „Eastern Bloc“ should not be interpreted as the simple result of a fiendish conspiracy or of pressure from the outside. Rather they corresponded to the aspirations of important parts of the governing „new class“ (to use Djilas's quite appropriate neo-marxist term).

After all it has to be remembered that Gorbachev himself, just like Andropov, came from the Intelligence Services who knew best how much was going wrong.

Many things that happened in the process were quite „rational“, even though their outcome often took larger dimensions than initially expected:

1) On the part of the Soviet Union (or „Great Russia“) the release of a quasi-colonial empire that had to be controlled by military force (see the events of 1953, 1956, and 1968) had some advantages. Also this empire had to be partially subsidized via low-priced natural resources that Russia otherwise could have turned into hard currency on the world market - buying better products than it could get from „brother nations“.

This process could be seen as a reduction of an economic burden, similar to the decolonization process of the 1960s in the West (leaving Africa to itself had for the French and English not only the advantage of getting rid of nasty guerrillas: giving up responsibility for investments in infrastructure sanitation and government there, while buying products of the ex-colonies at cheap world market prices, was in the end a net money saver).

That this process for Russia would get out of control and would cost it also some of its core possessions since the 19th century was not so clear (even though some hardliners probably predicted it)

2) Market distribution of consumer goods, promised to do way with phenomena like queueing for milk. It was evident that an end to massive cross-subsidizations would cause serious price increases. But the distortion of relative prices was one thing the specialists in the countries concerned had already criticized for years.

3) A more flexible political system promised to solve the problem of „hyper-stability“ and over-ageing endemic with Warsaw Pact leadership.

It was expected to create some safety valves and possibilities for more rapid access to the top echelons of power - something the younger members of the nomenclatura would appreciate.

4) The most educated members of the privileged elite could hope to be on top of the social pyramid also in a changed system - provided change was to take place in a controlled way and provided they were ready to adapt their skills to new circumstances.

THE EFFECTS OF TRANSFORMATION

1) Peace and Orderliness

The greatest destroyer of economic and social values is war. Those countries that went through prolonged hostilities as a result of transformation lost more - and with them the most „productive“ parts of the social elites. Wars, like in Southern Yugoslavia favour mafia-like structures and smuggling empires, instead of constructive managers and technocrats. Where armed conflict was relatively brief (Slovenia and Croatia) the economy suffered less, and „negative elites“ could not develop on such a large scale.

2) The effects on GDP

Taken aside the instance of collapse in war, those countries situated closer to the former Iron Curtain seem to have done best, i.e. where market economy memory and peaceful influx of foreign real capital investments was easily combined with learning processes and income generation „across the border“ (even though the latter sometimes took the more unpleasant aspects of black labour, criminal activities and prostitution).

Already in 1991 I proposed that development impulses would focus on capital cities and a stripe area of around 200 - to 250 km („three hours by car“) next to the former dividing line.

This prognosis has held relatively well.

„Exile financing“ was an important factor too - especially since the exiled former Hungarians, Czechs and Poles were bringing in, skills, connections and capital but were not able to try an „unfriendly takeover“ due to the broad democratic reform stabilized from within.

The „border stripe phenomenon“ also includes investments from „brother nations“ like Finnish investment in Estonian, or German investment in Central Europe..

It was obvious that countries further removed from the former iron curtain would get much less attention and investment and this proved to become reality too.

3) Effects on Social Cohesion

In general, social cohesion could be expected to be reduced as a result of the transformation process. Where the relatively egalitarian society of „real socialism“ could be (re-)transformed into a petty bourgeois society (like in central Europe) effects were of course, less dramatic than where a small circle of privileged tycoons was able to appropriate enormous fortunes while the masses became pauperized (like in Russia).

Productive efforts in the production of real goods (e.g. manufacturing exports to the west triggered by cheap labour costs) brought more fruitful results than where dubious financial constructions and „get rich quickly“ - schemes flourished and then exploded.

In general a young versus old cleavage became notable, as younger and better educated persons seemed to adapt better than older and less educated ones. open unemployment - in countries like Bulgaria, Poland, Romania and Slovakia affecting nearly 20 percent of the labour force - is a lasting social and economic problem

4) Efficiency of privatization methods

Voucher privatization, initially regarded by some as a kind of panacea, did not prove very effective (as was to be expected).

The formal distribution of property shares, of ageing and inefficient enterprises could do nothing to change their culture or their outdated machinery.

Positive aspects could be noted when foreign capital came in and actually built new plants, trained new workers, opened up new avenues for exports etc. The production for western markets, with their higher demand for quality, also raised the sophistication of quality standards and had a training effect on personnel. Last but not least a great number of new small and medium size private enterprises emerged, catering effectively to local consumer necessities.

Did the transformation process fulfill the expectations of those who started it?

In many ways it did - even though the changes (and their social and economic costs) were much more profound than anybody had anticipated (probably with the exception the disciples of Tocqueville and of the old hardliners who had argued: if you pull one stone out of this building, it is going to collapse)

The transformation process could only start when the Soviet union gave the „green light“ to do so. This happened under Gorbachev. The Soviet Union however was a structure similar to the old Austrian Habsburg Empire, which had collapsed at the End of World War I. Czarist Russia had collapsed then too - pretty much along the lines of the disintegration of 1991. - But large parts of it had been reconquered by the Red Army during the Civil War.

Even though a basic instability of this multinational empire remained palpable, not too many people would have realized, in 1985, that 10 years later this vast and economically integrated complex would have ceased to exist.

Nevertheless, with the exception of Yugoslavia, the bloodshed in this transformation process was relatively small. Compared to the many possible

focal points of conflict (e.g. in areas with strong Russian minorities like in the Baltics or in Kasachstan) the war in Chechnia seems almost minimal.

2) On the whole the younger and brighter parts of the pre 1990 - elites (with the exception of the military) probably profited handsomely by the processes of change. Not only were they often able to „democratize“ their political leadership role (e.g. in Hungary and Poland). In the economic sphere, privileged access to privatization possibilities, networking capacities and a continuing strong position in public bureaucracies, favoured the effect that the new ruling class came largely out of the old one - just like during the transition processes from feudal agrarianism to industrialism. Links between „old money“ and „new money“ are always strong. Karl Marx would not have been surprised . And the result was an unfettering of economic resources (i.e., where change was really TRIED - less so, in countries like Bielorussia and Ukraine).

The simple fact that in none of these countries there is a massive movement with the ideological direction „back to pre- 1989“ indicates that at least the top „opinion making“ groups in society have managed this transition relatively well - in spite of mass poverty and unemployment (that hits more the „speechless“ parts of transformation societies).

Even members of the political elite of the pre 1989-system, have often found success - in criticizing the „excesses“ of liberalization, eg. in the field of social security reductions and unemployment. They thus have been able to rise to a level of genuine popularity that former governments, in spite of their relentless propaganda efforts, were rarely able to achieve.

The lesson to be learned is certainly this:

If conflictual situations and civil war can be avoided by an early and strong reformist tendency gaining spontaneous support inside the country, a younger reformist elite of a country in transition can „ride the tiger of change“ quite well.

Literature: „From Plan to Market: The Transition Process after 10 Years. UN ECE Spring Seminar, May 2000 - in: Economic Survey of Europe, UN ECE New York and Geneva 2000, No 2/3 pp.41- 146

Robert Schediwy: „Financing Eastern Europe - A Case of Enlightened Self Interest“ in „Wirtschaftspolitische Blätter No 5/6-1991