9-13-2023

The Provenances and Postscripts of 1989

Jokubas Salyga
The University of Texas Rio Grande Valley, jokubas.salyga@utrgv.edu

Recommended Citation
Salyga, J. (2023). The Provenances and Postscripts of 1989. Thesis Eleven, 0(0). https://doi.org/10.1177/07255136231199829

The Provenances and Postscripts of 1989

Jokubas Salyga

Department of Political Science, University of Texas Rio Grande Valley, TX 78539- 2999, USA

Abstract

The books under review exemplify some of the finest recent work on the historically informed political economy of Central and Eastern Europe. While different in their conceptual frameworks and geographical foci, the titles converge in the advancement of nuanced and convincing arguments, displaying both theoretical acuity and empirical depth to great effect. Bartel, Fabry, and Pula all share a resolute dedication to illuminating the under-explored provenances of neoliberalism and/or globalization in the region, that predate the annus mirabilis of 1989. Their contributions situate the 'Eastern bloc' states within the contours of evolving global political economy and the existential crises engulfing capitalism and 'actually existing socialism' during the 1970s and beyond. The authors expound on the intricate web of global capital accumulation, geopolitical competition, and skillful diplomatic strategy, which served to dismantle the 'Iron Curtain'. Two contributions further assess the postscripts of the 1989 revolutions.

Keywords

Cold War, crises of capitalism, foreign direct investment, globalization, global political economy, oil shocks, origins of neoliberalism, populist backlash, post-communist transformation

Reviewed books

Fritz Bartel

The Triumph of Broken Promises: The End of the Cold War and the Rise of Neoliberalism

(Harvard University Press, 2022)

Adam Fabry

The Political Economy of Hungary: From State Capitalism to Authoritarian Neoliberalism

(Palgrave Pivot, 2019)

Besnik Pula

Globalization under and after Socialism: The Evolution of Transnational Capital in

Central and Eastern Europe

(Stanford University Press, 2018).

Three new books probe into the lineages of neoliberalism, globalization, and crisis in Central and Eastern Europe

The recent turn of the decade has entrenched the scholarly consensus about the 'democratic backsliding' of Central and Eastern Europe (CEE). In their attempts to grapple with factors that parachuted the countries once regarded as the 'shining stars' of postcommunist transformation (Hungary, Poland and others) downwards on democracy indexes, most prominent observers of the region (e.g. Vachudova, 2020; Zielonka, 2018) had to critically re-evaluate initial policy choices, political and economic restructuring outcomes, and old interpretative frameworks. The ostensibly depleted research agendas on the trajectories of post-1989 social change have been revitalized with renewed vigor. The books under review exemplify some of the finest recent work on the historically informed political economy of the region. Despite diverging in their respective conceptual frameworks and geographical purviews, the contributions coalesce in advancing sophisticated, persuasive, and highly original lines of argumentation that benefit from theoretical astuteness and empirical depth. All three titles share the commitment to uncover the under-explored origins of neoliberalism and/or globalization in the region, which predated the watershed year of 1989. They do so by locating the CEE states within the contours of evolving global political economy and the existential crises engulfing capitalism and 'actually existing socialism' during the 1970s. In their idiosyncratic ways, the interventions unearth the political and economic interconnections that existed between the two sides of the 'Iron Curtain'. The authors reveal how the eventual dismantling of this ideological and physical divide was contingent upon the centrifugal forces stemming from the ever-shifting currents of global capital accumulation, geopolitical competition and deft diplomatic maneuvering. While Fritz Bartel's *The Triumph of Broken Promises: The End of the Cold War and the Rise of Neoliberalism* offers a panoramic tour de force in over-viewing the processes and events that spelled the end of the superpower conflict and inaugurated neoliberal reforms in the region, Besnik Pula's *Globalization under and after Socialism: The Evolution of Transnational Capital in Central and Eastern Europe* and Adam Fabry's *The Political Economy of Hungary: From State Capitalism to Authoritarian Neoliberalism* extend the analysis to the postscripts of a tumultuous change in the aftermath of 1989 revolutions.

In *The Triumph of Broken Promises*, Fritz Bartel revisits the vexed questions about the consummation of the Cold War and the role that the various actors (ranging from political figures such as Gorbachev, Reagan and HW Bush to commercial and central banks and the people in the streets of Eastern Europe) played in bringing about the *annus mirabilis* of 1989. He unearths the delicate interconnections between the end of the bipolar international order and the rise of neoliberalism. The book argues that a triptych of impersonal structural forces, *oil*, *finance*, and economic discipline (a metonym for austerity), which rose to prominence in the wake of the 1973 oil crisis, provides a novel analytical prism when attempting to tackle these queries.

Bartel maintains that the oil shocks of the 1970s have fundamentally reshaped the dynamics upon which the Cold War was fought. Before the oil price hikes, occasioned by the Organization of the Petroleum Exporting Countries' (OPEC) retaliation against the US support for Israel in the Yom Kippur War, the competition between the so-called 'democratic capitalism' and 'state socialism' asserted itself on the terrain of 'making promises'. Governments on both sides of the 'Iron Curtain' partook in a battle around whether 'East' or 'West' could best harness the forces of ideological modernity to improve the well-being and security of their citizenry. In their pleas to make promises, each side sought to expand extant social contracts and gain domestic support and international credibility. The conjuncture of 1973 and its immediate aftermath, however, altered the nature of competition by 'privatizing' the Cold War. This turning point increased the significance of energy resources and financial markets in international affairs. If states retained access to either global markets or energy wealth, they could continue to fund their foreign and domestic policies and postpone the adjustments to the shocks unleashed by the oil crisis. Once that access was lost, the competitor blocs were compelled to opt for the strategies of industrial downsizing, monetarism, fiscal austerity, liberalization of prices and trade and governing in favor of capital as opposed to labor (p. 5). The pendulum of competitive rivalry, therefore, swung to 'the politics of breaking promises'. Only the side capable of imposing economic discipline without provoking a major social backlash was to emerge victorious. This existential challenge engendered the development of 'new thinking' approaches circa the 1970s. Emanating from a plethora of ideological traditions, these approaches signaled the advent of 'neoliberal forms of governance' not only in the West but also in the orbit of 'state socialism'. To develop this broad line of argumentation, the book is divided into two parts.

In the first part (Chapters 1 to 5), titled 'Privatization of the Cold War', the book chronicles the emergence of capital markets and energy resources as twin nodal points upon which the bipolar rivalry came to revolve after 1973. Bartel contends that over the next 12 years, 'democratic capitalist regimes' proved to be superior to their 'communist' counterparts in meeting the challenge of imposing the burdens of austerity onto the shoulders of their publics. When in an intermezzo of a few months – from late 1973 to early 1974 – the market value of the Soviet Union's energy resources quadrupled, it simultaneously rendered the Soviet dominion over the 'eastern bloc' into a gigantic liability. The heavily subsidized exports of oil and gas to the Comecon countries equaled a breathtaking loss on the sale of the country's most valuable assets. If the Kremlin was to adjust the Comecon energy prices to reflect the new world market prices (instead of establishing a 'rolling price' system), the 'Eastern bloc' countries would have to substantially increase their exports to the Soviet Union to pay the new prices. At this critical juncture, an unexpected source provided a vital lifeline for Eastern Europe: the rapidly globalizing financial market, which was undergoing a period of explosive expansion. In 1975, the 'Eastern bloc' borrowed more money than ever before: '[E]urocurrency loans to the bloc . . . more than doubled from 1974 to 1975, rising from $1 billion to $2.4 billion' so much so that 'the surplus capital generated by a global crisis in capitalism was now funding state socialism's defense against the global capitalist system' (p. 44). As is well documented, these industrial upgrading strategies ranged from Edward Gierek's 'New Development Strategy' in Poland to East German planners' ambitions to fund a massive expansion of the petrochemical industry. In each case, they were thought to kick-start the 'import-led growth' developmental model (the central topic in Pula's title) by using borrowed hard currency to import western technology, modernize domestic production profiles, and subsequently develop 'communist' industries capable of exporting to the world market. Those industries would earn enough hard currency to pay back the loans. The experiments at reaping the benefits from what, for a short while, looked like a 'marriage of convenience' between western banks and the 'Eastern bloc' states ended abruptly at the turn of the decade. By the late 1970s, it was clear that in the absence of trade surpluses from increased exports to the West, the latter were to be secured by cutting imports and administering the doses of austerity. More importantly, with the Kremlin ruling out future increases in energy deliveries to the bloc after 1980, the 'communist' governments ended up in the position of structural dependence on the inflows of dollars from the Euromarkets to defer the resort to the economic discipline. The launch of the Volcker's Shock in October 1979 evaporated the glory days of liquidity on the Euromarkets, while also portending the impossibility of postponing the painstaking task of breaking promises on the eastern side of the 'Iron Curtain'. The imperative to enforce economic discipline had transcended national borders, becoming a ubiquitous phenomenon with far-reaching implications for the global economic order. And yet, 'electoral democracies' and 'neoliberal market economies' proved far more adept at realizing this undertaking than the politico-economic systems established in the Soviet bloc.

The story of divergent fortunes of restructuring is told by revisiting the experiences of John Hoskyns and Mieczysław Rakowski, the pair of political strategists, on the issues of economic reform to Margaret Thatcher and Wojciech Jaruzelski, respectively. In the late 1970s, Bartel (p. 76) submits, the major problem facing Polish and British societies was virtually identical. It revolved around an apparent (political) impossibility of reform. What appeared as a monetary overhand in Poland manifested itself as crippling inflation in Britain. The responses to the crisis through monetarism, hard budget constraints, and trade union suppression in Britain found their echoes in Poland through price increases, enterprise independence, and campaigns to increase work discipline. While both Britain and Poland faced comparable challenges, such as deteriorating living standards, bankruptcies, and escalating employment instability, the British populace exhibited a higher threshold for tolerating these adversities than their Polish counterparts. For Bartel, the 'politics of breaking promises' proved to be successful in Britain because it worked best when citizens viewed their government as legitimate and when governments found an ideological basis for defining austerity as virtuous. 'Without the sense of legitimacy or distance from past policy that democratic elections bestowed on Thatcher in Britain, Jaruzelski struggled to get the Polish population to trust his government' (p. 109). Moreover, 'without the precepts of neoliberalism to make a virtue out of discipline', Jaruzelski found it impossible to justify his actions in Marxist-Leninist terms (p. 109). Just as the miners' strike was brutally defeated in Orgreave, so too, the introduction of the martial law allowed for the suppression of the 'enemy within' (to use Thatcher's locution) in Poland. However, Solidarity was to make a comeback onto the Polish political scene and author the end of 'communist' rule in the next decade. It was precisely due to the lack of a political (electoral democracy) and ideological (neoliberal economics) arsenal to 'break promises' that the 'Eastern bloc' states were ultimately forced to democratize their political systems and ditch their dirigiste ideologies. As both Rakowski and Jaruzelski (cited on p. 232) were to conclude in 1989, social support for economic discipline could only be granted in a system of parliamentary democracy, where people accept the government as 'their own'.

In the rest of the first section, the book discusses the processes of 'capitalist perestroika', together denoting the Volcker Shock, Reagan's financial buildup, and the sovereign debt crises that engulfed the Global South and the 'Eastern bloc'. It is demonstrated, how from 1979 to 1984, the global economy was transformed decisively in the US favor. By getting Japanese, West German, and Arab investors to pay for the development of the American military-industrial complex indirectly through the debt markets, the 'capitalist perestroika' signified not only a yawning power disparity between the American and Soviet imperial forms but also marked the onset of the 'new economic Cold War'. This stage in the superpower rivalry was characterized by the Soviet leadership's commitment to lighten themselves of the burden of the empire when amid the Polish crisis of 1980, the decision was made to repeal the Brezhnev doctrine. At the same time, in the wake of skyrocketing oil prices, the Kremlin chose to cut back the energy resources to the Comecon despite the loud protests in Eastern European capitals. Allied governments were now exposed to western financial capital and political pressure. In this connection, the author shows how the interests of the Soviet domestic economy increasingly took precedence over the political stability of their allies and had a profound impact on the last decade of the Cold war. For one, Reagan's 'weaponized Keynesianism' forced Mikhail Gorbachev to seek arms control agreements on American terms, to free up necessary resources for the Soviet civilian economy. However, it was the structural effects of capitalist perestroika exhibited in high interest rates and budget deficits in the USA that served to monopolize world's capital in what Kees van der Pijl (1998) once dubbed the 'liberal-capitalist heartland'. These consequences of global restructuring compelled the Soviet leadership to confront the choice of breaking promises to their military, allies, or citizens, just as the US administration had hoped. From 1982 to 1984, western financial institutions, such as the Bank for International Settlements, commercial banks, and the International Monetary Fund (IMF) funneled almost US$2 billion to Hungary (p. 160). The first bailout of Eastern Europe by western financial institutions signaled the dramatic shift in the balance of power characterizing the Cold War. The conditionalities attached to the loans now equipped the West with a powerful tool to force the communists in Eastern Europe to increasingly confront the 'politics of breaking promises'. Come the mid-1980s, each government in the region faced the Faustian choice between unleashing domestic instability (and with it a potential rerun of the Polish crisis) or losing sovereignty to western financial capital. Hungary, Poland, and East Germany prioritized western aid to minimize the risk of austerity, while Romania embarked on the path of draconian austerity to retain its sovereignty. In every case, the governments' decisions were shaped by their opinions of the IMF.

The second section of the book, aptly named 'The end of the Cold War' and comprising Chapters 6 through 10 offers a fresh perspective on the pivotal factors that occasioned the end of the superpower rivalry. These factors include the tapering of the nuclear and conventional arms race, the cessation of ideological competition, the dissolution of the Soviet Union and its satellite states, and the reunification of Germany. This undertaking is pursued by deploying the tripartite interpretative framework (energy, finance, and economic discipline) and focusing on Poland, Hungary, the German Democratic Republic (GDR), the Soviet Union, the Federal Republic of Germany (FRG), and the USA. The principal argument advanced herein sees the political transformation of Eastern Europe in the late 1980s as being determined by the transnational struggle among western banks and governments, their Eastern European counterparts, and ordinary people over who would bear the economic costs of adjustment. Given the declining propensity on the part of the Soviet leadership to offer economic assistance to its allies or intervene militarily, the West was to emerge triumphant as the last decade of the Cold War drew to a close. Bartel is keen to emphasize that the cornerstones of Gorbachev's 'new thinking' had nothing to do with exceptionalism or high-minded idealism. Instead, his foreign policy thinking was always predicated on economic calculations. For example, all major breakthroughs between the USA and the Soviet Union in the area of arms control (such as the Intermediate-Range Nuclear Forces Treaty signed in 1987) derived from the Kremlin's concessions that were in turn motivated by the wish to ease the military burden on the domestic economy. The prioritization of investments in the civilian economy – which would have been impossible to sustain had the economic burden of the empire remained the same – motivated Gorbachev's commitment to continue Andropov's policy on non-interventionism in Eastern Europe. In the satellite states, the political effects stemming from the commitment to avoid breaking promises configured the Cold War's endgame. Chapters in this part of the book show how Jaruzelski's desire to regain access to hard currency contributed to his decision to declare a general amnesty and set Solidarity's leadership free in 1986 as well as how Miklós Németh's decisions to cut the budget without inflicting disastrous consequences on the living standards in Hungary drove him to order the removal of the fence separating Hungary and Austria. Indeed, both Egon Krenz and Mikhail Gorbachev found themselves in similar situations. Keen to avoid domestic austerity, the former refrained from the use of force against the demonstrators on the streets of Leipzig and elsewhere, instead choosing to exchange the opening of the Berlin Wall for West German hard currency. Sensing the need to reduce the level of economic hardship that was to follow in the wake of the Soviet Union's transition to the market economy, the latter was ready to accept the unification of Germany on western terms in exchange for billions of dollars and deutschmarks. In these instances, as Bartel points out (p. 342), the broad coalition of western actors – governments, international financial institutions (IFIs), and global capital holders – had a profound and hitherto analytically neglected 'causal influence' in configuring the collapse of communism and the Cold War's consummation. Sometimes, they exerted power by withholding money from communist governments to induce political and economic reforms. This is exemplified in the US government and the IMF's dealings with Poland and Hungary in early 1986 and 1987, and with the Soviet Union in 1990, as well as the nature of Bohn's approach to the GDR in October 1989. In other instances, western actors were keen to reward 'good behavior' in return for political and diplomatic concessions. For example, the West German government allowed its communist counterparts to avoid or soften the blow of breaking promises by granting Hungary a 500 million deutschmark loan in return for Németh's decision to let East German refugees leave for the West through Austria and offering Gorbachev a 5 billion (later increased to 15 billion) deutschmark loan together with broader assurances in return for his cooperation on German unification and the country's accession to the North Atlantic Treaty Organization (NATO).

Bartel's book merits acclaim. It encapsulates an informative, incisive, and superlative analysis that is sure to capitative the reader. Nonetheless, it also suffers from four limitations. One should acknowledge that the author's account of 'structural historical revisionism' is careful to distance itself from positing the straight lines of influence from the halls of western power to the events in the 'Eastern bloc'. It is averse to the conspiratorial lines of argumentation that at times figure in some of the most well-known works on the rise of neoliberalism in capitalist peripheries (e.g. Klein, 2007). That said, Bartel's enquiry is still predicated on the assumption that scholars have long refrained from assigning the West any significant role in bringing about the collapse of communism, which at least in part overestimates the originality of the book's analytical framework. This is because the author makes no reference to an important body of literature that has discerned the international (and for that matter, distinctly Western) vectors conditioning the collapse of historical communism and the rise of neoliberalism in Eastern Europe (Dale, 2004; Gowan, 1999; Haynes, 2002; Shields, 2014; van der Pijl, 2006).

Second, the structuralist approach implicitly regards neoliberalism as a 'foreign import' or 'western imposition', thereby underestimating the role of domestic social forces, their conducts, and ideological mind maps. The latter certainly shared an interest in doing away with the 'state socialist' system and developed their own versions of neoliberalism 'organically' (e.g. the rise of the Dimitrov Square Boys in Hungary, as discussed in Fabry's book). The author suggests that the new forms of thinking emergent in the 1970s and 1980s on both sides of the 'Iron Curtain' are to be labeled as distinct 'neoliberal approaches to governance' on the grounds that they amounted to different visions of how to apply economic discipline. However, the precise contents of pre-1989 neoliberal ideologies in the East remain unspecified, notwithstanding a burgeoning literature on the subject (Bockman, 2012; Bockman and Eyal, 2002; Dale and Fabry, 2018; Salyga, 2023). Instead, Bartel seems to be operating with a very broad and elusive definition of neoliberalism (conceptualized as the imposition of economic discipline), which begs the question of whether 'economic discipline' is specific to all modes of production in history, capitalism, or its specific regulatory regime, that is neoliberalism.

Third, many readers might be left unsatisfied with the oft-cited statement throughout the book about the communist leaders' supposed 'choice' to let their successors ('new democratic reformers') bear the burden of costs that came with breaking promises during the transition to 'free market' capitalism. Such phrasing overlooks well-documented (Dogan and Higley, 1998; Snegovaya and Petrov, 2022; Steen and Ruus, 2002) and considerable elite continuities between the periods of 'late communism' and early post-communist capitalism. In many countries, ex-communists would emerge as the most capable managers of transition debacles.

Finally, the book provides new historical evidence to justify the claim that the tandem of 'electoral democracy' and 'neoliberal economics' was uniquely equipped for implementing austerity policies without losing legitimacy in the eyes of the public, at least in the short term. And yet, one is left wondering whether this tandem suffices to explain a partial acquiescence to reforms by the population. What, if any, role ought to be ascribed to the allures of nationalism and the reformers' readiness to exploit them? Although the theme of nationalism is subtly alluded to, the author refrains from delving deeper into this complex topic in his ambitious and otherwise outstanding contribution.

Sharing the scholarly interest in the East–West financial, commercial, and productive integration, particularly via the prism of 'import-led growth' models, Globalization under and after Socialism evaluates the legacies of institutional developments in the area of trade, technology, and international economic cooperation for the globalization of seven Eastern European countries (Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia) in the 1990s and 2000s. Synonymizing trade and reform policies of the 1970s with 'proto-globalization', Besnik Pula shows how different trajectories of their implementation engendered variegated organizational and institutional bases for the region's reliance on foreign direct investment (FDI). The historical institutionalist perspective guiding this study is interested in exploring two sets of outcomes: (1) countries' differentiated capacities for rapid transitions from 'socialism' to 'transnational capitalism' through FDI-driven investment and export policy; and (2) the nature of domestic economic regimes that divide into 'assembly platform', 'intermediate producer', and 'combined' roles when positioned within the hierarchy of transnational production chains. He proposes to read two phases of globalization ('proto-' and 'postsocialist') not as a 'Western project imposed on East Europe from outside' but as a 'constructive, rhizomatic, and relatively open-ended process[es] whose features were shaped by the active agency of Eastern European actors'. It is this move that allows the author to center 'local elites and other actors [that] played their role in molding globalization in forms amendable to local conditions and harnessing its forces in the service of domestic goals' (p. 17).

In Chapters 2 and 3, Pula focuses on socialist institutional reforms. A particular emphasis is placed on the post-1968 decentralization reforms that relocated the trade authority away from the planning agencies and towards foreign trade organizations (FTOs), enterprises, and industrial associations. This shift was predicated on the determination of communist leaderships to prioritize technology imports from the West when the socialist model of extensive industrialization became exhausted, and growth started faltering. Trade with the West offered the means to introduce more sophisticated technology and improve production techniques. While the devolution of trade authority aided Eastern European economies in gaining a footing in western markets, the structural forces of finance and energy – forensically examined in Bartel's contribution – provided the socialist world with the opportunities to address the problem of limited access to hard currency in one swoop. For Pula, the expansion of the Eurodollar markets enabled the 'Eastern bloc' countries to not only borrow to finance their imports but also to develop inter-organizational ties with transnational corporations (TNCs). Thus, the process of East–West industrial integration went beyond the mere trade in goods. It encompassed joint production and other extensive cooperation, enabling 'the transnational production of goods across the proverbial Iron Curtain' (p. 78). As emphasized by the author, three models of 'proto-globalization' with variegated preferences and orientations were dissectible in the 1970s. In Poland and Hungary, the typical 'import-led growth' model was characterized by the determination to increase trade with the West and benefited from institutional decentralization, enabling cooperative ties to develop at the enterprise level. Increases in western technology imports, transfers of know-how and production techniques went hand-in-glove with the policies financing those imports via increased exports of manufactured goods to western markets. During the period spanning 1971 to 1975, Polish exports to the West surged, surpassing those of all other Eastern European nations, a feat that was, however, cut short by the economic slump and subsequent crisis that gripped the region in 1981. By contrast, Hungary had managed to foster more expansive cooperative relations with the West. In the early 1980s, Hungary deepened its reforms. As part of the new-fangled reform wave under the New Economic Mechanism (NEM) smaller and fully independent enterprises were now directly involved in foreign trade and cooperation agreements with the West. Bulgaria and Czechoslovakia, meanwhile, focused on developing trade ties with traditional Comecon allies. As a result, the 'conservative model' shunned a major trade reorientation and remained skeptical towards the expansion of access to western markets. The 'Stalinist globalization' model pursued in Ceausescu's Romania prioritized the expansion of economic ties with the West but did so without introducing any significant domestic reforms. The unique ties with the West (exhibited in the early membership in the General Agreement on Tariffs and Trade, the IMF and the World Bank) allowed the country to gain access to foreign credit in the form of IMF loans and export credits, as opposed to resorting to the Eurodollar markets, as in Poland (p. 91). While the debt crisis of the 1980s brought the era of import-led growth to a halt, the policies of industrial upgrading were of pivotal importance. The policies implemented were not conducive to turning 'socialist economies' into major export players. However, they did lead to significant organizational changes, including the introduction of new technologies, manufacturing techniques, and management styles. Those transformations created 'a legacy of ties between socialist industry and Western transnational enterprise' (p. 106), explored in Chapters 4 to 6.

The main contribution of the book pertains to its novel explanation of highly uneven patterns of post-1989 FDI flows to Eastern Europe. This is accomplished by highlighting systematic continuities between two phases of 'proto-' and 'post-socialist' globalization. 'Comparative levels of transnational integration in the 1990s', writes Pula, 'were for the most part proportionate to the depth of industrial proto-globalization in the socialist period' (p. 117). In this connection, the capacity of CEE states to attract FDI did not rest on pure market considerations of foreign firms, institutional stability of domestic regimes, specific policies favoring the interests of transnational capital, or the degrees of cross-national industrial complexity (see Bohle and Greskovits, 2007, 2012). In their stead, it was the states with the most developed 'organizational capacities' to operate successfully in global manufacturing chains or to use the author's preferred Bourdieusian lexicon, imbued with 'transnational organizational capital' that exhibited advantages over competitors in terms of technology, human capital, and organization skills enabling them to interact effectively with the organizational culture of TNCs. Poland and Hungary, the principal adherents to 'import-led growth' strategy, went furthest in developing trade and inter-company links with the West, simultaneously excelling on the register of decentralization reforms. In the 1990s, they emerged as the prime recipients of FDI. On the contrary, Bulgaria and Romania, which had comparative levels of industrial complexity to that of Hungary, received far less FDI. The Czech Republic, meanwhile, constituted an exception. It managed to attract comparatively high levels of FDI without having a strong historical record of inter-firm agreements during the 1980s and registering the lowest borrowing rates on international markets in the Comecon. Pula explains the 'Czech exceptionalism' with reference to the country's highly priced sales of a targeted set of industries to foreign investors, greenfield investments in 'screwdriver' plants, and relatively advanced, if minimal nature of interfirm agreements that favored sophisticated forms of cooperation in manufacturing as opposed to simple joint ventures during the socialist era (p. 136). Yet, the legacies of socialist globalization did not determine the outcomes of transformation entirely. For Pula, they functioned to constrain the possibilities available for reformers. While Hungary exploited its legacy-based advantage to pursue an FDI-based industrial restructuring, Slovenia, which also had dense ties with western TNCs, chose an 'internal strategy'. Lacking 'transnational organizational capital', countries like Bulgaria and Romania were not afforded the luxury of making such choices.

By the 2000s, the seven countries in question came to occupy distinct roles in the division of labor characterizing the European political economy. Paradoxically, states that chose to focus on domestic ownership during privatization, and utilized fiscal, industrial, and credit policies to bolster their domestic industries, were the ones that tended to benefit more from globalization in the long run. On the other hand, those countries that exhibited a staunch commitment to outward-oriented reform policy menus (the path to economic openness via trade and capital account liberalization, privatization reliant on FDI, and rapid export-led growth) were more likely to see rapid short-term gains at the cost of domestic capacities. The advocates of high-FDI, externalist reform strategies (Hungary and Slovakia) consolidated their roles as 'assembly platforms'. Today they serve as downstream sites for the low-cost, low-skilled assembly of foreign inputs for western TNCs, the process that often involves deskilling of the domestic workforce, undermining domestic technological development and innovation, and imposing the foreign managerial model on the domestic firms. The Czech Republic and Slovenia, meanwhile, developed into the region's most sophisticated export-oriented economies. In these 'intermediate producers', domestic companies enjoy more managerial control, assume niche market identities, and compete directly on the world markets. Domestic enterprises and workers exhibit higher levels of technological competence and display greater capacities for innovation. For their part, Poland, Romania and Bulgaria morphed into 'combined roles' due to the size of their domestic markets and individual sectors developing their own distinct role specializations. In Poland, for instance, the TNC-dominated car manufacturing sector displays elements of an assembly platform, while the presence of state ownership in the shipbuilding sector engenders very different dynamics for the organization of production, supply chain links, and international competition.

Pula presents a persuasive and largely convincing explanation for the distinct patterns of inward FDI flows. He achieves this by carefully examining the interplay between legacy and agential factors. However, some readers with specialized knowledge may question his argument for placing too much emphasis on 'organizational capacities' as the exclusive factor conditioning FDI inflows. The concentration on one variable does not seem to be viable in a study that engages with seven post-communist countries[1]. This comes to the forefront when the author attempts to explain the case of the Czech Republic, which attracted sizable volumes of FDI despite the lack of inter-firm ties during the era of 'proto-globalization'. The regionally unique levels of complexity that characterized the Czech industry in the early 1990s, and which may well have played a crucial role in catapulting the country into the status of an 'intermediate producer', are not discussed. Additionally, it would have been interesting to consider how other countries typically included under the broad umbrella of 'CEE' fit within the narrative developed in the title. For example, from 1990 to 1995, Estonia ranked among the top regional performers when inward FDI stock was measured in per capita terms. Compared with Latvia, Lithuania, and other post-Soviet states, it also had a relatively strong record of inter-firm cooperation, particularly with Finnish companies (Törnroos, 1996). For example, as early as the 1970s, inter-firm contacts were established between Soviet enterprises and the Finnish load-handling supplier Multilift. Prior to the launch of perestroika, Finnish petrochemical giant Neste expanded into the Estonian Soviet Socialist Republic owing to its consideration of the republic as Finland's 'domestic market' for crude oil transport. With the energy supplier Eesti Kütus, Neste developed a network of

[1] Even more so, considering that the author situates his research in the tradition of historical institutionalism.

petrol stations along the Via Baltica highway. Meanwhile, the Finnish building material and ready-made house producer Yit-Makrotalo started negotiations over a joint venture with Estonian partner EKE in 1984. Before the establishment of Matek joint production facility in 1988, the two firms had a cooperation agreement consisting of technology transfers and deliveries of production devices and machines. At least on the surface, it appears that the Estonian case would further support Pula's explanation. Another area that would have benefited from further elaboration pertains to the agencies attributed to the 'political factor'. To avoid structural determinism, the author is keen to emphasize the role of political forces when discussing 'externalist' and 'internalist' policy orientations. These orientations were shaped during two critical moments of reform: one following the 1989 revolutions and the other in the late 1990s. Rather surprisingly, though, this discussion is conducted with no recourse to the role of IFIs, such as the IMF, the World Bank and the European Bank for Reconstruction and Development, which exerted significant (at times coercive) pressure on post-communist economies. Similarly, the author skips over the citadels of neoliberalism, which have been often concentrated in the newly established domestic think tanks. One may very well add that these institutions have played a significant role in promoting and shaping outwardly oriented reform strategies but are, unfortunately, not discussed in the book. Finally, while Pula positions his intervention against 'critical globalization' literature, which is rightly criticized for conceiving of globalization as something 'imposed' on Eastern Europe 'from outside', this undertaking sits uneasily with a rather shallow engagement with the concept of 'neoliberalism'. The latter is reduced to a particular set of ideas, which is said to postdate globalization by a decade. Arguably, this lack of elaboration prevents the author from appreciating the interrelationships between the two concepts. Given the absence of any substantial discussion on how 'post-socialist' globalization might be different from and perhaps even a sui generis process when compared with 'neoliberal globalization', the reader is left with some unanswered questions.

Adam Fabry's *The Political Economy of Hungary* provides a corrective to some of the limitations evinced in the abovementioned books. In agreement with Bartel and Pula, the author locates the origins of post-communist transformations in Hungary and elsewhere in CEE not in the immediate conjuncture of formal 'transition' to ('free') market capitalism and parliamentary democracy in 1989–91, but instead within the sinews of global neoliberal restructuring from the 1970s onwards. Fabry operates with a nuanced definition of 'neoliberalism' (pp. 2–3), which is said to encompass: (a) the set of ideas and policies with lineages in the interwar years; (b) the class project geared at re-establishing the conditions for capital accumulation following the 1973 crisis; and (c) the current phase of global capitalism characterized by the hegemony of export oriented, financialized sections of capital, state commitments to market-like governance, privatization and corporate expansion, as well as ruling classes' aversion to the progressive redistribution of wealth. With the aid of a Marxist conceptual framework, the book advances the argument that neoliberal ideas and practices in the case study of Hungary were not imposed 'from outside' after 1989. For Fabry, they emerged 'organically' in the late 1970s as a domestic response to the deepening crisis of 'actually existing socialism' (defined as state capitalism), the mounting debt crisis, and increasing Soviet geopolitical competition with the West. The focus on domestic social forces (state managers, corporations, technocratic intellectuals, and workers), does not warrant the exclusion of 'international' determinations. 'The consolidation of neoliberalism in CEE', the author maintains:

was far from straightforward and often required economic and political coercion, as exemplified by Western governments' and IFI's insistence on austerity, rapid privatization for further loans, or the extensive investment in the ideological underpinnings of neoliberalism by the European Union (EU), the United States Agency for International Development and Western-based corporations and think tanks. (p. 16)

Therefore, the aim of the 'neoliberal turn' in the region was to improve the conditions for capital accumulation, while ensuring that the democratic transition went as smoothly as possible. The varieties of neoliberalism consolidated across CEE by the 2000s exhibited inherent limitations, soon to be exposed by the Great Recession. Fabry demonstrates how the 2008 crisis augmented the popular backlash against the neoliberal status quo that was challenged by neo-conservative (Fidesz-KDNP) and far-right (Jobbik) political forces. Under his second term as prime minister, following the 2010 parliamentary elections, Viktor Orbán transformed the country into a model of 'illiberal regime'.

In trying to make sense of the politico-economic roller-coaster that Hungary has experienced over the past four decades, the title begins with a case study (Chapter 3) of the Financial Research Institute (FRI). The FRI was the official research institute of the Ministry of Finance, established in 1968 as part of the NEM, whose members and affiliates published the 'Turnaround and Reform' document in 1987[2]. Faced with rising current account deficit and state debt emanating from the backfiring of the 'import-led' growth model that for a short while typified Hungary's 'goulash communism', reduced energy provisions from the Soviet Union and Volcker's decision to spike interest rates, the Kadar regime opted for a new wave of market reforms in the late 1970s. As highlighted by Fabry, the renewed reform agenda fostered the emergence of an 'unholy alliance' of pro-market forces comprised of reform-minded members of the Hungarian Socialist Workers' Party (MSZMP), local economists such as Tamás Bauer, János Kornai, the representatives from IFIs, and nascent democratic opposition (p. 50). By the mid-1980s, locally based 'proto-neoliberal' social forces in Hungarian society developed a view that the solution to the country's economic malaise was to open up the economy to the exigencies of the world market, while also reconfiguring the role of the state along neoliberal lines. In this conjuncture, the key driving force of the reform effort became the FRI, whose members were dubbed the 'Dimitrov Square Boys' in reference to the square where the Karl Marx University of Economics was located and where most of the members received training in economics. Composed of monetarist and institutionalist

[2] These themes remain under-explored in Chapter 8 of *The Triumph of Broken Promises*, which deals with the situation in Hungary.

factions, the FRI invested its efforts in drafting the programs to reorganize large, state-owned enterprises (to reduce the privileges accruing from the centralized planning system) and reform the financial sector with a focus on tax reform and fiscal discipline. By 1987, they developed a comprehensive reform blueprint 'Turnaround and Reform', which called for implementing radical market deregulation, redistribution, and macroeconomic restrictions, envisioned to take place simultaneously with a substantial change in ownership structures. Proposed economic reforms were to be introduced 'from above' and extend to the realm of 'political institutions'. This document signified an ideological breakthrough in Hungarian reform discourse and was rapidly accepted as 'common sense' among the democratic opposition and 'reform communists'. In fact, many of its proposals (the Law on Bank Reform, the Law on Business Organizations, and the Law on Foreign Investment) were introduced by the last two communist governments.

In Chapters 4 and 5, Fabry recounts the story of Hungary's neoliberal restructuring from 1990 to 2008, widely regarded as a 'success story' in the mainstream literature on the subject. Although the author is keen to highlight the impact of external forces (the IFIs and TNCs) in shaping the trajectories of post-communist change, he readily acknowledges that domestic social forces (political and economic elites, and most notably the social-liberal governments) played a key role in orchestrating the outcomes of Hungary's capital accumulation model. This internally configured pathway of change produced an externally oriented model of accumulation heavily dependent on export-led growth and FDI. It was consolidated following the launch of the 'Bokros Package' (in 1995), designed by former FRI economists Lajos Bokros and Gyorgy Suryani and their allies, who worked together to prepare a reform program emphasizing the twin virtues of austerity and export-led growth as a strategy to reduce Hungary's external debt in utmost secrecy (p. 78). At the turn of the first 'formal' transition decade, Hungary was being reintegrated into the global economy as a semi-peripheral player. The Hungarian economy attained a dual character, typified by a weak domestic sector and its dynamic transnational counterpart primarily concentrated in the north-western and central parts of the country. With the onset of the global financial crisis, Hungary's model of neoliberalism, with its high dependence on exports and capital inflows, became vulnerable to the downward spiral of falling production, trade, and employment. The rendition of crisis in the studied case generated a platform for the critics of neoliberalization, which was readily seized by the neo-conservative and far-right forces. The architects of the country's neoliberal transformation could not effectively confront Orbán's populist rhetoric against the ordeals of Anglo-Saxon capitalism and suffered a historical defeat in the 2010 general elections.

In the final substantial chapter, Fabry analyses the prima facie contradictory amalgam between authoritarian state conducts and neoliberal economic policies under the Orbán regime. It is contended that neither the 'ethnicist-populist' rhetoric – illustrated by the repeated search for 'external enemies' (anyone from 'illegal refugees', 'corrupt liberals and communists' or multi-billionaires like George

Soros) – nor the pursuit of seemingly anti-neoliberal policies (the government's walkout from the negotiations with the IMF in July 2010)[3] signify the departure from neoliberal forms of governance. On the one hand, the author reveals that Orbán has long championed the idea that the Hungarian economy should be built on the backbone of a strong 'national bourgeoisie', supported by Christian conservative, small- and medium-sized family-owned businesses, and rural farmers. On the other, he goes on to show that during its tenure, the regime introduced an array of policies that are in tune with neoliberal dogmas, including the 16% flat tax on personal income, increases in value-added tax (VAT) to the highest level in the EU, and the new Labor Law that promotes further flexibilization of employment relations and restricts workers' right to strike. Compared with its counterparts in Europe and elsewhere, the Orbán regime seems to be qualitatively different. This *differentia specifica* is attributed to the regime's embrace of far-right politics not merely discursively but also through the commitment to fundamentally reconfigure coercive and ideological apparatuses of the state. Fabry lists the appointments of Orbán's allies and apparatchiks to long-term posts in the corridors of power (the State Audit Office, the Constitutional Court, and cultural institutions) as one piece of evidence to substantiate this claim. The developments pertaining to the adoption of a politicized media law and the establishment of a new counterterrorism force with unlimited powers of surveillance are additional indicative points. The key achievement of the hard-wired Orbán's authoritarian-ethnicist regime is attributed to the introduction of the new constitution, known as 'The Fundamental Law of Hungary'. The latter not only de facto legitimizes the Horthy regime but also threatens the future rights of atheists, the LGBTQ community, and single-parent families. Above all, it constitutionalizes the central tenets of neoliberalism by enforcing a balanced budget and debt brake, while also establishing a link between the provision of welfare with the fulfilment of obligations that contribute to the performance of the Hungarian state. Taken together, these measures amount to the deepening of authoritarian tendencies inscribed in the innards of neoliberalism.

Offering an in-depth engagement with the travails of social change in Hungary, Fabry's title goes some way in overcoming the limitations identified in the two other books under review. It operates with a sophisticated conceptual toolkit and does not shy away from defining the concept of 'neoliberalism'. These moves yield a theoretically informed analysis that sees neoliberal transformation as a complex, contested, and contradictory process, capable of overcoming 'methodologically nationalist' and 'transnationally over-determined' forms of enquiry. At least implicitly, Fabry emphasizes the patterns of elite continuity between the time horizons prior and after 1989, while also meticulously discerning the contradictions between electoral democracy and neoliberal economics. Two minor areas would have benefited from further examination. The role of organized labor in resisting and potentially configuring

[3] Hungary's central bank governor Gyorgy Matolcsy has formally requested the IMF to close its Budapest office in 2013. Despite the office closure, the IMF continues to publish reports and commentary on Hungary's economic performance.

the pathways of transformation does not feature in the story[4]. Moreover, the author could have developed at times taken-for-granted (but not sufficiently explored) statements about how neoliberalism ideas became 'common sense' in Hungarian society. When invoking this Gramscian notion, Fabry seems to be applying it only to the opposing sides of policymaking elites rather than the Hungarian society as a whole. It would have been interesting to see how subaltern groups were made to embrace restructuring blueprints and what forms of resistance emerged prior to the full consolidation and triumph of what the great Transylvanian critic Gáspar Miklós Tamás (2000, 2015) famously dubbed 'post-fascism' in the considered case.

In summary, the critical probing outlined above should not in any way detract from the indisputable excellence of the three books at hand. They are distinguished by their rigorously argued analysis, rich empirical findings, and innovative analytical frameworks. The authors present contrasting perspectives on the subject matter but do so through carefully scaffolded, and for the most part, complementary conceptual prisms. Against this backdrop, the three contributions bear the potential to generate new research programs. I do not doubt that the students of the political economy, economic and historical sociology, and international relations specializing in the geographies of CEE will find each monograph an invaluable resource. Reading all three books together amounts not only to an intellectually stimulating endeavor but also offers an opportunity to get a glimpse of cutting-edge research on the region for non-expert audiences.

Declaration of Conflicting Interests

The author declared no potential conflicts of interest with respect to the research, authorship and/or publication of this article.

Funding

The author received no financial support for the research, authorship and/or publication of this article.

References

Bockman, J. (2012). *Markets in the name of socialism: The left-wing origins of neoliberalism*. Stanford, CA: Stanford University Press.

Bockman, J., & Eyal, G. (2002). Eastern Europe as a laboratory for economic knowledge: The transnational roots of neoliberalism. *American journal of sociology*, *108*(2), 310-352.

[4] Marxist accounts of post-communist transformation have placed a warranted emphasis on the role of organized labor (see, for instance, Hardy, 2009).

Bohle, D., & Greskovits, B. (2007). Neoliberalism, embedded neoliberalism and neocorporatism: Towards transnational capitalism in Central-Eastern Europe. *West European Politics*, *30*(3), 443-466.

Bohle, D., & Greskovits, B. (2012). Capitalist diversity on Europe's periphery. In *Capitalist Diversity on Europe's Periphery*. Ithaca, NY: Cornell University Press.

Dale, G. (2004). *Between State Capitalism and Globalisation: The Collapse of the East German Economy*. Oxford: Peter Lang.

Dale, G., & Fabry, A. (2018). "Neoliberalism in Eastern Europe and the former Soviet Union." In Cahil, D., Cooper, M., Konings, M. and Primrose, D. (Eds). *The sage handbook of neoliberalism*, 234-247. Thousand Oaks, CA: SAGE Publications.

Dogan, M., & Higley, J. (Eds.). (1998). *Elites, crises, and the origins of regimes*. Lanham, MD: Rowman & Littlefield.

Gowan, P. (1999). *The Global Gamble: Washington's Faustian Bid for World Dominance*. London: Verso.

Hardy, J. (2009). *Poland's new capitalism*. Pluto Press.

Haynes, M. J. (2002). *Russia: Class and Power, 1917-2000*. London: Bookmarks.

Klein, N. (2007). *The Shock Doctrine: The Rise of Disaster Capitalism*. London: Penguin.

van der Pijl, K. (1998). *Transnational Classes and International Relations.* London: Routledge.

van der Pijl, K. (2006). *Global Rivalries: From the Cold War to Iraq*. London: Pluto Press.

Salyga, J. (2023). Roadmaps to post-communist neoliberalism: the case of the Baltic states. *Journal of Baltic Studies*.

Shields, S. (2014). *The International Political Economy of Transition*. London: Routledge.

Snegovaya, M., & Petrov, K. (2022). Long Soviet shadows: the nomenklatura ties of Putin elites. *Post-Soviet Affairs*, *38*(4), 329-348.

Steen, A., & Ruus, J. (2002). Change of Regime—continuity of Elites? the Case of Estonia. *East European Politics and Societies*, *16*(1), 223-248.

Tamás, G. M. (2000). On post-fascism. *Boston Review 25*(3). 42-46.

Tamás, G. M. (2015). This is post-fascism (interview with Arbetet Global). *Arbetet*. September 26. https://arbetet.se/2015/09/26/gaspar-miklos-tamas-this-is-post-fascism/ Accessed: March 22, 2023.

Törnroos, J. Å. (1996). New Business Development and Industrial Marketing to Estonia-A Network Approach. *Journal of East-West Business*, *1*(4), 51-71.

Vachudova, A. M. (2020). Ethnopopulism and democratic backsliding in Central Europe. *East European Politics*, *36*(3), 318-340.

Zielonka, J. (2018). *Counter-revolution: Liberal Europe in retreat*. Oxford: Oxford University Press.

Author biography

Jokubas Salyga is Assistant Professor in the Department of Political Science at the University of Texas Rio Grande Valley. His research interests include the historical sociology of postcommunist transformations in the Baltic states, labor resistance in East-Central Europe, and the political economy of European integration.