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## Introduction

### On the Road to 1989

The origins of this book lie in the golden summer of 1977. It was a bright time in Europe, both politically and meteorologically. The first oil crisis had passed, and a policy of *détente* prevailed. The Helsinki Accords of 1975 had built confidence; the West German government propagated “change through rapprochement.” The East-West standoff seemed to have calmed. It was in this political climate that my parents decided to take a summer vacation in the “Eastern Bloc.” The phrase was spoken with a note of apprehension, despite the new optimism. “Eastern” meant communist; “bloc” suggested self-imposed seclusion and military threat. Various members of our family had bad personal memories of the Red Army in 1945, and in 1968, when it had crushed the Prague Spring. The itinerary for our vacation, then, was worked out with due caution. The first stop was to be Hungary, for it was known as the “happiest barracks in the communist camp.” Then we would travel to southern Poland, from there to the beautiful Krkonoše Mountains lining the Polish-Czech border and, lastly, to Prague to visit relatives. Our journey started well. There was no iron curtain across the border; the Hungarian guards greeted us cheerfully. We were not fazed by passport and custom controls, as they were still common at Western European borders. Budapest was quite close and the Danube glittered in the evening light. The goulash we ate at a restaurant, namesake of Hungarian communism, was far spicier than anything at home in bland West Germany.

The first incident that hinted at the events to come in 1989 occurred after nightfall at the campsite in Budapest. At the gate, there were two entry booths and two lines of people—one long, one short. The long line, which did not seem to be moving, was made up of Germans. But they spoke an unfamiliar, eastern dialect, and scowled as they stood empty-handed, waiting. Germans also made up the fast-moving, short line next to them. They were dressed more like us and held valuable West German deutschmarks in their hands. It was embarrassing to me, a teenager at my father's side, to march past others waiting in line. I was told that we were in the line to pay with West German marks and so would be allotted a space immediately, while those in the other line had to wait until the end of the day and take what was left, because they could pay only in East German marks. If no spaces were left, they would have to sleep in their cars. Outraged, I asked my father why the poor East Germans did not benefit from the special friendship between Eastern Bloc countries that was trumpeted by communist propaganda. My father replied that the Eastern Bloc countries suffered from a shortage of foreign exchange and were eager to get their hands on deutschmarks. This was also the reason why Western tourists were required to exchange a certain amount of money, at that time twenty-five West German marks (around twelve US dollars), for every day of their stay. I suggested giving the East Germans in the long line some deutschmarks; exchanging them as we did schillings in Austria. Another discussion followed, continued later with our campsite neighbors from Karl-Marx-Stadt, about why the Eastern Bloc only permitted changing money in a bank and what an official rate of exchange was.

That night at the campsite in Budapest was like a crash course in international finance and economics: Eastern currencies, Western currencies, foreign exchange, export, import, foreign debt, and—touching on “economics from below”—unofficial rates of exchange and the black market. The obvious injustice of the two lines and the scowls of those cooling their heels for hours preyed on my mind. A week later, after a long wait and extensive checks at the Hungarian-Slovak border, and again at the Czech-Polish border, which did not tally at all with the official image of socialist

friendship, I gained the opportunity to put my newly acquired financial knowledge to use in Kraków. The Polish friends we had met the previous summer as they were hitchhiking through Germany on their first trip to the West—another journey made possible by the *détente*—wanted to buy deutschmarks from us. They told us of the rising prices, empty stores, and falling value of the zloty. Clearly, West German marks and US dollars were worth far more than the national currency in Poland. Thus ordinary Polish citizens were already demonstrating the kind of market savvy that later helped their country's economy to flourish. But back in 1977, nobody imagined that the Eastern Bloc would ever collapse, or that a neoliberal train was being put on track in the United Kingdom and the United States that was set to cross Europe in 1989.

However, the 1977 slump in the black market price of the zloty presaged the massive economic problems that soon confronted the People's Republic of Poland. As we now know, it marked the beginning of a five-year downward slide for the Polish economy.<sup>1</sup> The modernization the country had hoped to achieve by importing Western technology had failed, leaving only foreign debts that it struggled to pay off. For me, as a teenage visitor, Poland's rising inflation (which the planned economy should theoretically have prevented) was not an acute problem. On the contrary, I received three times as many zlotys from our host family for my saved-up pocket money than my father got for the same number of deutschmarks at the bank's official rate of exchange. For the pile of aluminum coins and bills as paper-thin as play money I could send postcards to all my friends and buy unlimited amounts of ice cream for a week. I was not, however, able to buy ballpoint pens or ink cartridges. Nevertheless, I had unconsciously become a privileged Westerner in Poland. But this good fortune under "real existing socialism"—a step on the way to communist paradise, as the ideologues would have it—was not without alloy. I soon noticed that the local youngsters could not afford to buy any ice cream, or jeans, or sneakers for that matter. Furthermore, although there was no standing in line for campsites in Kraków, as there had been in Budapest, there were long queues for meat, sugar, cream, and other goods that we Westerners took utterly for granted.

In Czechoslovakia, the third stop on our journey, scarcity was not a problem. Our relatives in Prague drove a new Škoda, lived in a modern detached house in an idyllic spot overlooking the Vltava River, and had a delightful weekend home, too. The standard of living of our West German family of six was no higher. But behind closed doors, my great-uncle and his son complained about the political situation. They were dismayed by the so-called normalization (*normalizace*) instituted after the crushing of the Prague Spring (which every specialist in Eastern European studies should bear in mind before using the word “normal”) and the inefficiency of national industries, with which they, both engineers, were acquainted from personal experience. They could see that their country was falling behind on a technological level, and it hurt their professional and national pride. Even we tourists sensed the leaden atmosphere in the Czech capital: the site of Jan Palach’s self-immolation in January 1969 in protest against the Warsaw Pact invasion (which ended the Prague Spring) and other symbolic places were oppressively monitored.

Not everybody was resigned to the status quo. There were courageous dissidents in the East, and in the West, including my high school’s Prague-born headmaster. When the Polish regime cracked down on the *Solidarność* (Solidarity) movement in fall 1981, our headmaster organized a food parcel campaign to benefit the needy in Poland. When the Czech dissidents involved in *Charta 77* were hit by a wave of arrests, the school sent intellectual sustenance to Czechoslovakia: parcels of books containing banned literature, collected and packed by our class. Contrary to Czech author Milan Kundera’s accusation in his 1983 essay “The Tragedy of Central Europe,” then, the countries beyond the bloc boundary had not been completely forgotten.<sup>2</sup> But more important than this Western aid, in a historical perspective, was the fact that the Eastern Bloc societies were shifting ever closer to the West. An increasing number of Poles, Hungarians, and Czechs traveled to Western Europe under the policy of *détente*, some as tourists, like our friends from Kraków, and others on business.

Although they saw how much richer the West was, the post-war boom had, in fact, already ended. Some countries in the West

were wrestling with currency vagaries (the US dollar came under strong pressure in the 1970s; Great Britain needed to be bailed out by an IMF rescue package in 1976), rising unemployment, and spiraling national deficits, which in turn fueled inflation. Economists in the East closely observed the crisis of the West. As the later reform politicians Václav Klaus and Leszek Balcerowicz noted with interest, it prompted an international paradigm shift in economic policy away from Keynesianism, which was considered to have failed, and toward monetarism—steering the economy by means of money supply, controlled by central banks. Following the election victories of Margaret Thatcher and Ronald Reagan, the UK and US governments set about privatizing state enterprises, liberalizing previously regulated sectors (such as banks and the stock exchange), and generally withdrawing from the economy.<sup>3</sup> Their actions serve as a rough definition of neoliberalism, which then became a major factor driving European history, first in the United Kingdom, then in the postcommunist East, reaching Western Europe after a slight delay and eventually the Mediterranean South. In the eighties even Social Democrat-ruled countries such as West Germany started discussing cuts in social spending. After two severe recessions, there was a growing sense of crisis in all Western countries.

But the Eastern Bloc's problems were more obvious and more fundamental. The constant shortfalls in supply, the conspicuous injustices, and the growing economic gulf between East and West were among the factors that confounded communism (the ideology) and state socialism (the practice). But before 1989, neither the experts on Eastern Europe, who will play an important part in this book, nor the acquaintances I made on further trips behind the Iron Curtain predicted that the end was near. As a student, I advanced from investing in ice cream to selling or bartering packets of nylon pantyhose and music cassettes. This enabled me to finance a number of carefree "East-side" vacations spent in interesting conversation. Even in the summer of 1989, almost all Western Sovietologists were convinced of the permanence of the Cold War constellation and the Soviet Union. It is easy to criticize this misjudgment with the wisdom of hindsight. But it is more rewarding

to think back to explore the complexities and contingencies of the period. The challenge is to take from these an explanation for the sudden collapse of the old order in 1989–91 and its consequences for Western Europe.

Underneath the surface, political unrest was brewing throughout the Eastern Bloc. It was perceptible even in oppressively controlled Czechoslovakia. During one of my visits, timed to coincide with the May 1 celebrations in 1989, a counterdemonstration suddenly emerged from the official rally on Prague's Václavské Náměstí (Wenceslas Square) when protesters started shouting antiregime slogans. But before the security forces could intervene, the renegades had merged back into the ranks behind the red flags and banners of Marx, Engels, and Lenin. That evening there was heavy rioting; the police cracked down with brute force on the demonstrators. Nevertheless, the opposition kept up its strategy of nonviolence, and fortunately did so again in the fall. Although the city centers were full of security forces, militia, and secret police, many of whom were recognizable by their leather jackets and alcohol-puffed faces, there were not enough of them to subdue or arrest several hundred thousand demonstrators. That fall more than a quarter of a century ago, the crowd had an irresistible, magnetic force.

Yet in early November the Wenceslas Square protesters and I, their Western guest, could not be certain that all the men in uniform and leather jackets would continue to simply look on. The intense atmosphere of tension bonded complete strangers. In late November, when a happy end was on the horizon, the collective sense of relief and joy was correspondingly huge. The mood in Prague was like that of a school graduation party: we had passed the test; the old authorities had no more to say; the world was our oyster. It seemed as if anything was possible.<sup>4</sup>

But the exhilaration soon gave way to disillusionment. This was especially noticeable in the winter of 1989–90 in Berlin, which I visited after the revolution in Prague. West Berliners complained about all the newcomers from the East, jamming the streets with their stinking cars and buying up all the supermarket stock. Suddenly the tables were turned—Westerners now had to stand in line

themselves. Meanwhile, postcommunist societies faced a different category of problems. In Poland, hyperinflation obliterated the population's zloty savings and reduced real incomes—the “real” aspect in this case being their value in foreign currencies—to the equivalent of less than fifty dollars a month. With less foreign debt, Czechoslovakia was not immediately compelled to introduce radical reforms. But the cancellation of food subsidies caused 50-percent price rises for dairy products and vegetables, and around 30 percent for bread.<sup>5</sup> In East Germany (GDR), hundreds of factories stopped production and dismissed their staff. Yet economic collapse did not lead to the “third way” between capitalism and socialism that some former dissidents had hoped for. In 1990, socialism was too unpopular to win any elections or loans from the West.

By the early nineties, a political and economic movement toward neoliberal economic policy had emerged in almost all postcommunist countries. It was supported by the countries west of the now-perforated Iron Curtain, whose societies were not aware of the far-reaching implications of this paradigm shift. Their governments glossed over the potential pitfalls with grand promises of prosperity for all. A good example was German chancellor Helmut Kohl's promise of “flourishing landscapes” in East Germany. This slogan helped him to win the first federal elections in 1990, but became the butt of jokes in later years in view of all the difficulties besetting the East, and soon the former West of Germany. As far as Western observers were concerned, the countries in transition were still on the other side of the Iron Curtain, which had perhaps thinned but not yet been raised. Social science scholarship reserved the term “transition” and the more encompassing “transformation” for the eastern half of Europe. Thus Western governments, scholars, and commentators implied that Eastern Europe needed to profoundly change, whereas the West could remain more or less as it was. In the light of earlier revolutionary periods, such as those after 1789, 1848, and 1917, they were effectively pursuing a strategy of containment.

This book narrates and analyzes contemporary European history from a different vantage point. Instead of dealing with



Eastern Europe as a territorial container and enclosed system, it shows how the changes after the fall of the Berlin Wall affected and “cotransformed” Western and eventually southern Europe. This has also informed the itinerary by which the reader travels through Europe and its most recent history. This is not an occidental history of Europe like a great number of older books, which Norman Davies once mocked as “Euro-history.” It is, rather, a European history narrated from an Eastern angle, from the perspective of the peoples who ended communism, tore down the Wall, and then underwent unprecedented political, social, and economic change. Hence the reader will find more information on the history of Poland and Germany than on, for instance, France. But obviously no history of Europe can cover the entire continent equally and exhaustively.

While the West lived under the illusion that it would remain more or less unchanged by the breakdown of state socialism, the effects of the “shock therapy” in Eastern Europe soon became apparent in Poland. On a visit to my Kraków friends in fall 1991, I found the city with its half a million inhabitants shrouded in an acrid brown haze. The cause was the Nowa Huta steelworks. But people were glad the chimneys were puffing away because the factory was at least a source of employment. There were only three restaurants open in the evening in the city center, as few residents could afford to eat out. Stores were empty, no longer because of a lack of supplies, but because of low demand. Hardly anybody had money to spend. The only thriving segment was the farmers’ markets, offering onions, potatoes, and other basic foodstuffs at low prices. Was this the new order that the proponents of free market economy had promised? Where were the economic reforms supposed to be heading?

Let’s take one last leap in time to the boom years after EU enlargement: Warsaw, Kraków, Prague, and Berlin all have consumer palaces, seas of illuminated advertisements, and a constant hum of background noise from the heavy traffic and music emanating from bars and stores, open until well into the night. Is this still Eastern Europe, or has it blended into the West? The soundscapes are the same; so are the visual stimuli. But driving cross-country



between the cities, one sees a different picture. Empty apartment blocks and derelict factories bear witness to earlier attempts to create a socialist modernity. Aging and shrinking village populations give little cause for optimism about the future.

This close juxtaposition of affluence and poverty, urban boom and rural stagnation, is no longer a feature of the former Eastern Bloc alone. Europe is rife with growing regional and social disparities in the West as in the East (as is also true of the United States). Many towns in (West) Germany's former industrial heart, the Ruhr region, are as gray today as the stereotypical image of communist towns. Is there a connection between the upswing in parts of Eastern Europe and the crisis in regions of the West? This issue is also addressed below: United Germany, Austria, Sweden, and Finland were all directly affected by the post-1989 reforms and resultant economic competition from Eastern Europe. To an extent, these countries were compelled to reinvent themselves. Germany in particular underwent a process of cotransformation that transcended the Cold War boundaries.

The aftershocks were weaker in the countries of southern Europe. At first they seemed largely unaffected by the opening of Europe, riding out the 1990s and the introduction of the euro in 2001. But since the euro crisis that erupted in 2010, developments there have echoed those in Eastern Europe. Many reforms prescribed to Greece, Italy, Spain, and Portugal for privatization, liberalization, and deregulation recall the neoliberal cuts in post-communist Europe. Will the South become the new East? This question addresses the very recent past, which is usually avoided by historians. But the extent and duration of the great recession after the stock market crash of 2008–9 and its consequences for society are comparable with the situation in Eastern Europe in the nineties. One difference is that rising unemployment and increasing poverty in Southern Europe have so far affected the young much more than the older generations. Exploring such contrasts and analogies has been a motivation to continue this book's exploration into the recent past.

Since the crisis of 2008–9, neoliberal doctrine has come under widespread criticism. But it should not be forgotten that the

economic changes in the former Eastern Bloc created many opportunities, especially in the urban centers. It would be wrong, then, to polemically write off the entire project. Nevertheless, it is undeniable that the situation in rural areas and in the successor states of the Soviet Union took a dramatic downturn. (The Baltic states have undergone a unique development; they must be considered separately and not as part of the post-Soviet world.)

Because of the wide range of regional differences, it is not easy to come to a general conclusion about the neoliberal reforms in Europe. And any contemporary balance sheet would certainly be different from one drawn before the outbreak of the great recession sparked in 2008–9. While postcommunist transformation was regarded as a success some years ago—and a requirement for accession to the European Union in 2004—the economies of countries such as Latvia, Lithuania, Hungary, Romania, and Bulgaria were in deep decline. Yet so was neoliberal doctrine. In the early nineties, Western experts assumed that the development of market economy and democracy were interconnected and interdependent. Now this premise is challenged. Perhaps neoliberal reforms and “shock therapy” could only be implemented in the postcommunist countries precisely because they were not yet full-fledged democracies. These nations encountered little organized protest; if one did arise, it was quickly quashed. Although there was no scenario to compare with Pinochet’s Chile, neoliberalism in Eastern Europe was not entirely democratic. Of course, the new order had its supporters. The younger generation in 1989 had unimagined opportunities for advancement and profited from the newly opened borders in Europe. By contrast, the over-forties, who were tied down by family commitments and less flexible about employment, often struggled to adapt, or were immediately hit by social cuts and layoffs.

Individual experience and exposure are key to forming opinions and a basic requirement for good academic work. Yet it is often hidden behind a façade of objectivity and rarely made explicit in the fields of economics or political science. Contemporary history, in particular, is influenced by the personal experiences and memories of those writing it. Hence the eyewitness is not the

historian's foe, as is sometimes claimed. First-hand experience such as the present author gained can shed a different light on seemingly universal developments and conventional wisdom. I am therefore making my experiences explicit, in the light of ethnological and anthropological writings on "fieldwork."

A specificity of this form of participating historical observation is the passage of time. Temporal distance brings mixed blessings: on the one hand, memories become increasingly blurred the further the processes and events in question recede into the past. While I remember the black market exchange rate for the Czechoslovakian crown in 1988, I have forgotten the conversion rate for the Polish "ice cream currency" of 1977. But on the other hand, it is much easier to understand and evaluate completed processes. When Tony Judt wrote *Postwar*, his masterful synthesis of recent European history, it was clear that the Cold War and other central factors defining the period had ended more than a decade earlier. Temporal proximity certainly helped him to conceptualize the book as he did. Writing about an epoch soon after its close is also helpful for conducting oral history interviews. Yet where contemporary events are concerned, the historian acts only as a chronicler. The best practice is probably to combine the analysis of recent and more distant periods of time, or at least to keep "deep" historical knowledge in mind.

What appear to be new and even exciting developments often turn out to be a repetition of previous patterns. Consider this example: Since the crisis of 2008–9, which Europe has not yet overcome, economic cuts and reforms have often been presented to the public as "necessary," "unavoidable," and "the only alternative." The echoes of the Thatcherite slogan "There is no alternative" (parodied with the acronym TINA) will be unmistakable to anyone who lived in England in the eighties, or Poland in the nineties, or Germany in the new millennium. This mode of public debate can be situated within the larger context of neoliberal discourses. They are of course familiar to the West, but were particularly pronounced in postcommunist transition countries, which therefore deserve special attention in this consideration of the most recent period of European history. Neoliberalism has relied on a certain

rhetorical toolkit to legitimize radical reforms, social cuts, and other controversial policies. This book devotes much attention to neoliberal discourse, the analysis of which can be more revealing than the assessment of quantitative data. Percentages and growth statistics should always be interpreted with a grain of salt.

The manner in which systems changed from the 1980s on depended to a large degree on the way societies, social groups, and individuals adjusted to enormous challenges. Individual adaptation to the new neoliberal order can also be termed “self-transformation.” The “heroes” of the present book are not the handful of reform politicians, but the millions of individuals who managed to cope with the rapidly changing environment, support their families on monthly incomes of the equivalent of one or two hundred US dollars, and still look ahead with vitality and optimism. Europe today seems almost to have lost this sense of possibility and confidence in the future. Perhaps the Eastern European experiences of the early nineties can be useful for dealing with the present-day economic and social crises. Although these are certainly severe, especially in Greece, other societies can be shown to have overcome similar circumstances in quite recent history.

## Postrevolutionary Europe

At what point does a period of time become an epoch in history? When does it leave the present and become historical? Though contemporary history can be defined as the “epoch of the still living,”<sup>6</sup> the death of pertinent actors can also be a reference point. Margaret Thatcher and Ronald Reagan, the earlier protagonists of neoliberalism, have died. So has Milton Friedman, the economist who paved the way for their policies. The ranks of 1989’s revolutionaries are thinning out. The prominent civil rights activists Václav Havel, Jiří Dienstbier, Bronisław Geremek, and Tadeusz Mazowiecki have all passed away in recent years. The political leaders who allowed the turnaround to happen are also passing into history. Mikhail Gorbachev is over eighty; many other former reform communists have already died. Younger generations



**Fig. 1.1.** Fall of the Berlin Wall on November 9, 1989: people celebrating by the Brandenburg Gate. Photo: ullstein bild / imageBROKER / Norbert Michalke.

are, of course, also affected by the inexorable passing of time. Those who filled the streets of Warsaw, Budapest, East Berlin, and Prague in fall 1989, and Kyiv (as the Ukrainian capital has been named since the country gained independence) and Moscow in 1991, have now entered middle age. The demonstrations in fall 1989, the rejoicing when the communists stepped down, the excitement at the first free elections—this all seems very distant, not least because so much changed during the nineties, not only in the lives of the over 330 million citizens of postcommunist countries in Europe but ultimately for all Europeans.

The gaps left by actors' passing and memories fading are filled with political interpretations of history. At the 2009 celebrations marking the twentieth anniversary of the revolution, the political elites across Europe paid respect to the courage of the dissidents and demonstrators in 1989 and their achievements of liberty and democracy. In Berlin, a symbolic wall was created out of polystyrene blocks, decorated by artists, that were then knocked down

consecutively like falling dominos. In this way, 1989 was staged as a foundational moment for united Germany and a united Europe.<sup>7</sup>

Some years ago, academic discussion of the events of 1989 and the subsequent reforms entered the realm of historical debate. Twenty years after the Iron Curtain was torn down, scholars began discussing whether the changes thus initiated could be considered a revolution at all. They also asked which approach to reforms had been more successful: “shock therapy” or the gradual reorganization of economy, government, and society. These historical inquiries have gained contemporary relevance because the same repertoire of reforms has been revived by the European Union, the International Monetary Fund (IMF), the World Bank, and local experts for use in crisis-torn Southern Europe. Germany’s cotransformation began as early as 2001, when social-democratic chancellor Gerhard Schröder was in power.

As a university lecturer, I have noticed the topic’s transition into history because of my students’ questions and backgrounds. Almost all of my students in recent years were born after 1989. They do not remember the Berlin Wall, the border lined with spring guns, the hundreds of thousands of secret service spies, or a political system to rival liberal democracy. Although the subsequent neoliberal reforms changed Europeans’ lives in many ways, bringing freedom to travel, open borders, increased—though unequally distributed—affluence, and stronger economic competition in many fields, historical research on the epoch is still in its infancy.

This book starts by tracing the chronological development of neoliberal Europe. The ground was prepared for 1989 by the reform debates of the eighties in Eastern and Western Europe. The book proposes that the combination of these debates, the failure of gradual reforms in the Eastern Bloc, and the end of system rivalry resulted in a hegemony of neoliberalism, first among economic experts, and later in a wider political arena. The Cold War and its end in Europe are explored in a separate section. The revolutions that occurred in 1989–91 are analyzed in the light of their specific qualities and causes (see chapter 3). Next, the focus is placed on the course and results of the subsequent transformation—a term that is usually used in the singular even though the

postcommunist countries evolved in quite different ways. This is not surprising in view of their number, their varying precommunist histories, and the differences in the duration and character of communist rule within them. It is more surprising that the area referred to as Eastern Europe or the “Eastern Bloc” during the Cold War is still often treated as a cohesive unit in the social sciences.

The fifth chapter of this book explores the growing differences within the postcommunist countries caused by the new neoliberal order.<sup>8</sup> The urban economic growth centers and the rural areas that fell far behind as a result of the reforms are literally worlds apart. This discrepancy is considered in a section titled “Rich Cities, Poor Regions.” Even today, one need only drive fifty miles beyond Berlin, Warsaw, or Budapest into the country to see the differences. But appearances can be misleading. By way of comparison, the book also refers to extensive statistical material, including information from the EU statistical agency Eurostat, the World Bank, the Organisation for Economic Co-operation and Development (OECD), the IMF, and various government agencies and national banks. A list of all the databases consulted would outstretch the book’s scope, but they are referenced in the endnotes, mostly with keywords to facilitate further research on the internet.<sup>9</sup> Processing the—sometimes conflicting—information from these databases is complicated by the fact that they are based on different premises, and tend to be constructed along strictly national lines. In any case, statistics do not say much about people’s everyday lives. Hence, they are combined here with archival material (from city administrations, for example), expert opinions, newspaper reports, and other media sources, as well as personal observations by the author.<sup>10</sup>

Regional divergence has been accompanied by convergence on an international level. This is demonstrated by a comparison of the cities of Warsaw, Prague, Budapest, Berlin, and Vienna. Bratislava (despite its smaller population of around four hundred thousand) and the Ukrainian capital Kyiv are also considered, as post-Soviet examples. West Berlin and Vienna were not part of the Eastern Bloc but are included here nevertheless. More than twenty-five years after the end of the Cold War, the mental



mapping it generated should be revised and new spatial perspectives allowed. It is time to jump the wall that divided Europe for many decades.

The city comparison also reveals that the German capital, which believed itself to be fast evolving from “a city to a global city to a metropolis,”<sup>11</sup> was outpaced in the East Central European economic stakes by Prague and Warsaw in 2007–8. This is shown by various indicators such as per capita gross domestic product, unemployment rates, and population development.<sup>12</sup> Yet the same indicators show that in the early nineties Berlin had been well ahead of the capital cities in Eastern Europe. Why did it fall behind for two decades? What does this tell us about Germany’s *Sonderweg*, or special path of transformation? Berlin-bashing, a popular sport in unified Germany, is not a concern of the present author. Rather, the aim of this book is to critically examine this transformation. As developments in the various capital cities are analyzed, a picture emerges of very different consequences of neoliberalism from country to country, region to region, and even town to town. It also emerges that the impact of reforms was by no means confined to Eastern Europe, but caused major changes west of the former Iron Curtain as well.

## Neoliberalism on the Rise

The origins of neoliberalism lie in the late interwar and early post-war period. In 1947, the liberal economist Friedrich von Hayek gathered together a group of like-minded acquaintances near Mont Pèlerin at Lake Geneva in Switzerland to devise an alternative economic model to Soviet planned economy and the Keynesian welfare state. The enigmatic international circle of thinkers that became the Mont Pèlerin Society agreed on the central goals of promoting free market economy, free competition (it applied the concept of freedom primarily to the economy), and limiting government to its basic functions. It developed its standpoint in reaction to the nascent Cold War—the influential public intellectual Walter Lippmann, who had coined this term, was among the

founding members—and the long-term dominance of the Roosevelt New Deal and state interventionism in Western economic policy.<sup>13</sup> Initially, the Mont Pèlerin Society was widely viewed as renegade.

Until the 1970s, economics were shaped by Paul Samuelson’s “neoclassical synthesis”—his writings still count among the standard reference works on economics today—which followed on from Keynesian theory.<sup>14</sup> But “stagflation” (low economic growth rates in combination with high inflation) after the oil crisis and rising national budget deficits put the Keynesians in the United States and the United Kingdom, and, a little later, in continental Europe, on the defensive. An increasing number of economists challenged the idea of state interventionism and advocated a supply-oriented economic policy and monetarism. Under this system, independent central banks were supposed to steer the economy and combat inflation by controlling the supply of money.

This paradigm shift was largely propelled by the Chicago School following Milton Friedman, a supporter of Hayek and longtime member of the Mont Pèlerin Society. The Chicago School’s theories hinge on belief in the efficiency of the markets and the rationality of market participants. These tenets were inscribed in the Washington Consensus, devised in 1989 as a form of crisis intervention to stabilize the economies of debt-ridden countries by means of strict austerity policies. The architects included the World Bank, the IMF, the US Treasury Department, and senior members of the US Congress. Originally tailored for the economically ailing countries of Latin America, it was later applied dogmatically to the postcommunist countries. It would go beyond the scope of this book to reproduce all ten economic commandments contained in the Washington Consensus (in a Decalogue written by economist John Williamson). In summation, the central goal was the triad of liberalization, deregulation, and privatization. Foreign direct investments and financial capitalism were also important ingredients in its global economic recipe.<sup>15</sup> Of course, even in the nineties there were critics of the Washington Consensus and the Chicago School. But they were firmly in the minority—until the New York stock market crash of

2008 and the outbreak of the world economic crisis. Joseph E. Stiglitz has attacked what he branded “market fundamentalism” (the belief in self-regulating and balancing markets) and the over-emphasis on private property and faith in the rationality of market participants.<sup>16</sup>

Yet neoliberalism is a hard concept to define. Having coined the term by means of the prefix “neo,” to indicate a departure from the failed *laissez-faire* liberalism of the interwar period and the world economic crisis of 1929, its proponents did not identify with it beyond the early postwar period. Even Milton Friedman distanced himself from the term; John Williamson, too, dismissed it as nothing more than a political battle cry.<sup>17</sup> Critics of neoliberalism are, then, attacking a slippery fish that contemporary economists and politicians do not like to be associated with. However, neoliberal theory and policies have been advocated by a range of different actors, from professors at small colleges and renowned universities to major think tanks such as the conservative Heritage Foundation in the United States, and powerful politicians. Dieter Plehwe has asserted, “hegemonial neoliberalism must be conceived of in plural terms as a political philosophy and a political practice.”<sup>18</sup> It is a moving target that is constantly being changed and adapted, which is precisely why it is so effective.

It would be wrong, then, to portray neoliberalism in a historical perspective as a homogenous, coherent concept. Its chief proponents frequently disagreed on issues such as the role of central banks (which is central to monetarism but hard to reconcile with minimal state intervention) and the implementation of shock therapies. As well as disagreements on theory, deviations in practice had perhaps an even greater impact. Even Thatcherism and Reaganomics showed unintended effects, as did the radical reforms in postcommunist Europe, which had to be followed by a number of corrections and adjustments. Neoliberal theory and rhetoric is one thing, neoliberal practice quite another. Many soapbox speeches were held in postcommunist Europe in order to entice—or pacify—international creditors and investors. But in practice, economies were driven largely by compromise and pragmatism. Nevertheless, all postcommunist

countries eventually jumped on the neoliberal bandwagon and introduced radical economic reforms, some earlier, some (such as unified Germany) later.

This neoliberal hegemony can be compared on an abstract level with nationalism, the most successful ideology of the nineteenth century. Nationalism was also ideologically nebulous, advocated by a wide range of actors, and adaptable to completely different setups: to the requirements of stateless national movements as well as to those of large empires; to rural and industrial societies. Yet two ideological goals always remained central: the creation of statehood (or reinforcing the power of the extant state) and the greatest possible congruence between the state and the nation. Neoliberalism's ideological benchmarks were the primacy of the economy, minimal government intervention in business (one of the motives behind extensive privatization), and a concept of humans as *homo oeconomicus*. In another parallel, few advocates of these ideologies called themselves nationalists or neoliberals, respectively. These attributes were considered pejorative. But nationalism research, which uses the term in a neutral sense, has made an important contribution to our understanding of the ideology that shaped an epoch of history (the "long" nineteenth century). Like research into neoliberalism, it began contemporaneously, with the first scholarly studies on nationalism appearing in the 1930s. Those early publications are of course now outdated, as one day this book will be. But regardless of what the future brings, historical inquiries and surveys are useful tools for orientation. Without them, it would be difficult to understand contemporary Europe and its most recent history.

Today, the term "neoliberalism" is often used as a catchall for aggressive, right-wing economic policy. Sometimes neoliberalism is confused with neoconservatism, which George W. Bush advocated during his controversial presidency. He stood for the postwar, Anglo-Saxon Protestant ideal of traditional family values and small-town life—a worldview that would have been quite alien to European neoliberals such as Friedrich von Hayek. But neoliberals and neoconservatives such as Francis Fukuyama have one thing in common: the teleological conviction that a

democratic order based on Western-style market economy marks the “end of history.”

This book is not a fashionably fundamental critique of neoliberalism but a study of its application and social consequences. The postcommunist countries served as experimentation sites for neoliberal policy. This is not to say that they faithfully swallowed all neoliberal prescriptions.<sup>19</sup> The governments of Eastern Europe developed their own neoliberal methods and put them into practice. The history of “transformation” can therefore provide insight into how neoliberalism was implemented and how it eventually changed the actions, values, and everyday lives of the people affected.

## Europe in Transformation

In the United States today, it is still more common to refer to postcommunist change as a transition than a transformation. In some respects interchangeable, the two terms nevertheless accentuate different aspects. The term transition is borrowed from the Spanish word “transición” as used by Juan Linz and other political scientists to refer to the establishment of democracy after dictatorship and the demise of the military regimes in post-Franco Spain and South America.<sup>20</sup> An academic discipline of transitology has emerged, focusing on democratic consolidation and political value changes in societies formerly ruled by dictators. After the events of 1989, economists David Lipton and Jeffrey Sachs published an article in the magazine *Foreign Affairs* pleading the case for “dual transition” in Eastern Europe following Poland’s example. By this, they meant establishing market economy, which they regarded as essential for democracy.<sup>21</sup> This dual telos of planned economy to market economy (the first dimension of transition) and dictatorship to democracy (the second dimension) reflected the dominant trend in contemporary thought, also represented by Francis Fukuyama’s aforementioned essay.

The changes began to be termed transformation by social scientists, mostly in Europe, who were more skeptical of untrammelled

market economy and wanted to draw attention to the social dimensions of the changes. As this book aims to explore the bigger picture, it, too, uses the term transformation. The state of research in the field cannot be given in a nutshell; suffice it to say that its focus has shifted over time. Initially, political system change and the consolidation of democracy were the main objects of investigation. Later, economic reforms and privatization with all its side effects, such as corruption and mass unemployment, began to garner scholarly interest. During the nineties, the processes by which states were rebuilt (the third dimension of the transformation) were more intensively researched. Most recently, the focus has shifted to the fourth dimension: the influence of external actors such as the World Bank, the IMF and the European Union.<sup>22</sup>

This broad field of research has produced an enormous yield of facts, data, and analyses that are invaluable to historical study. But it should be borne in mind that contemporary writers were at least indirectly influenced by the hegemony of neoliberalism, if not always convinced by it as an ideology. These scholars and theorists were often employed as political and economic advisers and played their part in steering the course of transformation. Publications of the time should therefore be regarded as part of the transformation discourse and as historical sources requiring critical appraisal.

As well as considering neighboring disciplines in the social sciences, this book extends the conventional timescale. The year 1989 is often regarded as a kind of “year zero.” Indeed, it was one of the most important caesuras in modern European history. But successful businessmen and convinced supporters of democracy did not suddenly mushroom in Eastern Europe that year. The dysfunctionality of planned economy, resulting in widespread scarcity, forced growing sections of Eastern Bloc societies to start playing the market some time before 1989. The human capital comprising these actors cannot be measured in the same way as economic data. Yet it was crucial for transformation and helps to explain why, for example, Poland experienced an “economic miracle” and other countries did not. Hence it seems a good idea not to fixate on the caesura of 1989, which was just the start of a

revolutionary phase that lasted de facto until 1991. Taking continuities and longer-term influences from the period of state socialism and even the precommunist era into consideration helps us to understand the different paths of development, some far more dynamic than others, of the various countries and regions.

The book will also endeavor to broaden some spatial horizons. Previously, the transformation has been viewed within a territorial container, defined by spatial concepts such as “Eastern Europe.” A few scholars, chiefly political scientists, have compared the political system change in Eastern Europe with developments in South America and other parts of the world. (See, for example, Samuel Huntington’s *The Third Wave*, a classic work on the three waves of democratization.)<sup>23</sup> But by and large, the Cold War boundary dividing Europe into East and West has remained strangely intact in the minds of academics. Only East Germany got out of the box, because it was absorbed into the prosperous West when Germany unified. Yet it is more accurate to regard the Federal Republic of Germany (FRG) as another country in economic transformation, even if neoliberal reform debates reached West Germany only in the late 1990s—around a decade later than in the postcommunist world.

As the reforms progressed and the European Union enlarged, the terms transformation and transition lost some of their earlier allure. Padraic Kenney was the first historian to draw a provisional balance sheet of the transformation era.<sup>24</sup> For historians, whose métier is analyzing the changes that occur over time, the term transformation is only useful when applied in a specific sense. In a historical perspective, transformation denotes the especially far-reaching, extensive, and accelerated change of a political system, economy, and society.

As mentioned above, such changes began before the revolutions of 1989. Yet this caesura should not be played down. Charles Tilly, like the sociologist Theda Skocpol, ranks it among the great European revolutions.<sup>25</sup> The essential difference between 1989 and 1789, 1848, and 1917 was its predominant lack of violence and willful destruction. Insofar as violence was used in 1989, as in Romania, Soviet Lithuania, and Georgia and, most notoriously,



on Tiananmen Square in Beijing, it was used as an instrument of power, wielded by counterrevolutionaries. In some respects, then, the radical changes of 1989–91, which ended with the collapse of the Soviet Union and the independence of its constituent republics, conflicted with the traditional concept of revolution.

The sociologist Zygmunt Bauman has linked the two phases of revolution and transformation by emphasizing the strong drive for political and social nation-building among the revolutionary elites of 1989.<sup>26</sup> In this way, he places the transformation in a temporal continuum of sequential action, following on from the preceding revolutions in all their different guises. Hence the transformation can be regarded as a process of postrevolutionary change. Of course, the results of this change differed within the Eastern Bloc, from country to country, and especially within each country. That is the main subject of this book.

Such variance also existed in earlier revolutionary periods, such as the late eighteenth century and after World War I. The American Revolution is an example of a partial change. The founding fathers of the United States created a new state and political system but only slightly altered the social order. Nevertheless, according to Hannah Arendt, among others, there is good cause to regard the War for American Independence as a revolution.<sup>27</sup> Despite the considerable distance in time and space, the events of 1776 show a certain similarity with developments in 1989 on the other side of the Atlantic. Both revolutions marked the establishment of constitutional democracies as one of their most important results. Neither ended in orgies of violence or mass terror, as in France after 1789 or Russia after 1917. The price for this was the survival, relatively unharmed, of some sections of the old elites. In some countries they were even able to return to positions of power. But this does not mean that revolution must entail extreme violence to be real. The bloody French and Russian revolutions, for example, produced surprising continuities with regard to imperial, autocratic rule. While such aspects are open to debate, it remains undisputable that the revolutions of 1989–91 and the postrevolutionary transformation are comparable with earlier processes of similar importance.

As in the case of earlier revolutions, it does not make much sense to identify a certain point in time as the zero hour. To understand the American Revolution, one must consider the period before 1776 and the British Empire's ongoing struggle with political representation and participation in its transatlantic colonies, which were developing economically and socially at a dynamic pace. Alexis de Tocqueville's and Edmund Burke's observations on the French Revolution also begin with comprehensive analyses of the preceding regimes.<sup>28</sup> Transformation was, then, never exclusively postrevolutionary, but gained a new dynamic with each revolutionary upheaval.

German sociologist Claus Offe has proposed that the synchrony of change in the state, economy, and society is an additional element defining transformation.<sup>29</sup> Offe in turn owed a certain debt to Reinhart Koselleck, one of the most distinguished German historians of the postwar era, who dealt intensively with the (a)synchrony and temporality of historical processes. Indeed, a distinctive concept of time prevailed in the transformation epoch—the sense of time racing, and one historic moment following the next. History unfolded at a breathtaking pace between 1989 and 1991, similarly to the years following World War I, when Polish writer Maria Dąbrowska noted a sense of acceleration. In her Warsaw diary of 1918–19, she wrote: “One wakes up and finds oneself in another state, another life.”<sup>30</sup>

It is striking how often politicians and intellectuals spoke of *historic* moments, events, missions, and breaks with the past in 1989. The Canadian writer Douglas Coupland parodied what he saw as tediously frequent references to history as “historical overdosing”<sup>31</sup> in his novel *Generation X*, published in 1991. Commentators went into overdrive in an attempt to capture the increasingly transient present. But for most of the postcommunist elites, history was no more than a negative background to contemporary developments. The communist era was demonized in the same way as the ancien régime in France after 1789 and the Habsburg, Romanov, and Ottoman Empires after their falls in 1918.

Equally, the period after 1989 was full of visions of future glory. The general tone of contemporary discourse was that the

historic opportunity to usher in a future of liberty and prosperity was there to be seized. Ultimately, this call to historic action served to gloss over the rather gloomy present. Like all revolutionary events, those of 1989 occurred in connection with, and almost inevitably compounded, economic crises. The prevalent concept of time in 1989 and the early nineties is part of the transformation discourse that this book seeks to investigate in the context of neoliberal developments. As well as the course of reforms, growth statistics, and other “hard facts” of transformation, it will consider legitimizing strategies, semantics, and meanings in the sense of New Cultural History.<sup>32</sup>

This book is the product of years of scholarly interest.<sup>33</sup> It builds on my own personal experience of the Velvet Revolution, my many years’ professional activity in the Czech Republic and Poland in the nineties, my extended research visits and trips to Ukraine, Russia, and the Caucasus, and academic cooperation with Eastern European colleagues. It was thanks to the changes of 1989–91 that this wide world was open to me at all. Strangely, no concept of a generation of 1989 has emerged, although many young protesters from that fall and the ensuing months of high hopes and idealism certainly perceived themselves as such. Unlike the generation of 1968 or 1848, they have not been immortalized in print. Any sense of generational community has since been weakened by the rapid pace of change, the divergent experiences of transformation depending on individuals’ gender and social background, and the sobering results of the changes in the early 1990s. It is the task of contemporary history to explore these subjective, individual experiences more closely than does mainstream transformation research, which has dealt primarily with states and economies on a macro level.

What does it mean for a historian to tackle a domain of social science? The more recent the historical period in question, the more sociologists, political scientists, anthropologists and proponents of other branches of the social sciences will be investigating it. This changes the role of historical science, and especially hermeneutics, the methodology of text interpretation. On the premise that reality in the modern world is a construct, the

media are an important source. Neoliberalism, which has ideological characteristics but not the coherence of Marxism or other “classic” ideologies, was made and conveyed by the media. A critical examination of neoliberal discourses is therefore essential for any historical survey. Reviewing past research, such as interviews conducted by social scientists thirty or forty years ago, can also be very fruitful. A closer look at everyday life in the 1970s and 1980s shows “real existing socialism” to have been not as gray or stagnant as the politburos of the time but the seedbed of a long period of change.

While some things become clearer as the events recede further into the past, other aspects are clouded. It seems to go without saying that the opinions of today’s historians on neoliberal transformation have no impact on the process itself. But this was not true of earlier social-scientific transformation research, which has now become historical, too. Many economists and sociologists dealing with postcommunist Europe in the nineties acted as political advisers and influenced the course of reforms with their expert opinions. The US economist Jeffrey Sachs was the archetypal analyst-reformer. Active first in Poland, then Russia (officially named the Russian Federation since 1991) and elsewhere as an economic adviser, he was one of the architects of the “shock therapy.” Sachs and the *Brygada Marriotta*, as the Western experts were ironically dubbed (after the swish Warsaw hotel in which they resided), stood out for their disarming self-confidence. A Harvard professor, Sachs’s absolute faith in the market made his prescription for improving the present and the future irresistible. It was characteristic of the neoliberal epoch that one country after the next adopted very similar economic models and reform packages, as Sachs advised. He and his fellow experts obviously expected the standard formulae to work equally well wherever they were applied.

But the reforms had very different outcomes. For around the last fifteen years, the various resultant economic orders have been analyzed under the banner of “varieties of capitalism.” They are considered here in chapter 4.<sup>34</sup> Rather than following the social-science model of investigation, taking a top-down approach to

focus on the ideology's embeddedness in institutions and abstract economic data, the aim here is to provide a historical narrative of transformation from the bottom up. The book sets out to guide the reader through neoliberal Europe, for the most part chronologically, and across various spatial configurations (transnational regions, states, intranational regions, and cities).

Another characteristic of neoliberalism is the aforementioned fixation on private ownership. Considered an essential pillar of market economy,<sup>35</sup> it went hand in hand with an aversion to big government, which was regarded as stifling and oppressive—as state socialism had demonstrated on the extreme end of the scale. While privatization became a top political priority in the former GDR and Czechoslovak Socialist Republic (ČSSR), with the former country pursuing restitution rather than the sale of nationalized property wherever possible, it was slowed down in Poland in the mid-nineties. To this day, much of the property nationalized by the communists remains in state hands. But Poland is nevertheless a functioning market economy. The history of the last twenty-five years, then, seems to challenge the dogma of privatization. When addressing questions such as these, contemporary history should resist the temptation to simply invert arguments. Russia is a reminder that this does not always work: here, the purchase and sale of state-owned real estate was delayed until the Land Act of 2003, resulting in the neglect and decline of large stretches of rural Russia.<sup>36</sup>

The Budapest-based political scientists Dorothee Bohle and Béla Greskovits have identified three distinct types of systems that became established in the new European Union member states as a result of different transformational processes and outcomes: “neoliberal capitalist,” “embedded neoliberal,” and “corporatist.”<sup>37</sup> Each type corresponds with a specific geographical area, namely the Baltic states, the Visegrad countries (Poland, Czechoslovakia, and Hungary, which forged an economic and political alliance in the Hungarian town of Visegrad in early 1991), and Slovenia, respectively. If one extends the model to Russia, Ukraine, Belarus, and Moldavia—that is, the European successor states of the Soviet Union—the number of neoliberal-capitalist market economies

with at most rudimentary welfare states is even larger. Hence the reforms can be seen to have had a predominantly neoliberal outcome. Russia and Ukraine did not establish stable democracies; their economies are dominated by oligarchs. The “oligarchic-neoliberal” system could, then, be added to the above typology.

Since Bohle and Greskovits identified more or less neoliberal system types in all postcommunist countries, with the exception of Slovenia, the question is raised of how precise the concept is. Does it not overstretch the concept of neoliberalism to apply it to almost the entire former Eastern Bloc and beyond, indeed to the global order since the mid-eighties?<sup>38</sup> Have the outcomes of political and economic system change not been too various to be covered by one neoliberal umbrella? The course of reforms and the intentions of the actors involved certainly varied greatly, from country to country and year to year. Yet the basic principles inscribed in the Washington Consensus were applied across the board. Every postcommunist country in Europe attempted liberalization, deregulation, and privatization, often with unexpected consequences and ripple effects. The one common outcome in all countries prior to European Union enlargement was growing inequality on a social and spatial level. As this common ground was so predominant, it is accurate to speak of the establishment of a new, neoliberal order, despite the many differences.

While postcommunist countries and English-language scholarship continued to take a skeptical view of the welfare state, some continental European transitologists began to regard fully functioning government as a precondition for successful system change. In 2007, the most prominent German expert, Wolfgang Merkel, proposed that state continuity, especially with respect to education and social security, facilitated transformation. The Harvard-based political scientist Grzegorz Ekiert considers government reforms, such as the building of local and regional administration, to have been a key factor in Poland’s rise since 1989.<sup>39</sup>

In this regard, one can differentiate between three groups of countries: those that enjoyed territorial continuity and whose statehood remained largely intact throughout the period 1989–91; those that emerged from collapsed empires and multinational

states and had to first consolidate their (mostly weak) new statehood; and a third group struck by ethnic conflicts and violence. The civil wars in the Caucasus and the former Yugoslavia, and the bloodshed they caused among the civilian populations, overshadowed all other transformational experiences.<sup>40</sup> But Yugoslavia must nevertheless be included in the history of the transformation era. After all, the collapse of this multinational state was linked to disagreements over reforms. Yugoslavia, like the entire Eastern Bloc, had been in the midst of a deep economic crisis since the mid-eighties. The IMF and international creditors prescribed reforms which only some sections of the political elites accepted. Because the country was federally organized, the reforms could not be implemented. It was in the subsequent dispute over whether to extend federalization or to return to centralization that the battle lines of the future armed conflict were drawn.<sup>41</sup> Romania was also on the brink of civil war in 1990. In Bucharest, regime-loyal miners clashed with students and intellectuals in violent riots known as *mineriads*; interethnic conflicts also helped the postcommunists to stay in power.<sup>42</sup> These conflicts should not be missing from any balance sheet of transformation.

A central focus of transitology is how democracy is consolidated and political values change in postdictatorial societies. The state of research on these issues is excellent. This book will therefore concentrate mostly on questions of social history. But it also aims to shed some light on the strikingly divergent developments on the road to democracy. In East Central and Southeastern Europe, and in the Baltic states, the dominant trend was to orientate political change toward the German system of parliamentary democracy. Presidential power was curtailed and parliaments accorded greater authority. Poland, which had been at the vanguard of regime change in 1989, took a leading role again. In the countries of the former Soviet Union, by contrast, presidential systems have come to predominate. In Russia, Vladimir Putin has established an authoritarian regime.<sup>43</sup> This discrepancy in the outcomes of political system change shows that Samuel Huntington's "third wave of democratization" occurred unevenly, giving rise to new forms of governance that had not been anticipated in the early



nineties. China and Vietnam are particularly striking examples.<sup>44</sup> The establishment of market economy in these countries did not lead to comprehensive democratization. Does this mean that post-communist capitalism can work without democracy? Russia, in spite of its structural problems and high dependency on oil and gas exports, seems to point in this direction. Authoritarian state capitalism has certainly become a serious rival to the West since the crisis of 2008–9 (see chapters 5 and 10).

Transitologists have approached their core fields of interest—political system change, the adoption of market economy, and the transformation of statehood—almost exclusively from a nation-state perspective. Journals such as the *Economist* and various think tanks have orchestrated a kind of international competition between nations battling toward democracy and market economy. Points are awarded for the degree to which the respective governments have achieved the targets advocated by the IMF and neoliberal think tanks. In the early nineties, the Czech Republic and Hungary were considered model transformation countries while Poland was criticized for its reliance on agriculture and general backwardness. Hence a country's level of modernization or perceived lack of sophistication was a second, rarely overtly expressed criterion for evaluation. Ironically, this continued a tendency of state socialism. The communists had made great efforts to catapult Eastern Europe to a Western level of development by forced industrialization, collectivization, and other means.<sup>45</sup> After 1989, “catch-up modernization” remained the primary goal, but without the utopian promise of communist paradise. The ideal now was wealth and consumerism.

At the Copenhagen summit of 2002, the European Union candidate countries were commended for having achieved the transition to market economies and democracies. This success, and European Union enlargement in the years 2004–7, posed a problem for transformation studies. It rendered a number of its research objects irrelevant, insofar as it adhered to the old backwardness paradigm. In terms of gross domestic product per capita (which is of course only one of many indicators), the wealthiest post-communist countries had already overtaken the poorest old EU

member states by 2002–3. Taking only capital cities into consideration, the East caught up at an even faster pace. Far less scholarly attention was paid to this upswing than to the previous transformation crises. Perhaps contemporary academia had internalized the journalistic rule of thumb that only bad news is good news.

With the crisis of 2008–9 came the anticipated bad news. Some postcommunist countries went into recessions almost as deep as the economic collapse of 1990 or 1991, with negative growth rates of up to 18 percent. The former Eastern Bloc countries managed to overcome the crisis faster than the Southeastern European countries, albeit at the cost of more radical social cuts. The IMF now exemplifies states like Latvia as crisis-beaters to be imitated by countries such as Greece. Whether neoliberal reforms actually generated any economic growth is a question that runs through this entire book, and is discussed by the example of a number of case studies in various periods. Germany felt the impact of the second wave of neoliberalism not only from without—in economic competition from its easterly neighbor countries—but also in its adjoined Eastern half, the former GDR. Postcommunist reforms here created many new problems for the unified German state and its social security system. Strangely, this cotransformation in Germany and Europe as a whole has been very little researched. Transformation research has by and large remained a field of “area study,” restricted to Eastern Europe. Even if one were to regard postcommunist transformation as completed by certain key years, such as 2004 or 2009, neoliberal reforms and post-welfare state transformation continue to be topical issues, pertinent to Southern Europe and the entire eurozone.

In this book, elements of cotransformation, or East-West transfer (terms such as “influence” and “diffusion” are too simplistic since they suggest the straightforward adoption of foreign models), are discussed predominantly in the context of contemporary German history and three main points of inquiry: political transformation discourses before and during Germany’s pension and labor market reforms of 2001–5; academic and public debate on the concept of “civil society”; and the role of politicians from the former GDR (such as Angela Merkel), whose political identities

were formed during German transformation. Transfer history is not only made up of “successful” transfers, in which one culture adopts and adapts elements from another, but also processes of demarcation. They occurred not only in postcommunist states, especially Putin’s Russia, but also in the West.

As mentioned above, transitologists as well as traditional historians of Europe tend to adopt a nation-state perspective. There are certainly plausible arguments for this: Nation-states steer macro-economic development, adopt reforms, organize social security systems, and are the most important framework for democratic decision-making. But as is shown below, there can be tremendous intrastate divergence—growing gulfs between rich and poor, large cities and rural regions—which has a particular impact on the everyday lives of the populations.<sup>46</sup> Research on urban transformation after 1989 has focused on the geographical and social metamorphoses of cities and urban areas.<sup>47</sup> This book will further zoom in on the cities, because they bear striking witness to the rapid changes of the past twenty-five years. Literature, information, or source material on individual urban districts, villages, or streets, and the groups, families, and individuals who inhabit them is hard to come by. But social anthropologists and ethnologists have begun to close this gap with studies of factory communities, small social groups, and specific environments, which are of great interest to historians.<sup>48</sup> The state of literature on the transformation era is low (with the exception of the aforementioned short book by Padraic Kenney). Tony Judt, Hartmut Kaelble, Harold James, and most recently Konrad Jarausch have discussed the 1990s in the respective last chapters of their major surveys of twentieth century or postwar European history.<sup>49</sup> But there is still no book conceptualizing the quarter-century since 1989 as a distinct historical epoch.<sup>50</sup> Neoliberalism was the guiding ideology of this epoch, so it deserves to be the center of attention. Knowledge of its history is the precondition for understanding the present, in Europe and beyond.