



Transcript

Between dream and tragedy: Europe's story after 1989

Episode 2: Shock Therapy

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This podcast is brought to you by:

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Featuring

This episode features Marci Shore, Alena Ivanova, and Mary Kaldor. Archive sourced for non-commercial educational purposes for critique and review from YouTube and Learning On-Screen.

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News Anchor 1: Good evening. Within the past half hour fierce gun battles are broken out on the streets of the Romanian capital Bucharest after the communist dictator President Nicolae Ceaușescu was overthrown by the people in the army.

News Anchor 2: The East Germans have tonight started to tear down parts of the Berlin Wall to create 18 new border crossings.

News Reporter: ...for new Poland, guided by a non-communist government with a Solidarity prime minister.

News Anchor 3: Last night, many in Berlin simply didn't believe that the borders were opening. As soon as they heard the news, thousands began to make their way to the crossing points.

News Anchor 1: And in another dramatic development in the Communist Bloc, Eastern Europe's longest-serving leader, Bulgaria's Todos Zhivkov has stepped down.

LC: In 1989, the fall of the USSR unleashed a wave of optimism across Europe. The former Soviet states were ready to leave communism behind and embrace the ways of the West. A utopian United Europe seemed like a real possibility. But by the 1990s, the reality in Eastern Europe was very different.

Marci Shore: There is a certain kind of lawlessness that nobody knew exactly what the new rules were.

Alena Ivanova: Almost constant electricity shortages or shortages of hot water.

Shore: All of these professions that had been state sector, teachers, doctors, nurses, professors, suddenly their salaries were worth nothing.

Ivanova: People expected very obvious material changes to their everyday life almost immediately. And that did not happen.

Shore: It was not a happily ever after kind of moment. It was much messier.

LC: What happened to the hope and optimism of 1989? How did the promise of a new Europe turn sour so quickly? And what does it all mean for us today?

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I'm Luke Cooper. And this is "Between Dream and Tragedy," an inquiry into where things went wrong for the dream of united Europe. I've been studying the rise of nationalism across the continent and pondering how we can rebuild

support for a united Europe. In this series, I share what I've learned. In Episode One, we examined how a new vision of Europe emerged in 1989 as the USSR collapsed. The idea of a united liberal democratic Europe became a founding myth that would shape European politics for decades to come.

In this episode, that dream comes crashing down to reality. Over the previous two decades, a new experiment in free markets had transformed economic thinking in the Western world. The '80s were the era of Margaret Thatcher and Ronald Reagan, champions of the greed is good society. It was a time of widespread consumerism, decadence, and industrial strife. What happened when you applied free-market capitalism in societies where the state had controlled almost every part of the economy? No one really knew. Former communist countries became a laboratory for a new form of social engineering that was called shock therapy. And the result was the most rapid and destructive transition between economic systems humanity had ever known. At a time when hope in the unification of Europe had never been higher, this was a pivotal moment for the new political order forged in the ashes of communism.

Ronald Reagan: A government can't control the economy without controlling people. And they know when a government sets out to do that, it must use force and coercion to achieve its purpose.

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LC: That's Reagan in 1964. He's campaigning for Barry Goldwater, a small government, low taxes Republican candidate. Sixteen years before Reagan became president himself, he warned of the dangers of socialism and big government. The choice was simple.

Reagan: The ultimate in individual freedom consistent with law and order or down to the ant heap of totalitarianism.

LC: Goldwater was heavily defeated by Democrat, Lyndon Johnson. But Reagan's speech here encapsulates the principles he would enforce in office years later. On the other side of the Atlantic in 1979, Thatcher was elected Prime Minister on a similar platform.

Margaret Thatcher: The trouble with labor is that they're just not at home with freedom. Socialists don't like ordinary people choosing, for they might not choose socialism.

LC: These two leaders believed that a simple idea lay at the root of all prosperity. Markets should be left alone with little democratic control and as much freedom as possible for capital to make money. This would create an efficient and meritocratic society or so the theory went. Thatcher and Reagan prioritized fighting inflation over protecting jobs, high-interest rates hit failing industries and put millions out of work. But most of all, they changed how the state worked, and what it was for. They proposed restricting the state to its core functions, the police, the courts, and national security. And they wanted less state activity in the economy. The old, nationalized industries were targeted for privatization and sold off one by one. Trade unions were weakened. It was a dramatic transformation that pitched bosses against workers.

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Crowds chanting: United. United. We'll never be defeated. United. United. We'll never be defeated.

Miner: We listened to Minister Thatcher when she told us, "We want more production in the mine. We want more production throughout the country. Produce more of this. Produce more coal." We produced more coal and more coal. And then when there was coal on the ground, she turned around and said, "Well, somebody's got to go because there's too much coal in the country."

LC: Thatcher, in particular, turned one of Western Europe's most social-democratic countries into one of its most conservative in the space of a decade.

Thatcher: I believe we have altered the whole course of British politics for at least a generation. We have entered a new era. The Conservative Party has taken out the common ground, and the other parties are tiptoeing onto it.

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LC: Partly by accident, partly by design, Thatcher and Reagan staunchly conservative anti-socialist politics would dominate the decade. By its end, they had transformed not only their respective countries, but the international order. Socialism was in retreat, while a new global consensus rose up. They also prosecuted the Cold War aggressively with more military spending and tougher rhetoric. The aim was clear, turn the screw tight as a weakened Soviet Union stumbled.

Reagan: But if history teaches anything, it teaches that simpleminded appeasement or wishful thinking about our adversaries is folly. It means the betrayal of our past, the squandering of our freedom.

Thatcher: The honorable gentleman knows that I have the same contempt for his socialist policies as the people of East Europe who've experienced it have it for theirs.

Crowd: Yeah!

LC: Thatcher and Reagan were true ideologues. Their mantra was individual responsibility. The goal was a bigger and more profitable private sector. Even if this meant the skyrocketing inequality we continue to live with today. Critics call this neoliberalism. Because it revived the classical liberalism of the 19th century. It was now repackaged as the ideas of a new age. And when communism unexpectedly collapsed, it had the opportunity to go global.

Alan Greenspan: For more than four decades, centrally planned economies evolve to the East and market economies to the West of the so-called Iron Curtain. It was basically as close to a laboratory experiment in social science that one could conceivably construct.

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LC: Alan Greenspan speaking in 1990 as chairman of the American Federal Reserve.

Greenspan: So, when the Iron Curtain was stripped away last year, both figuratively and literally in the form of the Berlin Wall, the economic results were to a very surprising extent [00:09:30.123] unequivocal. The market economies to the West had clearly in those four decades flourished, while the centrally planned appeared to be caught up in a time warp of the late 1940s and 1950s.

LC: In the battle of ideas, it seemed capitalism had triumphed over economic organization. The liberated states of Eastern Europe had been living under autocratic and inefficient bureaucracies for decades. The apparent dynamism and energy of the free-market system must have seemed alluring. So, what happened when you combine the ideas popularized by Thatcher and Reagan to the world's most state-dominated economies?

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In the year prior to 1989, about 3% of the people in the USSR, Central, and Eastern Europe lived below the poverty line. That's around 14 million people. By the end of the 1990s, that number was 88 million, one-fifth of the total population. Thatcher and Reagan had created a clear model for Eastern Europe, sell it all off and sell it quick. Let the market decide what jobs to keep, as the state be to retreat from the economy. But in the East, this was combined with institutional and legal chaos as one state collapsed, and another one was built amidst a lawless capitalism. The result was mass unemployment, a dramatic fall in living standards, and widespread economic woes.

Russian miner and English interpreter: Everything is very bad. We are on the Titanic. Now, our goal is to save the children.

LC: Many workers [00:11:30.456] were left cynical and desperate. This Russian miner told a television crew in the mid-1990s, he still had a job but hadn't been paid for six months.

Miner and interpreter: Capitalism is shit. Shit. Yes. We tried it and we didn't like it. We didn't like it.

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LC: Alena Ivanova is a product of post-1989 Europe. She grew up in Bulgaria in the 1990s and remembers it as a time of frustration.

Ivanova: There was almost constant electricity shortages. We often would have kind of meals at candlelight. There were, you know, shortages of hot water. There would be weeks where there would be an abundance of milk. There's milk available everywhere, but there is no bread. People got into the habit of buying whatever was available, stockpiling whatever was available, and waiting for the next week to see what they can make out of it.

LC: However, there was still a sense of opening up to the world. Food shortages and blackouts coexisted with strange cultural signifiers of the new opportunities. For example, one-time luxuries like a pair of jeans gradually became more available.

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Ivanova: We were also sort of the first generation that didn't see citrus fruits as something that only appears on Christmas. And, you know, my parents, when they were growing up, they didn't have access to various luxury items and goods. For example, jeans. Jeans is such a symbolic item of clothing in Bulgaria, almost. Having had jeans as a kid is a mark of either being in with the party establishment or, you know, having other channels, usually contraband channels of obtaining it.

LC: It was a complex time when new opportunities sat side by side with the brutalities of shock therapy. However, after all the hope of the peaceful revolutions, the overwhelming feeling was tremendous disappointment.

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Ivanova: I think that's why people's hopes of this new regime and what democracy actually meant were dashed quite quickly because people expected very obvious material changes to their everyday life almost immediately. And that did not happen. In fact, for a while, things got worse.

LC: For those visiting Eastern Europe for the first time with great expectations, the reality could be a shock. Marci Shore is an associate professor of History at Yale University. She first traveled to Eastern Europe in 1993.

Shore: I was drawn there by the fairytale. I was drawn there by the romance. I wanted to be in this place where everything was hopeful and forward-looking and that the wicked witch had been killed and now we're all going to live happily ever after. And so, the first moment of disillusionment with that it was not a happily ever after kind of moment, it was much messier.

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LC: Dick Arme, then-Republican House Majority Leader said in 1999 that Russia would become a looted and bankrupt zone of nuclearized anarchy. And he was hardly a sympathizer of the old USSR. Even in states where the transition was more stable, it wasn't always clear who was in charge, who set the rules. Marci Shore remembers the chaos of the transition.

Shore: I remember for some reason, the taxis being extremely stressful. You could get into a taxi, they could charge you any amount of money, especially if they heard an accent. And it could be crazy. I mean, it could be that you just had no idea. I mean, it felt like there was a certain kind of lawlessness that nobody

knew exactly what the new rules were. And you didn't feel somehow protected by the law in a way that you did other places.

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LC: What had gone so badly wrong? Mary Kaldor is an Emeritus Professor of Global Governance at the LSE. She was heavily involved in the European civil society movements that helped drive the peaceful revolutions and the fall of the USSR. She believes there was a serious disjuncture between the grassroots activity of civil society in Eastern Europe and the process of democratization that followed 1989.

Mary Kaldor: I think all those people who'd been in the dissident movement, who'd been in civil society, were actually marginalized. Oddly enough, this was a period of demobilization. You know, they had wanted '89. And I remember actually at this 1990 meeting Jiří Dienstbier saying civil society is now in power. And us still saying, "No, no, no, no, no. Of course, it's not. You're in power. But civil society has to keep on."

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LC: With the economic restructuring of Central and Eastern Europe became a tremendous irony, the Anglo-American West had heralded the changes with fiercely anti-socialist language. However, this new system was what allowed the old Soviet ruling class of state managers to transition into a capitalist class with private wealth and property. The civil society movement was idealistic and ideologically unprepared for this shift. Mary Kaldor.

Kaldor: All of the people that we worked with sort of thought market's good without any question. And what was happening really was, I think, the communist elite saw a chance to make money and to legalize the kind of corruption that was already going on by failing to oppose the neoliberal strategies that the West was imposing on them, which they eagerly welcomed. That I think is what marginalized democracy.

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LC: For Marci Shore, this reality was a stark contrast to the economics she was used to in America.

Shore: There were not only winners in 1989, but there were also losers. Capitalism came in a form that I had never thought about in America, like, yes,

there's a free market, but, in fact, there's lots of rules even in a kind of wild capitalist place like America. And so, here you had this feeling you were entering this world of robber baron capitalism, in which there were really no rules and no accountability, and anyone could exploit anyone as much as they wanted. And moreover, all of these professions that had been state sector, teachers, doctors, nurses, professors, suddenly their salaries were worth nothing. And people were struggling, and they were humiliated. And they were vulnerable to exploitation and to resentment. And I hadn't thought about any of that, you know until I was living among it. And then it suddenly felt very painful.

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LC: The introduction of democratic rights and freedoms brought Central and Eastern European societies into participation in the most precious experiment of our modern world, majority rule and human rights. However, as Marci Shore puts it, this was no fairytale. The economic models imported from the West proved to be destructive. It took the former Soviet Nations years to recover from the shock. And as the states embraced national self-determination, it provided a pool of emotions that future nationalist movements would draw on and use to challenge European unity. Could it have gone any differently?

Some figures in the West like French President Francois Mitterrand had also backed the idea of a more gradual reform. Soviet leader Mikhail Gorbachev had been introducing new economic policies before the fall of the USSR. However, in the fallout of '89, the more moderate voices that supported incremental change were drowned out. There was a dash to break with socialism in a fundamental, not just gradual way. And the seemingly simple remedy offered by Thatcher, Reagan, and their successes found a wide hearing.

So, what were the lasting consequences of this great experiment? We are still living with the consequences for the simple reason it made it harder, not easier for Eastern European states to catch up with the West. So, the very policy that was designed to match the achievements of the West as fast as possible had an opposite effect. It also created a lot of bitterness and resentment against the globalized interconnected world that the new states of Eastern Europe had entered. Decades later, nationalists are exploiting this. Viktor Orbán, one of Europe's most hardline nationalist leaders cut his teeth as a young liberal in the 1980s. However, today, he has rounded on the destructive effects of liberalism. He uses the economic devastation it caused as evidence to support his nationalist arguments. History has a powerful role in the collective imagination. 1989

continues to have an extraordinary and enduring impact on the contemporary politics of European societies. In Eastern Europe, idealism was shattered by the crude and uncompromising realism of economic Shock therapy. But 1989 also set in motion another key development that led to the Europe we live in today. The Maastricht Treaty, a seismic moment that we'll explore in our next episode.

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Today, our democracies often feel very fragile. In my new book, the "Authoritarian Contagion," I investigate why that is. What's driving the lurch of societies to this authoritarian politics and what exactly can we do about it? It's a warning of danger, but also an impetus to act. You can preorder your copy now for the discounted price of 7.99. Just go to the Bristol University Press website and search for "Authoritarian Contagion."

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