

## **Populism and the Legacy of Transition in Eastern Europe**

**Article by Philipp Ther**

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Thirty years after Eastern European states began their transition out of socialism, the outcomes of the process are still contested. While most countries have seen impressive economic growth, inequalities have grown enormously and recent years have seen the rise of reactionary and authoritarian-minded movements. We spoke with historian Philipp Ther about the underlying trends which shape the political landscape in Europe today.

**Green European Journal: What do you make of Francis Fukuyama’s thesis about “the end of history”, almost three decades since the publication of his book in 1992?**

**Philipp Ther:** Fukuyama’s theory that we were at “the end of history” was based on two assumptions: first, that after the collapse of state socialism and with the sweeping electoral success of conservatives in Western countries, liberal democracy and a completely free market economy became the only option. Second, that the Western system had triumphed and from then on there would be no alternatives. This thesis was, in my opinion, also an expression of the triumphalism of 1989.

But we have to be aware that Fukuyama was not alone in his assumption that liberal democracy could not be separated from a free market economy – this was also the basic premise of the so-called transitologists who dealt with the reforms of post-communist Europe after 1989.

**The new authoritarian systems of Central and Eastern Europe often define themselves in opposition to liberalism – for example, Viktor Orbán’s self-proclaimed “illiberal democracy” in Hungary. Does this not suggest that Fukuyama was right, at least in the sense that liberalism will remain a reference point for future regimes?**

You’re right that these states define themselves by differentiating themselves from others. But in Hungary there are also fluctuations in how Orbán’s regime defines itself. First, Orbán spoke of an illiberal democracy – which of course is a paradox: such a thing cannot exist because democracies are per se liberal. Later, he mentioned “Christian democracy” and has presented himself as the saviour of the West. In this respect, Orbán is flexible – and that probably explains his political success. Nevertheless, right-wing populists share a common ideological core: a combined set of protectionist promises.

First of all, they promise protection against international economic competition. This brought about the turn against free trade, as we can see in the case of Donald Trump and the promises connected to Brexit in the UK. Being protectionist on trade is not such a big part of Orbán’s politics because of Hungary’s position within the EU. Second, right-wing populists talk about the protection of national labour markets, hence this turn against so-called illegal immigrants. Third, there is the protection against crime and terror – which is, for propaganda reasons, almost exclusively defined as “Islamic” terror. Finally, there is the protection of traditional, national values and the idea of the traditional family and gender roles. All of this together makes up a clearly illiberal worldview.

**In his 1944 book *The Great Transformation*, anthropologist and economist Karl Polányi described how the**

**expansion of the free market was naturally accompanied by a push for greater social protection. Does this explain the rise of right-wing populists in Central and Eastern Europe?**

Yes, to the extent that, according to Polányi’s theory, global laissez-faire capitalism at some point leads to anti-capitalist reactions and creates a social need for protection in society – which we also see here. But Polányi does not offer a clear conclusion as to which direction the pendulum swings: whether in the direction of democratic socialism – as he hoped – or in the direction of authoritarianism and fascism, which is what he then witnessed during his life.

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Today’s strong populist countermovement is above all a result of the financial crisis of 2008-2009. At that time, the global crisis was accompanied by a smaller crisis in Eastern Europe. Hungary in particular was severely affected, but other countries also ended up being “saved” by IMF and EU programmes – which, of course, meant that these countries felt much more vulnerable than before.

Moreover, this crisis also de-legitimised the previous course – or, more generally, the idea of global capitalism – and therefore challenged the transformation process too by undermining one of its main original goals. In the 1990s and early 2000s, Central and Eastern European states wanted to Westernise their economies as quickly as possible. But the financial crisis showed them how unstable and corrupt global capitalism really is. In Hungary, in particular, one can observe this paradigmatically, as Orbán relied on the counter-concept of economic nationalism and promised to liberate the heavily indebted Hungarian middle class from the grip of international banks. He took advantage of the mood and has since built the core of his message around the (arguably legitimate) need for social protection in Hungarian society. Until today this has generated a certain gratitude towards him among the population, which has in turn brought him consistently high election results. The refugee crisis, which is often cited as the main cause of the rise in right-wing populism, only came into play later.

**And what about the populists in the West?**

Right-wing populist victories in the West can be traced back to profound transformations since the 1980s, especially globalisation. Many people, especially in former industrial hotbeds, such as central and northern England or in the Rustbelt states in the US, could be described as the losers of those changes. **By promising to change the status quo which people felt was not working for them, the right-wing populists collected protest votes and managed to mobilise non-voters.** In this respect, this “annus horribilis” of 2016 can be interpreted as a backlash against the previous liberal order – although in many respects it actually reinforces it.

Left-wing parties were not able to take advantage of this disillusionment in the same way, in part because once parties like Syriza in Greece and the Five Star Movement in Italy were in power, they had to make compromises and in the end were not able to really change the status quo. Partly because the moderate Left was too weak to present a credible political alternative, and in many cases advocated neoliberal reforms too. Barack Obama, for example, in bailing out the banks to prevent another depression created a coalition between the Democrats and the financial sector which allowed Donald Trump to successfully portray Hillary Clinton as allied with Wall Street during the 2016 presidential election campaign.

Centre-left parties in post-communist Central and Eastern Europe advocated neoliberal reforms even earlier, since the early 1990s. This was greatly due to the nature of their experts and their technocratic reform traditions.

**You've spoken before about how the Polish documentation centre Karta launched a memoir competition for teenagers. Why was that important?**

In 2009, on the 20th anniversary of 1989, this memoir competition asked young people how they experienced the transformation. Looking at the entries, it occurred to me that there is a huge discrepancy between the official narratives of transformation as a success story and what people themselves experienced. The young people acknowledged material progress, but also critically reflected on the transformation from their own subjective experience: many mentioned parental unemployment, and many did not like how their parents had to commute far to work. General insecurity permeated these childhoods.

**During the upheaval, you spent a lot of time in East Berlin, the Czech Republic and Poland. What were your experiences?**

Since 1989 there has been a rapid disillusionment about democracy, for various reasons. First, there were massive corruption scandals associated with privatisation and other elements of reform, which often also involved representatives of parties led by former dissidents. Secondly, there was a fairly rapid establishment of party-based parliamentary democracy, while many people would have instinctively favoured a kind of unified movement – as originally foreseen during the revolution – and thus many citizens were unable to find their place in the new party system.

But most important was that the upheaval was so fast and so massive that people were completely overwhelmed by it: they were either concerned about sheer survival or – if they were amongst the winners of transformation – about their careers. And that has generally meant dealing with politics only on the margins of their life.

**Did an interest in politics return over time?**

If you measure interest in politics by voter turnout, it has steadily decreased. Poland had a voter turnout of over 50 per cent in 1993, which steadily declined to only 46 per cent in 2001. The reason for this was the widespread perception that it did not really matter who won, because politics would not change anyway. This was also the case in the Czech Republic, where the de facto grand coalition between Václav Klaus (founder of the Eurosceptic and free-market Civil Democratic Party) and Miloš Zeman (the then chairman of the Czech Social Democratic Party) triggered massive protests. In Hungary, meanwhile, there was a strong polarisation between post-communists (or socialists) and the conservatives of Orbán's party, Fidesz.

**In 2004, most of these new democracies entered the EU. Have the hopes and expectations of 1989 returned during this time?**

EU enlargement once again lifted expectations. But one of the problems was that – just like German unification – it was actually an extension of the existing Western system that offered relatively little space for these Central and Eastern European countries' own paths and priorities. Another conflict, this time external, divided new EU countries from the old: the Iraq War. This first major post-Cold War split between West and East saw new EU member states get on board with the American invasion and the idea of exporting democracy, while the old EU countries were justifiably worried about the consequences.

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### **What were Eastern Europe's priorities at the time of transition?**

In autumn 1989 (and even earlier in Poland), demonstrators and dissidents advocated a certain set of values. In addition to freedom, they wanted humanity (in Czech, there is a special term for this: *lidskost*), human dignity, and solidarity. A few years into transition, not much remained of the values of the democratic revolutions. Freedom was reduced to its economic dimension, while in 1990 the focus was on coping with the economic crisis. Nevertheless, these values are still relevant, as are the demands for radical democratisation, even inside enterprises. Today, in view of the counter-revolutionary tendencies, especially in Russia and Hungary, one should be mindful of these values.

### **What did these new democracies bring with them from the socialist era?**

At the beginning of the democratic revolutions, and in parts of the population, the prevailing view was that the social achievements of socialism could be preserved in a market economy. That hope was soon lost due to the 1990 economic crisis. Advocates of a "third way" did not get anywhere politically.

**But there are also positive aspects of the transition. For example, Ukraine and Poland were at the same economic level in 1989, and now Poland – which joined the EU in 2004 – has a per capita GDP three times higher than Ukraine.**

With this measurement the transformation is of course a huge success, and it would be wrong to completely condemn the Balcerowicz plan, the "shock therapy" that Poland implemented in 1989.<sup>[1]</sup> But one of the results was a deep social divide between parts of the country where living standards improved significantly, such as in Warsaw, and the so-called "Polska B" regions where people felt left behind. This led to large numbers of people using their votes as a means of protest, especially in the eastern part of the country which is now the stronghold of the governing right-wing Law and Justice party (PiS). In that sense, there was a political price to pay for the radical reforms. This was not only the result of 1990s reforms, but also of the socially insensitive policies of the Civic Platform party, which ruled Poland between 2007 and 2015 and allowed employment contracts to become increasingly precarious. That, together with the fact that a government can be worn down a little bit after eight years, contributed to PiS's 2015 election victory.

**You have said in the past that some of the most radical neoliberal reforms (in line with the Washington Consensus) took place in post-1989 East Germany – but this has been fiercely contested by some who were involved in the economic policies of the post-transformation years. Why are there two different narratives?**

The figures who led the German transformation were not supporters of the Chicago school of economics, and neither were they committed neoliberals – they were so-called ordoliberals. And of course, as in other countries, there were also massive deviations from the Washington Consensus in what they implemented in East Germany. The main differences were, firstly, the social cushioning of reforms through social spending and, secondly, the lack of deregulation; it was rather a process of "reregulation" as the eastern part of the country adopted the West German system. Whether all this can be called neoliberal can be debated, but it does not change the fact that in terms of liberalisation and privatisation the reforms in Germany were particularly radical. Then came the currency reform, when the exchange rate between the West German and the much weaker East German currency was set at 1-to-1. This further reduced the competitiveness of the East. In sum, neoliberal or not, it can still be called a shock

therapy. Many actors of the time still deny this; they claim it all went well, relative to the conditions, and that there was no alternative.

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**But many claim that East Germany benefited from these changes. The engineers of this transformation claim that the 1-to-1 exchange rate increased the East German standard of living, whilst many in West Germany would claim to have spent decades subsidising the East German economy.**

That is true, but the economic intervention has been criticised by many economists, not just from the Left. One of the most prominent critics was conservative economist Hans-Werner Sinn. He said that the economic reforms in East Germany were basically bankruptcy proceedings supplemented by a social plan. The massive deindustrialisation in East Germany – which can now be critically questioned 30 years later – is also a result of this policy.

**To what extent can or should one consider the problems of rising xenophobia and the relative successes of far-right nationalist party Alternative For Germany (AfD) as an East German problem?**

The election results of the AfD are not that extraordinary when compared to the rest of Central and Eastern Europe, such as Jobbik or Fidesz in Hungary. Right-wing populist and right-wing nationalist parties have also often achieved good election results in neighbouring Poland and the Czech Republic.

This success is connected to negative experiences during the transformation: the so-called losers of the transformation tend to vote for such right-wing and nationalist parties. But the AfD's rise cannot be reduced to that. Similarly to Poland or the Czech Republic, we can see relatively well-off parts of the middle class also voting for AfD (for example, in Saxony and southern Germany), a party which until recently was run almost exclusively by West Germans. Sociological research shows that these people are often worried about losing their hard-earned prosperity and long for more social security and recognition. However, one should not forget that nationalism has always been very attractive in the history of Europe, and especially Eastern Europe.

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#### Footnotes

<sup>[1]</sup> In economics, shock therapy refers to the sudden release of price and currency controls (economic liberalisation), the withdrawal of state subsidies, and immediate trade liberalisation within a country, usually also including large-scale privatisation of previously public-owned assets.



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