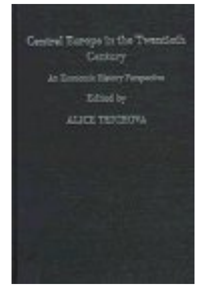
H-Net Reviews
in the Humanities & Social Sciences

Alice Teichova, ed.. *Central Europe in the Twentieth Century. An Economic History Perspective.* Brookfield, Vt.: Ashgate, 1997. xiii + 174 pp. $68.95, cloth, ISBN 978-1-85928-105-5.



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Published on EH.Net (August, 1998)

The contributors to this collection of essays were set the task of critically assessing the post-Communist transitions in Central Europe within their historical context. Most of the authors are practicing economists and economic historians in senior positions in east European institutions. It is the transitions themselves which mainly preoccupy them; their sense of economic history is in the majority of cases weakly developed.

If there is a consistent theme running through the collection, it is about resistance to change, both by observation and by the inclination of the authors themselves. One of the (unintended) uses of the book is, therefore, what it tells us of the attitudes to economic transition, and policy inclinations of East-European academic elites. None of the contributors want to turn the clock back, but the tone of the book is set by Teichova's introductory essay, an outline of the economic history of Central Europe, which hankers for an elusive middle way, eschews the Thatcherist "victory of enterprise culture," and seeks to discredit "shock therapy," while all see the re-building of the social safety net as prerequisite to successful transition.

The most extreme of these views emanates from Jorg Roesler who provides no historical retrospect, and extends his sympathies for the "anger" felt by the east Germans (despite the most generous regional aid programme in history) and warns of the deepening gulf in attitudes between the west and east of the country. His ideal for the east would seem to be west German standards of prosperity linked with perpetuation of the right to rent-guaranteed inefficiency.

The other central European contributors are aware of the absence of a comparably bountiful feeding hand to bite, but form a consensus around the proposition that reform can only progress at a speed compatible with the inclinations and comprehension of the political elites.

Pruca describes economic development in pre-war and Communist Czechoslovakia in terms which differ little from the analyses put out by the country's "liberal" establishment in the 1970s and '80s. He admits that "discontinuity was needed in many areas," but proceeds to condemn the abrupt changes (under Vaclav Klaus) which would "undermine the consensus of society." (For "society" read entrenched opinion formers.)

Returning to "shock therapy:" All excoriate it, yet none bother to explain what the term was intended to mean, by its originator (or populariser) Jeffrey Sachs. They seem to understand "shock therapy" as implying a regime of ruthless cutbacks, but Sachs was more concerned to engineer reversals of inflation expectations, and to use mainly macro-economic tools to impose business discipline on enterprise decision making, and in the widest sense, to foster the norms of civil society.

This task was undoubtedly ambitious, but nevertheless urgent, if the modest wealth of these countries was no longer to be dissipated in supporting failure, and reallocated to meeting human needs. In Henryk Szlajfer's short institutional survey of Poland's development, he notes that in 1988, twenty-four percent of Polish manufacturing industry subtracted value (if its outputs were measured in world prices). Value subtraction was probably an even greater problem for the still more ossified Romanian economy according to Daniel Daianu, who advocates the outright closure of the value-subtracters, and the restructuring of unprofitable enterprises which nevertheless add value. Fine--but this surely is the crux of the matter--organized, entrenched opinion is in eastern Europe closely linked with the value subtracter interest, and Daianu comes close to explaining why. The system promoted the over-expansion of "soft" sectors, (steel, chemicals, machine building) whose outputs were near-unsaleable, because it was easier to expand them than the "hard" sectors (agriculture, consumers goods, energy). So these "soft" leviathans became the leading sectors, politically, as well as economically. Therefore they and their political allies became the bastions of resistance to change, and continued to impose an insupportable rent charge on the rest of the economy.

The economic history of Yugoslavia is described from a Slovenian viewpoint by Franjo Stiblar, but in rather wooden terms. Retaining a nostalgic affection for workers self management, despite its admitted inefficiency, he tells us how many theatres, doctors, and convicted criminals operated in 1938 and 1989 (why?) but little about the causes of Yugoslavia's precipitate economic decline in the 1980s. His essay contains the usual criticism of Markovic's "shock-therapy" reform of December 1989.

The only contribution to address the problem thematically rather than in a national context is Michael Kaser's study of property rights and international indebtedness. He points out that most of these countries have been structural debtors throughout the century. If borrowing had been channelled into useful capital formation, this would not have been unjustified. Czechoslovakia, for example, could have benefited from more borrowing, not less, but unhappily investment under Communism was apt to create net negative property, because of the environmental damage associated with it.

Probably the most interesting study in this book is Fritz Weber's essay on the Austrian economy after World War II. Its experience of reconstruction differed from Germany's, with state control, egalitarianism and employment maximization given priority above price stability (which is why today's shilling is worth only about a seventh of a German mark). Planning was used as a tool (says Weber) for the restoration of the market economy.

The analogy held out for transitional central Europe seems clear. All had elaborate total planning systems. As enterprises consequently had no experience of marketing, and were accustomed to orienting production and the allocation of supplies and deliveries around plan directives, these systems could have provided a transitional tool for re-pricing and reallocating resources, to simulate to some degree the behaviour of a market, yet they do not seem to have been accorded this role.