



**Besnik Pula.** *Globalization Under and After Socialism: The Evolution of Transnational Capital in Central and Eastern Europe.* Stanford: Stanford University Press, 2018. 272 pp. \$65.00, cloth, ISBN 978-1-5036-0513-8.

**Reviewed by** Tobias Rupprecht

**Published on** H-Diplo (April, 2019)

**Commissioned by** Seth Offenbach (Bronx Community College, The City University of New York)

A common narrative about Eastern Europe's globalization starts with the political changes of 1989: first, the new political and economic elites shelved communism, then they (re-)entered the world economy. Scholars who studied this "transition" no longer bothered much with socialism, which they often saw as exogenous to the region's post-1989 history. Socialism was seen in opposition to a market economy, and its legacies as roadblocks to overcome while neoliberal globalization was imported from the outside. Besnik Pula, political scientist at Virginia Tech, questions this view in his book *Globalization Under and After Socialism*. Based on numerous interviews with institutional actors from five East European countries, some historical archival documents, and a lot of economic data, he argues that Eastern European states were forced to react with institutional reforms to a stagnating postwar statist model of development. Some of them integrated their economies into international value chains as early as the 1970s. Eastern Europe's globalization had its roots in reform socialism, and the different paths taken under socialism impinged on post-socialist political economies.

Pula engages mostly with political science literature and seems to strike a balance between the functionalism of the "varieties of capitalism"

school and institutional economics, while expanding the analysis chronologically to include late socialism.[1] As a historian, I do not feel competent to judge the book's theoretical merits; from the point of view of historiography, his argument is certainly convincing, if not entirely novel. In a recent research review, James Mark and I have surveyed what has already become a burgeoning field on state socialism in global history.[2] After socialist Eastern Europe was left out of academic debates on pre-1989 globalization, socialism has been reintegrated into the history of modern globalization in two different ways: as a rather passive victim of a much more competitive global capitalism on the one hand, and as an active co-producer of globalization on the other. While Pula does not address the contested question of the interplay of globalization and the collapse of socialist polities, and overall focuses more on the industrial sector than the state, his account is a felicitous combination of the two strands. He demonstrates how some socialist countries started attracting foreign direct investments (FDIs) and encouraged collaboration with emerging transnational corporations (TNCs), creating paths that shaped economic developments in the 1990s.

Presenting quantitative economic data to show how increasing foreign trade within the

Council for Mutual Economic Assistance (Comecon) from the 1960s had been important for Eastern Europe's industrialization, Pula also argues that socialist modernization was initially more successful than is usually acknowledged. To this end, he contrasts Eastern European GDP growth rates with those of Latin American countries. Yet to gauge the importance of Comecon integration for the success of industrialization, perhaps a more insightful comparison would have been one between different socialist countries, Comecon-focused ones versus those like the German Democratic Republic, Yugoslavia, or Romania, which always traded much more with capitalist Western Europe. I was also missing a discussion of GDP figures, which are notoriously problematic for Eastern Europe. Even if we trust official data, in a planned economy they still are no indicators of a successful economy as they only quantify production, not what is actually received by the population.[3]

But Pula does not push this argument too far and readily acknowledges that these highly regulated economies soon reached their institutional limits, which led to the reorientation in the 1970s. The end of extensive growth, rising energy costs, easy access to credits from petrodollar-swamped Western banks, and Western interest in expanding trade to boost their own crisis-struck economies, made most Eastern European states turn to import-led growth. Pula recapitulates a familiar narrative here, but occasionally I thought that the role of Eastern Europe as co-creator, rather than victim, of globalization could have been pointed out more. He presents Eastern Europe and the USSR as borrowers in the Eurodollar market, suggesting that high external debt contributed to the undermining of these economies. True for some Eastern European states such as Poland and Hungary, but did not the USSR actually help create that market in the first place, moving its foreign assets from the US to Europe to protect it from confiscation and then, after the oil crisis, parking its own, raising hard-currency oil in-

comes in London and Paris? Per capita foreign debt in the Soviet Union remained low until perestroika, and by the time of its breakup the USSR was actually an international net creditor (yet without hope to see again much of the loans given to its Third World allies).[4]

Globalization is defined in the book as the post-Bretton Woods structural changes in the global economy, characterized by expansion of world trade, an even greater expansion of international finance, and the rise of TNCs. But one could argue that globalization is not only about FDI and TNCs; it is also about international organizations and the circulation of people and ideas. Other scholars of Eastern Europe's globalization are studying socialist states' membership in International Monetary Fund and World Bank, the global movements of its ever-worldlier elites, and their ideas, especially their economic ideologies, and are thus creating narratives that give a more active role to Eastern European actors in this process.[5] Pula goes to some lengths to explain why Czechoslovakia, where all economic reforms were halted after 1968 and hardly any FDI came into the country, still developed along similar patterns as its East European neighbors after 1989. But there is not much of a discussion of people and their ideas, which I think go a long way in explaining the similarities among post-1989 developments in Prague, Warsaw, Budapest (or Tallinn, Riga, and Vilnius, which are not discussed in the book). Many of the new men in charge of economic policies received training by the IMF in the 1980s, studied at Western universities, were part of international academic communities, and read the same literature. Some, among them the Czechoslovak economist Vaclav Klaus, were members of neoliberal think tanks such as the Mont Pèlerin Society. While I agree that 1970s connections led to a legacy of ties with TNCs in some socialist countries that mattered in the 1990s, I do not think that this devaluates other accounts that focus on economic policies post-1989 and cultural

or social ties with the West—they clearly mattered, too.

Toward the end of the book, Pula refines his argument and is very careful to avoid any suggestion of a determined development, pointing at contingencies throughout. Over time, he shows convincingly in his study of the second wave of economic reform in the late 1990s and early 2000s, legacies mattered less and economic policies mattered more. Across the region, states turned to more FDI and export orientation, and this now also included the Czech Republic, Slovakia, and the latecomers Romania and Bulgaria, obviously motivated by the prospect of EU-accession. Pula distinguishes between three different roles that Eastern European states assumed in international commodity chains for TNCs, as “assembly platforms,” “intermediate producers,” or a combination of both, and argues that for the former, where transnational production remained largely isolated from the broader local economy, the attraction of more FDI has not led to an increase in know-how and will potentially create problems in their future economic development.

Pula has written a carefully researched and very nuanced study of the international integration of Eastern European companies, with the convincing argument that development strategies of postsocialist elites had much to do with legacies of socialist economic policies and institutional outcomes of economic restructuring and reorientation. Pula has clearly established that there were economic roots of globalization in Eastern Europe before 1989. Non-social scientist readers might struggle a bit with the theoretical sections of the text and wish for more discussion of those people who actually decided on and lived through these economic reforms. It will be for others to complement these aspects of the pre-1989 history of Eastern Europe’s globalization and to historicize local elites’ visions of political reform and global economic integration during and after socialism.

## Notes

[1]. Cornel Ban, *Ruling Ideas: How Global Neoliberalism Goes Local* (New York: Oxford University Press, 2016); Dorothee Bohle and Bela Greskovits, *Capitalist Diversity on Europe’s Periphery* (Ithaca, NY: Cornell University Press, 2012); and Peter Hall and David Soskice, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (New York: Oxford University Press, 2001).

[2]. “The Socialist World in Global History. From Absentee to Victim to Co-Producer,” in *The Practice of Global History: European Perspectives*, ed. Matthias Middell (London: Bloomsbury, 2019).

[3]. Peter Passell, “Dr. Jeffrey Sachs, Shock Therapist,” *New York Times*, June 27, 1993, <https://www.nytimes.com/1993/06/27/magazine/dr-jef-frey-sachs-shock-therapist.html>.

[4]. Jeremy Friedman, *Shadow Cold War: The Sino-Soviet Competition for the Third World* (Chapel Hill: University of North Carolina Press), 219.

[5]. Johanna Bockman and Gil Eyal, “Eastern Europe as a Laboratory for Economic Knowledge: The Transnational Roots of Neo-Liberalism,” *American Journal of Sociology* 108 (2002): 310-52.

*Tobias Rupprecht is lecturer in Latin American and Caribbean History at the University of Exeter. He is the author of Soviet Internationalism after Stalin: Interaction and Exchange Between the USSR and Latin America During the Cold War (Cambridge University Press, 2015).*

If there is additional discussion of this review, you may access it through the network, at <https://networks.h-net.org/h-diplo>

**Citation:** Tobias Rupprecht. Review of Pula, Besnik. *Globalization Under and After Socialism: The Evolution of Transnational Capital in Central and Eastern Europe*. H-Diplo, H-Net Reviews. April, 2019.

**URL:** <https://www.h-net.org/reviews/showrev.php?id=53402>



This work is licensed under a Creative Commons Attribution-Noncommercial-No Derivative Works 3.0 United States License.