

## Reviews

### **Ghodsee, Kristen - Orenstein, Mitchell., 2021: Taking Stock of Shock. Social Consequences of the 1989 Revolutions.**

Oxford: Oxford University Press. 288 s. ISBN 9780197549247.

This book project started as a conversation between the authors about Branko Milanović's 2014 blog post, 'For Whom the Wall Fell? A Balance Sheet of Transition to Capitalism'. In this short essay, Milanović, a former World Bank economist, argued that the transition to capitalism had been a relative failure for most East European citizens. The book's authors — Kristen Ghodsee, an ethnographer who has been conducting fieldwork and research in Eastern Europe for almost twenty-five years, and Mitchell Orenstein, a political scientist who has specialised in the political economy of Eastern Europe since 1990 — disagreed with Milanović, but for very different reasons. Ghodsee, who had conducted much of her research among women and ethnic minorities, believed that Milanović's findings were essentially correct but underestimated the negative impacts of transition by focusing only on GDP, inequality, and democratic consolidation. Orenstein, on the other hand, who conducted research on the transition processes in Poland and the Czech Republic, believed that Milanović's findings were too pessimistic. In their conversation, they then tried to get to the root of their differences without simply dismissing the other's position, which eventually turned into book-length debate answering the question: What were the social impacts of the transition that started in 1989 in Central and Eastern Europe and in 1991 in the Soviet Union?

The book is unique in that the authors have managed to translate the spirit of honest debate into a genuine conversation between different approaches and disciplines without merely juxtaposing them, although the structure of the book suggests otherwise. It consists of four main parts (further divided into specific chapters) organised according to the type of evidence they contain: economic, demographic, public opinion polls, and ethnographic. However, each individual part already suggests various tensions when confronted with other types of evidence. For example, a table of economic indicators in the first part may be complemented by a short reference to demographic indicators (elaborated in the second part), enlivened by an ethnographic vignette (presented fully in the last part), or paired with a statement by an economist who has changed his mind on 'shock therapy' after thirty years of transformation. In this way, the

plasticity of the narrative arises even within individual chapters, and not only in the context of the whole book, which would be difficult to grasp. This makes a book on a complex and often technical subject extremely readable and, I believe, accessible to a wider audience.

### **Inequality as the explanation for two distinct but not mutually exclusive narratives about the transformation**

The authors start their examination by claiming, based on an analysis of a wide range of economic and demographic indicators, that different transitions have occurred in different sub-regions. Indeed, the Visegrad countries most closely resembled the J-curve model, with a transitional recession that was smaller and shorter, followed by significant growth and improvement in life indicators such as population and life expectancy. Most other post-communist countries saw a U-curve transition, with a protracted and deeper transitional recession that reached its nadir in 1999, taking at least twenty years to bring GDP and life expectancy back to 1989 levels. Some countries, such as Georgia, Moldova, or Ukraine, performed worse, never regaining the levels from before 1989. However, the authors' goal is to move beyond this J-curve and 'disaster capitalism' dichotomy, arguing that dividing countries into 'winners' and 'losers' does not work, as the contradictory evidence on transformation is not only between the countries but more importantly also within them.

According to authors, a key element in explaining the conflicting evidence on the impact of transformation is an increase in inequality that is not captured by most economic indicators. For instance, even in Visegrad countries, where the tax systems were more redistributive and welfare states were stronger than in other post-communist countries, the gap between average household income and GDP per capita growth exceeded that in the United States by a factor of two over the last three decades. According to one study quoted by the authors, the top 10 per cent of earners 'captured almost two-thirds of post-communist economic growth' (p. 40). At the same time, the authors argue that the perception of inequality is based not only on a relative understanding of one's own socio-economic situation, but also with respect to the objective increase in poverty. Measured in absolute terms of \$5.50 a day established by the World Bank due to the high cost of heating in cold climates, during the first decade of transition until its peak in 1999, 47 per cent of the total population in the region fell below the poverty line. The sudden appearance of severe material deprivation in societies that had once sought to meet all basic needs represented a mo-

ral offence to many people, not only to those impacted, an aspect that was completely ignored by policy makers and economists.

The authors present various potential criticisms of this approach to measuring poverty; however, the consequences of inequality, which have often been trivialised, are shown in the second chapter on demographic evidence. For instance, in nineteen post-communist countries, mortality rates remained above 1989 levels in 2016, and there was a significant decline in fertility and life expectancy. These impacts were, of course, not evenly distributed; health consequences were concentrated in certain groups more than in others. For example, it was predominantly poor and less-educated men who turned to alcohol when they lost their jobs, and homicide and suicide rates doubled or even tripled in many countries. Out-migration also says a lot about the impact of the transformation; the authors offer an analysis of migration that is unusually harsh towards Western countries, even pointing to experiences of exploitation and humiliation that many Eastern Europeans have experienced. Moreover, they write, those who argue for the positive effects of return migration assume that there is a place to return to, but this hypothesis is complicated by the mass migration of people from rural areas and small towns to the large metropolitan areas, which benefited most from the liberal economic policies of the 1990s. The authors argue that new welfare systems of targeted aid often failed to help their intended beneficiaries for practical reasons; for example, those who remained in rural areas found it difficult to apply for support from the social and geographical periphery.

The authors explore the possibility of explaining the deterioration in various demographic indicators in terms of psychosocial stress during the transformation. For instance, recent research shows that rapid privatisation in monotowns meant higher mortality rates. While granting that it is difficult to establish causality from correlations, and taking similar studies with a grain of salt, the authors claim nevertheless that it is important to start a debate about how significant the association between deteriorated demographic indicators and transformation is, not to deny that it exists. Indeed, many economists and (former) policy makers question the reality of these human costs or argue that they had nothing to do with the reform process. According to the authors, such denial actually created a perception of victimhood on behalf of the populations of the region that has real political consequences today. Very few had the courage to admit mistakes that could have been avoided. For instance, Olivier Blanchard, the author of the IMF and World Bank guideline 'Reform in Eastern Europe', wrote that, in retrospect, it would have been wiser to maintain many of the

universal poverty-reducing subsidies instead of implementing targeted aid. Could the mistakes actually have been avoided?

### **‘Experts’ on democracy ignoring the public, eroding social trust**

In 2006, the World Bank and the European Bank for Reconstruction and Development conducted the first comprehensive public opinion poll that included all transforming countries (unlike previous surveys such as the Eurobarometer or the New Europe Barometer). Previously, public perception of the continuing transition process had not been regularly surveyed by international financial institutions. The researchers were surprised that a majority of those surveyed were disillusioned with markets and democracy. However, they decided to present the results in a positive light and focused on the young, urban, and educated respondents who felt good about their future prospects, although they were only a minority. In other words, international financial institutions relied on the assumption that a gradually rising standard of living will lead directly to satisfaction, and ignored general alarmingly low levels of trust in public institutions and in fellow citizens.

It is not surprising that the ‘winners’ were most committed to spreading the idea that the shift to liberal democracy and market economy was a qualified success. However, as the polls showed, it was not only ‘losers’ who expressed their dissatisfaction with the development. According to the authors, several polls have indicated that many people did not think about transformation only through their own narrow self-interest, but also from a societal perspective. Nevertheless, international experts and local policy makers neglected local specificities and applied recipes that were often mechanically taken from reform proposals for Latin America (the so-called Washington Consensus). Yet a special survey of the International Social Justice Project revealed that a majority believed post-communist countries were already too unequal in 1991, which reflected a very different vision of society than that promoted by governments and international institutions.

Based on opinion polls that are compared in this way for the first time, the authors build an argument that the majority of the population of post-communist societies did not understand growing inequality as an inevitable consequence of meritocracy, because their life experience did not correspond to it. While the winners of the transformation embraced the philosophy of selfishness, the rest of the population understood that it was the most reckless who had succeeded. Eventually both groups, one out of opportunism, the other out of necessity, turned all their attention to their private lives and proceeded to

devalue everything public and collective. This was an adaptation to the top-down framing; for example, it was not until 1996 that the IMF and the World Bank also began to incorporate the insights of institutional economics and re-think the role of the state. However, this only applied to the countries joining the EU, and even here this process was not entirely successful, for instance, when one considers the situation of the judiciary, which was crucial then and is still very fragile today.

The moral upheaval associated with transformation is as important as the material deprivation, and the authors seek to understand it through ethnographic studies. They provide a very vivid picture that, compared to accounts focusing on statistics, gives the book almost the feel of a novel. But far from being only about aesthetics, ethnographic studies are best suited to answer 'why' questions. The authors attempt to select studies from all regions studied, and summarising them all in this review is impossible. However, for the sake of illustration, we can compare the studies from the Bulgarian countryside and from Prague. As the Bulgarian government moved to break up the collective farms, the ethnographer Gerald Creed, who lived and worked on a collective farm between 1987 and 1997, found that the villagers actively resisted de-communalisation because they did not want to return to a long-gone system of peasant farming without mechanical equipment. These people experienced the transition to capitalism as a return to pre-modernity, while socialism meant modernisation. Another story is offered by the sociologist Elaine Weiner, who lived in Prague and conducted formal and informal interviews with women between 1999 and 2000. Her sample included women in management positions who saw themselves as 'winners' of the transformation, as well as 48 female manufacturing workers whose social situations either remained the same or got worse after 1989. However, Weiner discovered that, rather than being critical of the new system, the factory workers thought that by sacrificing themselves for their children's future, things would be better for the following generation. Thus, unlike Bulgaria, in the Czech Republic, which according to all indicators fared best in the transformation, it was possible to believe in the future as progress. However, it also makes us wonder how those working people will relate to democracy if, in the end, their children are not better off despite their self-sacrifice.

### **Processing trauma and learning a lesson**

The book is primarily a call for serious debate, not an attempt to resolve the issues definitively. Although it proceeds schematically by outlining several

dichotomies (e.g., ‘winners’ versus ‘losers’; the ‘J-curve’ versus ‘disaster capitalism’), it then explores the interstitial space with care, and thus does not persist in merely demarcating itself against extreme views, which would be intellectually weak and also boring to read. Ethnographic studies in particular show that transformation can be understood as a collective trauma in many countries and for many population groups, and that such a label is not an inappropriate transfer of a psychological diagnosis to a social situation, but an apt term. Indeed, the book shows what happens when narrowly conceived economic reform overlooks the impacts on all areas of life. Such trauma needs to be talked about, not repressed.

That is why such a debate is very relevant from today’s point of view. It is necessary to link the stories of success and failure that coexist and to learn from the negative effects that an increase in inequality brings. In retrospect, it cannot be said that either shock or gradual transformation had a clear impact on success. One of the architects of the transformation, Jeffrey Sachs, concluded in a 2018 article that successes in the transformation could be explained by three factors: 1) years of membership in the EU; 2) physical distance from the heart of the EU economy, taken to be Düsseldorf; and 3) annual revenues from oil and gas production, reflecting natural resource deposits. Speed as a factor is missing. Hence, in retrospect, we can say that there was much more room for an active role by the state, which could have prevented many negative effects. After all, what didn’t happen in the past is now coming to pass in the worse form of authoritarian nationalist capitalism in Poland and Hungary (if we take only EU countries that are relatively well off economically), while in the Czech Republic and Slovakia are still finding it hard to escape market fundamentalism. Leaving it and not going the Polish or Hungarian way can be a great opportunity, for which this book is a powerful inspiration.

If I were to mention some limitations of the book, I would say that it is repetitive in places. But this is to some extent an unavoidable side effect of trying to link all four types of evidence. Perhaps a more important shortcoming is the attempt in the conclusion to talk about the alternative development of the region through a West-centric paradigm, which slightly contradicts the whole philosophy of the book. The authors make invisible the intellectual heritage in the region itself that cannot be easily assimilated by Western concepts, whether it is the ‘third way’ cliché or the welfare state (which in both cases in fact represent systems with high inequalities compared to former ‘communist’ societies). The idea that transformation was from the beginning an unambiguous pursuit of a ‘market economy’ is ahistorical. For instance, in intellectual circles there was dissent on the left that played a significant role in 1989/1990 but was

side-tracked after a few months. This also explains the depth of the disillusionment, notwithstanding the economic success in the Czech Republic, for example. But this is rather a detail and, as already indicated, the book's conclusion is not the most important thing; what is important is the shift in the debate that the book itself represents.

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