

# Tyranny of neoliberalism in Eastern Europe

Europe  
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Visitors on cheap weekend breaks to Budapest, Prague, Warsaw and other capitals of "new Europe" may well return home believing the standard Western orthodoxy: The former communist nations of Eastern Europe are vibrant, thriving places, populated by increasingly prosperous people, reaping the benefits of their country's integration in Euro-Atlantic structures. If, however, tourists strayed beyond the main boulevards and city-center attractions, they would see a very different picture - one which the enthusiasts for economic reform are less keen to be highlighted.

The statistics speak for themselves. GDP in the former communist states fell between 20 percent and 40 percent in the decade after 1989 - an economic contraction which, in the words of Budapest economist Laszlo Andor, "can only be compared to the Great Depression of the 1930s". Only Poland had managed to return to its 1989 level of output by the end of the 20th century.

Hungary, considered by many the most "advanced" economy of the region - and certainly the one most open to foreign investment - had to wait until 2002. While a minority have seen real wages rise, for the vast majority in

the countries in question, the transition process has witnessed a spectacular fall in living standards. In Hungary, average real wages fell by 24 percent in the first six years of transition; in the Czech Republic it was only in 1997 that average, real wages reached their 1989 level.

Inequality has risen sharply. Countries that not so long ago prided themselves on their egalitarianism now challenge Britain at the top of the European income inequality tables. Unemployment is widespread, particularly among the young: In Poland, 39 percent of under-25s are without a job - the highest figure in Europe; in Slovakia, 27 percent.

Faced with such grim economic prospects, thousands have voted with their feet, preferring the uncertainties of a new life abroad to pauperization at home.

Reformers blame problems on the legacy of 40 years of communism. But could it be that the reform process itself is responsible? Far from being a panacea, as claimed by Eastern Europe's political elite, following the IMF-EU economic prescription has caused hardship for millions.

In return for enduring 15 years of austerity, the average Czech has received the equivalent of 29 euros of aid - com-

pared to the 437 euros per capita Greece received on accession in 1981. The average Hungarian (49 euros) and the average Pole with (67

known nothing else.

While spending on health care, education and welfare continues to be slashed, one item of government expendi-

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euros) have fared little better.

For those countries determined to join the euro by 2010, the economic cost will grow even higher. The EU's 3 percent budget deficit rule for euro members means that a fresh wave of deflation is on its way for populations which, since the late 1980s, have

ture is, however, allowed to rise with the neo-liberals' full approval. Membership of NATO - the other Western club that Eastern Europe's reformers were so desperate to join - means that member states must spend at least 2 percent of their GDP on defense, regardless of the

impact on overall state expenditure.

At the same time as the Hungarian government insists that there is no alternative to the "economic reorganization" of the country's public health service, the Hungarian Defense Ministry announces it will spend an extra £7.7 million on new medium-range, air-to-air missiles from the US arms manufacturer Raytheon. This is on top of a further £34.5 million earmarked for training reforms to "adapt" the armed forces to the demands of NATO and EU membership. In Poland, a country where 17 percent of the population now live below the poverty line, the government has recently spent \$3.5 billion on new fighter planes and \$250 million worth of anti-tank missiles. Throughout the region, groups and political parties who have opposed the Euro-Atlantic integration process are portrayed as extremists by the predominantly Western-owned media.

In reality, the extremists are those who have surrendered the management of their economies to the dictates of foreign capital and unelected Western institutions.

Did it all have to be like this? Thirty years ago many European progressives believed that the Cold War would eventually end with the

Western European social democracies becoming more socialist, and the Eastern socialist states becoming less authoritarian. We would all, they argued, meet in the middle in the best of all possible worlds - part Kreisky's Austria, part Kadar's Hungary. Global capital and its political emissaries made sure this never happened. Instead of morphing into 1970s Austria, with its mixed economy, welfare state and minimal disparities in wealth, new Europe has instead become 1980s Latin America.

But, however bleak the immediate vista, not all is lost. An alliance between the liberal nationalist Fidesz Party and the Marxist Workers Party in Hungary would have been unthinkable a few years ago. But both parties recently joined together to campaign for a referendum to stop the government's proposals to privatize health care.

The Fidesz leader, Viktor Orban, has also conceded that for many, life was indeed better under communism. It's only a start, but if opposition groups can come together and form effective popular fronts against the tyranny of neoliberalism, new Europe can revive, and become an attractive place not just to Western tourists on weekend breaks, but to its own populations as well.