

Taking Stock of Shock

*Social Consequences of
the 1989 Revolutions*



KRISTEN GHODSEE AND
MITCHELL A. ORENSTEIN

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For our children and other members of Generation Z who started university in the midst of a pandemic. May the shocks to come not limit your horizons.

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Acknowledgments

THIS BOOK BEGAN as a discussion between Kristen Ghodsee and Mitchell Orenstein on whether the economic transition from state socialism to capitalism had been an economic success. We debated these issues, responding to economist Branko Milanovic's short 2014 blog post, "For Whom the Wall Fell," and came to realize that our disciplinary understandings and regional experiences diverged sharply. We began to collect data from a wide variety of sources and to reach out to scholars from different disciplines to discuss and present our preliminary findings. We deeply appreciate the feedback we received from presentations at Penn's Population Studies Center, the Philadelphia Europeanists Workshop at Temple University, the International Conference on Global Dynamics of Social Policy at the University of Bremen, the Polish Sociological Congress in Wrocław, and Berlin's Center for East European and International Studies (ZOiS). We also drew insights from participants from the conference that we organized on the Social Impacts of Transition at the University of Pennsylvania and from the World Bank's Europe-Central Asia Chief Economist's Office, including Maurizio Bussolo, who co-sponsored the conference. We would like to thank all sponsors of that conference, including Penn's University Research Fund, School of Arts and Sciences Dean's Office, Population Studies Center, and Perry World House, whose workshop grant provided core funding and research assistance.

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Authors' Note on Terminology

ANYONE WRITING AN interdisciplinary book that includes perspectives and data from economics, political science, sociology, demography, and cultural anthropology will inevitably encounter disagreements about terminology. Different disciplinary traditions have specific vocabularies, and the same term can acquire vastly different meanings across scholarly contexts. In this prefatory note, we try to address a few of the most contested terms and concepts as they are used in this book.

In the discipline of political science, it is common to refer to the countries of Eastern Europe that once had planned economies and authoritarian rule as “communist” countries, because these countries were led by communist parties (the Bulgarian Communist Party, the Romanian Communist Party, etc.) that often referred to themselves as “communists.” These communists, however, called the political and economic system of their countries “socialism” or “real-existing socialism” because in Marx’s historical materialist view, socialism was a stage on the way to communism (when the state would eventually wither away). Communism was their ultimate goal, but they recognized that they were stuck in the “dictatorship of the proletariat” stage of socialism. In anthropology and history, therefore, these countries tend to be referred to as “socialist” or “state socialist” (to differentiate them from the “democratic socialist” or “social democratic” countries of Scandinavia). When referring to the period after 1989 or 1991, different disciplines call these countries “postcommunist” and “postsocialist,” and scholars and citizens in the region use these terms interchangeably. Some scholars, activists, and policymakers prefer to use the terms “communism” and “postcommunism” to refer to the twentieth-century experiments with Marxist ideology so they can differentiate those experiences from the contemporary salience or potential future for something called “socialism” or “democratic socialism.” Others prefer to call these societies “socialist,” because that is what they called themselves. In this book, we use these terms interchangeably, particularly when quoting from different scholarly sources that use the terms in different ways. This

will inevitably cause some confusion for the reader, but we want to make it clear that as authors we are trying to respect the terminologies of different disciplines without making political judgments.

Similarly, anthropologists have critiqued the term “transition” to refer to the changes in Central and Eastern Europe and Central Asia following 1989–91 because it implies the inevitability of an endpoint of multi-party democracy and capitalism. Some scholars preferred the term “transformation” because it kept open the possibility that these countries might transform into different forms of authoritarianism or even return to some kind of feudalism before they embraced parliamentary democracy. Moreover, the term “transformation” recognizes that the transition to a functioning market economy might not happen at all, and instead these countries might transform into oligarchies or dysfunctional state kleptocracies. Despite these nuances, we favor the term “transition” because it is the term used most frequently by international financial institutions, Western politicians, and policymakers as well as by politicians and policymakers in the region.

We are also well aware of the ongoing debates about whether we should still be using the “transition” paradigm and whether these countries should be pigeonholed as postsocialist or postcommunist, since the socialist era only represented a small fraction of their histories. Chari and Verdery argue that we should be talking of a shared global “post–Cold War” history, since the term “postsocialist” ghettoizes Eastern Europe and prevents a shared analysis with those working in the post-colonial context.¹ While acknowledging problems of continuing to use the “post-” prefix for a political and economic reality that ended over three decades ago, we believe that the postsocialist framework remains relevant because of the unique shared experience of dismantling centrally planned state-owned economies and their sudden insertion into a global capitalist economy that produced distinct classes of winners and losers.

Finally, many scholars have resisted the formulation of “Eastern Europe and Central Asia” as a coherent region, insisting that these countries have centuries of history, and charge that it is intellectually imperialist of Western scholars and policymakers to define them by a mere four to seven decades of their recent history. While we are both sensitive to and cognizant of this critique, we persist with this framework because we are specifically interested in examining the social impacts of the transition/transformation of these societies after 1989–91 when they entered (or were forced to enter) the global capitalist economy. More important, economists and policymakers still consider this region as some kind of coherent whole and are deeply invested in ensuring that the transition from communism to capitalism is perceived to be a historical success, thanks to the advice of Western experts working in concert with local elites. Anthropologists,

architects, and urban planners also tend to see important similarities in the post-socialist cultures, physical structures, and built environments of the region, examining the affective and material legacies of the shared socialist past. We therefore adopt this conception of the region in part to engage with these claims on their own terms.

The attempt to write a book across so many disciplinary boundaries and engage with the frameworks proposed and propagated by international financial institutions requires that we adopt some terminologies that we ourselves might find problematic. We accept that scholars and policymakers from different backgrounds might find issues with the way we label different concepts, or question the relevance of the concepts themselves, but we sincerely hope that these largely semantic differences can be overcome for the sake of creating a robust interdisciplinary conversation about the social impacts of the events of the last three decades in Eastern Europe and Central Asia.

Introduction

TRANSITION FROM COMMUNISM—QUALIFIED SUCCESS OR UTTER CATASTROPHE?

IF YOU HAD traveled to Prague, Sofia, Warsaw, Dushanbe, Kiev, Baku, or Bucharest in 2019, you would have found glittering new shopping malls filled with imported consumer goods: perfumes from France, fashion from Italy, and wristwatches from Switzerland. At the local Cineplex, urbane young citizens queued for the latest Marvel blockbuster movie wearing the trendiest Western footwear. They stared intently at their smart phones, perhaps planning their next holiday to Paris, Goa, or Buenos Aires. Outside or below ground, their polished Audis, Renaults, or Suzukis were parked in neat rows, guarded by vigilant attendants. The center of the city was crammed with hotels, cafes, and bars catering to foreigners and local elites who bought their groceries at massive German and French hypermarkets selling over fifty types of cheese. Compared to the scarcity and insularity of the bleak communist past, life in Central and Eastern Europe and Central Asia had improved remarkably. Gone were the black markets for a pair of Levi's jeans, a skateboard, or a pack of Kent cigarettes. Banished were the long lines for toilet paper. People could leave the country if they pleased, assuming they had the money.

In these same capital cities, often not too far from the fashionable center or in their rural and industrial hinterlands, pensioners and the poor struggled to afford even the most basic amenities. Older citizens chose between heat, medicine, and food. Unemployed youth dreamed of consumer goods and foreign vacations they could never afford. Homeless men slept haphazardly on park benches, and frail grandmothers sold handpicked flowers or homemade pickles to busy passersby. In rural areas around the country, whole families had returned to subsistence agriculture, withdrawing from the market altogether and farming their

small plots much as their ancestors did in the nineteenth century. Young people without resources fled the countryside in droves, seeking better opportunities in metropolises such as Warsaw, Moscow, and St. Petersburg or in Western Europe. Even those with resources were desperate to live in a “normal” country and often sought to further their education and employment opportunities abroad. No country was too far if the wages were higher than those at home. Faced with ongoing struggle, many women delayed childbearing, giving up hope that their countries could reform. Economic suffering and political nihilism fueled social distrust as nostalgia for the security and stability of the authoritarian past grew. New populist leaders seized this discontent to dismantle democratic institutions and undermine fair market competition.

These two worlds existed side by side. Both were born in the wake of the dramatic fall of the Berlin Wall in November 1989. After a decades-long ideological conflict that defined much of the twentieth century and brought the world to the brink of total nuclear annihilation, the Cold War just ended. Almost overnight, more than 400 million people found themselves in nations transitioning from state socialism and central planning to liberal democracy (in most cases) and free markets. With remarkable speed and relatively little bloodshed, the once communist countries of Central and Eastern Europe and Central Asia threw off the chains of authoritarianism and decided that if they couldn’t beat the West, they might as well join it.

For the most part, the world celebrated the peaceful ending of superpower rivalry. Leaders and citizens of the prosperous, colorful West imagined themselves as welcoming saviors to the tired and downtrodden masses of the poor, gray East. Celebrating access to previously inaccessible bananas and oranges, color TVs and erotic toys, leaders of the triumphant West promised prosperity and liberty. For the prize of political freedom and economic abundance, no cost seemed too high, and the initial postsocialist years were a mixture of euphoria and heightened expectations. But like the promised land of the once bright communist future, the new utopia could only be achieved by suffering through a time of great sacrifice. Privatization, price liberalization, and labor market rationalization upended a decades-long way of life behind the former Iron Curtain. Politicians and policymakers understood that there would be social costs associated with the transition to market economies, but no one knew how high they would be. And like the communist leaders before them who hoped to build a new world, no one stopped to ask how high a cost was too high a cost to pay. The social, political, and economic transformation proceeded with limited attention to the human lives that might be devastated by the process. More than three decades later—and with the benefit of hindsight—scholars are beginning to wonder about the people whose lives were upended by the process popularly known in some Eastern European

countries as “the Changes.” This book offers an interdisciplinary examination of one key 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?

Without a doubt, the collapse of communism had an immense impact on both theory and practice. Communism or state socialism¹ represented the most powerful alternative political-economic system to global capitalism and had a direct impact on hundreds of millions of people spread over 10,000 kilometers from Budapest in the West to Vladivostok in the Far East. Despite the massive scale of its world-historic implosion, evaluations of the transition have been sharply divided. On the one hand, some argue that the transition has been largely a success.² Economic reforms led to a recession that lasted a few years in some countries and was more prolonged in others but eventually generated improved rates of economic growth and gains in wealth, per capita income, and life satisfaction. Advocates of this J-curve perspective—so called since the trajectory of economic production and consumption were supposed to follow a J-curve (imagine a Nike swoosh: an initial dip in GDP followed by a gradual but steady increase in the long run)—acknowledge that the transition produced some losers and even aggregate declines at the start. But the belief is that these initial losses (although severe) were more than made up for by improved economic prospects for people over the longer term. Embracing radical change was justified, despite the costs, since the speed of reform largely dictated whether gains were realized more quickly or slowly.

From the opposite point of view, some scholars and politicians portray the transition as a socioeconomic catastrophe of enormous proportions.³ Its effects have been tantamount to the Great Depression of the 1930s. People thrown out of work during the transition never recovered. Social ills grew exponentially. Prostitution and human trafficking thrived. Substance abuse exploded. Poverty deepened. Fertility and family formation plummeted. Life expectancy dropped, catastrophically in some cases. Millions of people abandoned failing states and moved abroad in search of a better life. Governance also suffered: communist institutions collapsed and were replaced not by well-governed Western ones but by corruption, criminality, and chaos. Rather than bringing long-term benefits, the transition produced gains that disproportionately went to a narrow group of people at the top of the income distribution—especially scheming oligarchs with links to organized criminal syndicates and/or former communist state security services. The rest of the population suffered serious long-term damage from which many never recovered. The transition process created a form of insidious klepto-capitalism that reduced hundreds of millions of people to relative poverty and social dislocation, especially when compared to their previous standard of living before 1989/1991.

Which of these two portraits of transition more accurately reflects reality and for whom? These questions have taken on greater salience since the global financial crisis that began in 2008, which some have dubbed the Great Recession. The fallout from Wall Street's collapse emboldened and empowered far-right and far-left populists, who represent a public that seems disenchanted with both markets and liberal democracy. The 2020 coronavirus pandemic and planet-wide economic shutdowns have further shaken faith in the ability of democratically elected leaders to protect their citizens from public health crises and financial ruin. Opinion polls show that people want a better life and are willing to accept authoritarian governance and crony capitalism to produce jobs and economic growth at home. Since many of these politicians and parties in Eastern Europe support a negative image of the transition period, it is an important time to ask: what exactly were the social impacts of transition? Why did perceptions of it become so bifurcated? Why is there no consensus among social scientists about its results? Answering these questions will help to address the most important one of all: Can the negative aspects of transition be addressed without the complete unraveling of the system of markets and democracy that was launched in 1989/1991? And with what repercussions for the West?

It should perhaps come as no surprise that the “winners” of these processes are those most invested in promoting the idea that the shift to liberal democracy and market economy were a qualified success. All questions about the legality or fairness of transition challenge the legitimacy of their newfound wealth. On the other hand, opponents of the Western international order and “losers” of transition point to the many deficiencies of the process, including the violence and theft that characterized the 1990s. A narrative of victimization and belief in conspiracy theories allows those left behind—and those who seek to lead them in a different direction—to blame corrupt elites and foreign powers for their ongoing postsocialist woes. In her book, *Second-Hand Time*, Belarusian Nobel Prize-winning author Svetlana Alexievich gives eloquent voice to the *Sovoks*, the last of the Soviets, for those willing to listen.⁴ These populations cling to their nostalgia for the past, spinning tales about the good old days of state socialist stability and security. As a result, just asking the question—what were the social impacts of transition?—is a deeply political and contested question in the region and the West because different parties have conflicting vested interests in the answer.

An Interdisciplinary Perspective

Ever mindful of this larger context, our initial conversations blossomed into an interdisciplinary perspective where we combine both quantitative and qualitative data to produce a more robust picture of how transition worked in practice and

who were the main winners and losers. The reasons for this approach are simple: different social science disciplines have arrived at contradictory images of the transition process. This is largely because each discipline has employed different methods, different metrics, and different theoretical perspectives. In short, different ways of looking at the transition have produced sometimes incompatible narratives of what happened. While it may be too much to hope that one could reconcile these opposing viewpoints, we believe that we are well placed to present a more holistic view informed by the disciplines of economics, demography, political science, sociology, and anthropology.

Kristen Ghodsee is an ethnographer who has been conducting fieldwork and research in Eastern Europe for almost twenty-five years, and Mitchell Orenstein is a political scientist who has specialized in the political economy of Eastern Europe since 1990. Although our training is in different fields, we have always worked at the intersections of a number of disciplines to examine gender issues or social policy. We have collectively published fifteen books and over ninety journal articles and essays about Eastern Europe and the transition process. In addition to our academic work, we have both written for policymakers and general audiences, trying to engage the wider public in discussions about East European politics, history, and culture. In this book, we hope to provide a general overview of the state of scholarship in several key fields and synthesize it in a new way to make sense of a transition whose bifurcated understandings undermine clarity. We believe that Manichean views are the enemy of true understanding, and that a more nuanced view of the transition process will help us to see what is going on today with the hope of reaching a better tomorrow.

The J-Curve Perspective

One of the two mainstream perspectives on transition is what we call the “J-curve” perspective.⁵ This perspective is popular in economics and political science and bears a close relation to early theories of transition. It is represented in journals such as *Economics of Transition* and embedded in international organizations such as the European Bank for Reconstruction and Development (EBRD) and the World Bank. In many ways, the “J-curve” perspective is the official narrative on transition, pronounced by Western governments, international organizations, think tanks, thought leaders, and their Central and East European partners. It is also the perspective most often championed by the so-called winners of the transition process and embraced by some of the economists responsible for designing transition programs. For instance, Andrei Schleifer and Daniel Treisman argued in 2014 that transition had been an undoubted success.⁶ World Bank economist Marcin Piatkowski claimed that “Poland, the largest economy

among post-socialist EU member states and the sixth largest economy in the European Union on the purchasing power parity basis, has just had probably the best 20 years in more than one thousand years of its history.⁷

In this perspective, transition to markets and democracy in postcommunist countries was bound to be difficult. The move from communism to capitalism would entail a process of what Joseph Schumpeter called “creative destruction.”⁸ The old institutions and practices of communism had to be thoroughly destroyed before new capitalist enterprises and practices could be adopted. This destruction initially would create a deep transitional recession. However, the great creativity unleashed by capitalism would soon wipe out the losses and produce substantial gains. Economic growth and household consumption would dip at first, followed by long-term gains in the shape of a J-curve.

Proponents of a J-curve transition expected that economic growth and household consumption would decline and poverty would grow—for a time. How long? That was never specified exactly, but it was assumed that a few years would be an appropriate length of time. Moreover, reformers expected that the more *radical* and thorough the economic reforms, the *faster* the return to growth would be. Therefore, advocates of the J-curve did not worry too much about severe dips in household consumption. These were expected to be temporary, despite the possibility that if they lasted too long, countries could get caught in a poverty trap.⁹ Reformers advocated safety-net measures and unemployment insurance to prevent the worst suffering, but they also believed that transition had to happen quickly to prevent more severe long-term agony and/or a return to the planned economy. And indeed, advocates of the J-curve hypothesis still insist that this is exactly what happened.¹⁰ Countries that reformed faster and more thoroughly returned to growth quicker. Measures to slow or ameliorate this process only prolonged and magnified the pain—by making the transition recession last longer.

In terms of real-world examples, the Visegrad countries of Poland, Hungary, Czechia, and Slovakia best illustrate the workings of the J-curve transition. These countries experienced anti-communist revolutions in 1989 and began to reform their economies in 1990. Neoliberal economic reforms brought on a deep transitional recession, with per capita GDP declining by between 10 to 23 percent. But these economies bottomed out in 1992 or 1993 and soon began to grow again. By 1998–2000, the Visegrad countries had surpassed their 1989 levels of per capita gross domestic product (GDP). They grew strongly in the 2000s and by 2007 produced per capita GDP levels 40 to 66 percent higher than in 1989. From a strictly economic point of view, these countries achieved a model transition, avoiding the longer and more severe recessions of less avid reformers.

Growth picked up again in the mid-2010s following the global financial crisis. Mercedes, for instance, broke ground in 2018 on a new €1 billion car plant

in Kecskemét, Hungary, beside an existing plant where it already employed 4,000 people and produced 190,000 compact cars in 2017. In 2019, Mercedes reached a wage agreement with Hungarian trade unions to increase pay by 35 percent over a two-year period as well as other benefits, including retention incentives.¹¹ Hungary had become one of the leading automotive producers in Europe, accounting for 29 percent of Hungarian industrial production, approximately 9 percent of its total economy, 17 percent of its exports, and 4 percent of total employment.¹² Based on this and successes in many other industries from fashion to furniture, one 2019 report concluded that the Visegrad countries (plus Slovenia and the Baltics) “managed to make a transition from a socialist past to modern economies that started to reindustrialize after 1996 and subsequently made substantial progress in catching up to Western Europe in terms of GDP per capita, labour productivity and living standards.”¹³

For some citizens, the transition away from planned economies created a new world of exciting opportunities. The journalist John Feffer, who traveled across Eastern Europe in 1989/1990 and then returned again in 2016 to observe the changes, recounts the story of Bogdan, a man who had been a psychologist at the Polish Academy of Sciences when Feffer first met him. After 1989, Bogdan left academia, divorced his wife, and applied for a managerial position at the Swedish home-furnishing company, IKEA. Bogdan tells Feffer, “At that time, you opened a newspaper and you saw: financial director for Procter & Gamble, marketing direction for Colgate Palmolive. . . . All those companies were looking [to fill] top positions.”¹⁴ Bogdan shot up to become a member of the board of directors within a week and almost overnight became a high-level executive with a new car, a new wardrobe, and an entirely new life. He helped establish IKEA in Poland and then moved on to a lucrative career as a management consultant to other Western multinational companies hoping to do business in his country.

Bogdan is a member of what Feffer calls the “fortunate fifth,” the portion of the East European population that used the events of 1989 to reinvent their lives and seize new economic and political opportunities made possible by the coming of democracy. There is Vera, a woman who became the first Roma-Bulgarian news anchor, something that would probably have been impossible under the old regime. A new generation of dissident voices used their guaranteed free speech to attempt to keep governments accountable to the people. Newspapers and television stations proliferated. Gays and lesbians came out of the closet and enjoyed free self-expression in newly open societies with the support of the international lesbian, gay, bisexual, transgender, and queer (LGBTQ) community. Consumer shortages disappeared and a cornucopia of new goods rushed in to meet decades of pent-up demand. Young people won scholarships to study at foreign universities, and professionals enjoyed new avenues for retraining in Western Europe and the United States. Feffer writes:

Some of the activists, scholars, and politicians I met in 1989/90 went on to fame, fortune, or both. The Czech economist Milos Zeman became the Czech president in 2013. The representative of the Young Liberal Party in Romania, Dinu Patriciu, invested in the oil industry and became one of the country's richest men. Civil society activist Jan Kavan rose through the political ranks to become the Czech foreign minister and then president of the UN General Assembly. Like Bogdan, they were presented with once-in-a-lifetime opportunities to become born again: as new people in a new world.¹⁵

Perhaps most important, with communism's cruel travel restrictions lifted, hundreds of thousands of East European citizens were now free to leave their countries and make new lives for themselves in the West. A tidal wave of former socialist citizens set out for Western Europe, the United Kingdom, Canada, the United States, and Australia. Britain (before Brexit) became one of the first European Union (EU) countries to officially open its labor market to immigrants from the new member states. Within two years of accession in May 2004, "560,000 accession migrants joined the UK labour market . . . roughly equivalent to 2 percent of total employment," one of the largest inflows in British history.¹⁶ By 2017, 1.4 million immigrants from the Central European and Baltic states lived in the United Kingdom (UK), including nearly 1 million Poles.¹⁷ Despite initial hardships and periods of culture shock, East European immigrants forged their own communities, found jobs, bought houses, and started families, achieving standards of living much higher than those in their home countries. In 2013, Polish became the most popular language after English in the United Kingdom.¹⁸ Many Polish children born in the 1990s grew up as Britons, enjoying freedoms and material privileges unknown to their parents. Hundreds of thousands of new EU citizens emigrated to Ireland to work in factories, to Portugal to work in construction, or to Germany to study. Young people with talents and skills undervalued at home could strike out and build lives for themselves anywhere in Western Europe. For the fortunate minority, the transition created a bonanza of opportunities, which they seized with both hands.

The Disaster Capitalism Perspective

The second view on the social impact of transition is the disaster capitalism perspective,¹⁹ which uses equally strong evidence to suggest that the post-1989 transition produced a socioeconomic catastrophe of unforeseen and massive proportions. Mortality rates soared. Fertility rates collapsed. Governance indicators dropped. Corruption prevailed. Much of Central and Eastern Europe became

unlivable and people left in droves. The average Central and East European country lost a little more than 8 percent of its population between 1989 and 2017. Social ills that had been suppressed before became prevalent: crime and delinquency, homelessness and hunger. Health systems deteriorated. Pensioners turned off their heat because they couldn't afford the cost of newly privatized utility bills. Millions suffered. Demographic data showed a level of social collapse rarely, if ever, before experienced during peacetime. Unfortunately, we cannot find fault in the data underlying this perspective either and this is the view clung to by the so-called losers of the transition process, as well as anti-Western elites who wish to steer their countries in a different direction. Arguing that the social costs were too high, they believe that Western advisors and East European elites cruelly subjected millions of people to economic and social pain in pursuit of an ideal that has never materialized. Populations put through the ringer of communism were once again promised a radiant future that never came. The realities of democracy and free markets proved just as disappointing. Now many are keen to go back to the system they were once desperate to abandon.

Moldova exemplifies the socioeconomic disaster perspective. Like many former Soviet states, Moldova suffered from an enduring and U-shaped transition. GDP per capita in Moldova did not bottom out until 1999, when it had lost 66 percent of its 1989 level, fully two-thirds of its economy, a "biblical collapse of output," according to one report from the United Nations Children's Fund (UNICEF).²⁰ By contrast, US GDP per capita declined by 39 percent during the Great Depression of the 1930s and growth resumed after four years, not ten.²¹ In 2007, GDP per capita in Moldova was still 42 percent lower than in 1989. Because jobs disappeared, people left en masse. In 2002, a World Bank study found that nearly half the children in village schools in Moldova had one—or less frequently both—parents working abroad.²² Although Moldova grew substantially after the global financial crisis, its 2016 level of GDP per capita remained 12 percent lower than in 1989. It would be very hard to characterize Moldova's transition as a success. And Moldova was not alone. We find five other postcommunist countries with GDPs per capita below 1989 levels in 2016: Georgia, Kosovo, Serbia, Tajikistan, and Ukraine. For these countries, transition brought unprecedented levels of economic pain and little gain, except for an elite few, for decades.

What is truly remarkable about the study of the social impacts of transition is that the data we have collected support *both* the J-curve and disaster capitalism perspectives, however divergent they are. As one former World Bank vice president for Europe and Central Asia put it, "The transition in Central Europe and the former Soviet Union can alternatively be viewed as a great success or a dismal failure."²³ Transition was both a path to faster growth, convergence with EU incomes, and happiness for a substantial proportion of the population,

concentrated in some countries, cities, and regions, *and* a socioeconomic catastrophe of historic proportions responsible for millions of excess deaths, mass out-migration, and a variety of social ills mostly unknown under communism. The problem we face in this book is to sew together these two divergent images of reality, the Janus faces of transition. Is it possible to create a comprehensive and realistic narrative that will allow a policy approach to emerge that is neither rosy about unbridled capitalism nor accepting of anti-Western nativist authoritarianism?

Broadening the Data

We believe that such an approach can be rooted in social science. However, a central problem of this endeavor is that different academic disciplines collect and analyze different sorts of data. Moreover, they generally regard the data collected by other disciplines as irrelevant or problematic. Economists prioritize aggregate statistics on economic growth, with a lesser emphasis on inequality. Growth is prized above all, although other disciplines rely on different definitions of development. But economic data on transition is deeply flawed, as leading transition economists have been the first to point out.²⁴ First of all, the 1989 baseline is hard to calculate. Communist countries did not measure output in terms of GDP, as in the rest of the world, but calculated instead an alternative measure, Net Material Product.²⁵ Comparisons with the communist era thus rely on correcting and estimating earlier statistics, which was done imperfectly. Furthermore, many data are missing or unreliable for the early transition years, in part because of the explosion of informal economies and the difficulties statistical offices had recording production in new private enterprises. Finally, the German Democratic Republic ceased to exist as did the USSR, Czechoslovakia, and Yugoslavia, each of which broke into smaller republics, creating problems for data continuity.

But if economic data provide an imperfect guide to transition despair, where should one turn? We look at demographic, public opinion, and ethnographic studies in an attempt to triangulate a more accurate picture with the flawed and incomplete economic data. Demographic data provide another avenue for measuring household well-being (we can take measures of life expectancy as evidence of well-being, on the assumption that most people do not want to die). In most advanced capitalist countries, life expectancy steadily increased in the post-Second World War period (though in recent years, that long record has been broken in the United States due to the opioid epidemic and other factors).²⁶ The same can be done with mortality and fertility as well as out-migration because, all things being equal, most people would prefer to live in their own countries. This seems obvious, but few studies have sought to connect economic growth in transition countries with the most important demographic measures of well-being.

Relatedly, until recently, few studies addressed population growth or decline, which are important economic and political issues for the nations of Central and Eastern Europe. Only in 2016 did the International Monetary Fund (IMF) produce a major report, finding that out-migration has hurt growth in transition countries.²⁷ Sustained or declining fertility rates and massive out-migration of the young and educated have been mostly overlooked by disciplines outside of anthropology, sociology, and demography, but they need to be part of a composite picture of the social impacts of transition.

In addition, public opinion data from comparative international surveys and domestic polling have produced a different sort of knowledge, a perspective that is, in some cases, difficult to reconcile with data from other fields. Among some economists and political scientists, public opinion data are regarded as “subjective” and biased. But public opinion polls provide an important lens into what people are thinking and feeling about larger political and economic transformations. Surveys provide insights about the extent to which political and economic institutions rely on public consent. They allow scholars to study the linkage between happiness (and other subjective indicators) and economic well-being. Many studies have found that money does not always buy happiness and that people often prefer stability and security to economic growth—a result that questions many basic assumptions of Western economics. Some have suggested that gross domestic happiness, for instance, is more important than GDP.²⁸

For the quantitative portions of this project, we collected data on twenty-nine transition countries (see the appendix and the full Social Impact of Transition database online).²⁹ A majority of the economic and demographic data came from the World Bank and United Nations, although for GDP and GDP per capita we chose to use data from the US Department of Agriculture’s (USDA) Economic Research Service because it interpolates missing values in 1989 for a number of countries that are lacking in World Bank and United Nations (UN) data. Public opinion data were more limited, but we collected it from a variety of sources, including various Eurobarometer surveys, the Russian Longitudinal Monitoring Survey (RMLS), the World Happiness Report, the three EBRD Life in Transition surveys in 2006, 2010, and 2016, surveys conducted by Gallup and the Pew Charitable Trust, and selected domestic polling agencies. Although each of these surveys have their limitations, together they provide a fairly clear picture of public attitudes in the transition region, with the possible exception of Central Asia, where fewer surveys were conducted, and Eastern Germany, which was reunited with the West and generally not considered a transition country.

Finally, ethnographic research on postcommunist transition has been, in many ways, orthogonal to research from most other fields. Unlike scholars who look at macro-level aggregate data or those who conduct short-term in-country

interviews or focus groups with the help of translators and local fixers, cultural anthropologists, qualitative sociologists, and other researchers using ethnographic methods are required to learn the language and spend an extended period of time living and working in the host nation (often eighteen months or more).³⁰ This fully immersed method of participant-observation tends to focus on the micro level of everyday life, which provides specific case studies of local places and populations that are not always easy to generalize. Because ethnographers submerge themselves in local cultures for long periods of time, they are far more attuned to the dynamics of personal suffering and social displacement that more macro studies tend to miss. Furthermore, where economists might focus on institutions and spend time trying to understand the perspectives of political and economic elites, ethnographers tend to concentrate on the ordinary men and women who have no particular power in their everyday lives. Some ethnographers also deliberately choose to study marginalized populations—for example, ethnic minorities, homeless people, alcoholics—in an effort to uncover the structural violence perpetuated by abstract ideals such as communism, liberal democracy, or free markets.

In the former socialist world, therefore, ethnographic research has largely focused on the stories of the losers of the transition process. These stories paint an entirely different and challenging picture of what happened during the transition to democracy and capitalism in Central and Eastern Europe and the former Soviet Union. Economists and political scientists are inclined to dismiss ethnographic studies as mere anecdotes, but in the long term, anthropologists have often been the first to discover emerging social phenomena before they bubble up into the national surveys or economic data. Furthermore, whereas other social science disciplines may focus on the big “what” questions, it is cultural anthropologists that often provide answers to the “why” questions—explaining why different social phenomena appear within certain cultures or subcultures but not others.

In this book, our approach is to broaden out and analyze a wider scope of data from different fields, both quantitative and qualitative. We start with questions about *what* happened during the transition period, looking at economic and demographic data collected by international institutions and government agencies. We then move on to examining opinion polls and a wide sampling of ethnographic studies to try to tease out the underlying reasons for the variety of transition experiences for different populations in the region. This interdisciplinary combination of both quantitative and qualitative data allows us to paint a far more nuanced portrait of the transition process than can be found in the knowledge production of one discipline alone. We understand that political scientists and economists may balk at our inclusion of subjective survey research and ethnographic case studies, just as we are aware that cultural anthropologists

and qualitative sociologists may disagree with the reduction of the variegated social impacts of the complicated transition process to a series of numbers, but we believe that only the combination of these disciplinary perspectives can help to expose the Janus-faced nature of the transition. Rather than simply telling one story from one perspective, our interdisciplinary approach allows us to show that the transition produced both good and bad results at the same time, with lots of temporal and regional variation.

In addition to broadening the data we employ in this interdisciplinary analysis, we also broaden the criteria by which we analyze success or failure of transition. We believe that success is not only a matter of whether aggregate economic statistics improve but also an indicator of positive change in life expectancy, life satisfaction, and other indicators, such as democracy and governance indicators, faith in public institutions, perceptions of corruption, reduction of poverty, and the well-being of the bottom fifth of society. Population growth is also an important indicator, as it provides compelling evidence of suitability of a country for human life. The field of economics is primarily concerned with indicators like gross domestic product per capita, which are not sensitive to income inequality, household consumption, or poverty rates. Two different countries with a GDP of \$10 billion could have the same GDP per capita even if in the first country the top 1 percent of the population earns most of the income while the rest live in poverty and, in the second, income is distributed more equitably to all citizens. High levels of growth can coincide with increasing human misery if most of the wealth generated by the growth goes to a handful at the top of any given society. For instance, the United States enjoyed positive GDP growth for three years between 2016 and 2018 despite an unprecedented three-year decline in life expectancy, mostly due to the opioid crisis and other “deaths of despair.”³¹

Poverty shot up in the postcommunist countries after 1989. Using an absolute poverty line of \$5.50 per day, we find that poverty increased by 23 percentage points (or 94 percent) between 1990 and 1999 in the postcommunist countries and only started to decrease in the median country after the first decade. In ten countries, including Poland, poverty rates increased by 49 percent or more before starting to decline. We find that at peak misery in 1999, 45 percent of all people in postcommunist countries—approximately 191 million people—lived below the absolute poverty line of \$5.50/day. In 2010, this number had fallen to 66 million. Yet, we found eight countries where absolute poverty remained higher in 2015 than in 1989, more than twenty-five years later: Georgia, Tajikistan, Kyrgyzstan, Romania, Bulgaria, Latvia, Croatia, and Uzbekistan. Transition impoverished millions for decades.

How can growth and GDP per capita increase dramatically while absolute poverty remains as high as in 1989—or even higher? Inequality. While some

households increased incomes and life satisfaction, others were plunged into destitution. Communist countries had some of the lowest levels of inequality in the world, equal to or lower than egalitarian West European societies such as Sweden. Average levels of inequality in the postcommunist countries, as measured by the Gini coefficient, increased by nearly 50 percent between 1988 and 2012. The share of national income going to the top 1 percent of the population increased dramatically and the number of billionaires surged, while others experienced a level of destitution unknown in communist societies. It is easy to see how some could benefit enormously while others could be left in the dust. Communism, for all its many faults and repressions, had provided nearly everybody with the basics of modern life: housing, food, electricity, educational opportunities, social services, and transport. After communism, access to these basic goods and services could no longer be taken for granted. Of course, some will argue that the very lack of inequality in communist societies stifled innovation and ultimately led to economic stagnation and that any transition from communism was bound to increase inequality in absolute terms. Nonetheless, these were once societies based on an ideal of egalitarianism that kept relative levels of inequality low compared to non-socialist countries. The sudden reversal after 1989 was bound to be a shock even if it was a necessary result of the introduction of free markets.

Different Transitions, Multiple Disasters

Based on an analysis of a wide range of indicators, it seems clear that different subregions experienced different transitions. The countries of Central Europe conformed most closely to the J-curve model, with a smaller and shorter transitional recession followed by significant growth and improvement in life indicators, such as population and life expectancy. Most other postcommunist countries experienced a U-curve transition, with a prolonged and deeper transitional recession, bottoming out in 1999 and only attaining 1989 levels of GDP and life expectancy after twenty years or more of transition. Some countries did worse, never returning to pre-1989 levels (see Figure 2.2).

Demographic indicators show that the former socialist countries were beset by a number of crises during the transition period, but interestingly, these problems were often (but not always) geographically bounded. In many countries, but particularly in European former Soviet republics, a mortality crisis occurred, fueled by high alcohol consumption, unhealthy lifestyles, micronutrient deficiencies, and psychosocial stress. In Russia, life expectancy for males plunged. Interestingly, however, this mortality crisis was much less severe in Muslim Central Asia, where healthier lifestyle practices—in particular lower alcohol consumption—led to longer life expectancies, despite similar or worse economic

conditions. At the same time, the Baltic countries and the Balkans have experienced an out-migration crisis, in which living conditions recovered slowly, but people did not wait around. They left in a process that was encouraged by European Union membership or proximity to the EU, sending these countries into a downward (and perhaps irreversible) spiral of demographic decline and lower growth (since a loss of productive population may translate into lower GDP). Central Asia's transition has been exceptional, with widespread poverty accompanied by high population growth and significant increases in life expectancy. Central Europe's transition conformed to the J-curve model, but this was the only group of countries to do so. While Central Asia and Central Europe enjoyed relatively favorable demographic indicators of well-being, the rest of the former socialist countries suffered terribly. Some experienced a drastic mortality crisis and others, particularly the Balkans and Baltics, hemorrhaged population.

Public opinion polls reflect the effects of these crises, leaving majorities in the former socialist countries with low trust in public (and international) institutions that they had counted on to manage the problems of transition. At the same time, we should not lose sight of the fact that significant minorities in all countries benefited from transition. Their experience challenges a sole focus on disaster capitalism. In fact, substantial proportions of the population report significant improvements in life satisfaction. The problem for most the former socialist countries, including many of the success cases in Central Europe, is that the benefits of transition were divided so unequally that majorities of the population no longer support the transition paradigm.

An Inequality Perspective

Our goal is to move beyond the J-curve and disaster capitalism perspectives on transition, that are deeply politicized in both the East and West. We seek to introduce a perspective based on recognition of the inequality of deeply divergent outcomes for different people, localities, countries, and regions. Both of the existing narratives on transition are incomplete and politically damaging. The J-curve perspective negates the suffering of millions of people during transition and produces a complacency within the West and Western international institutions. It provides a weak guide to the political and economic challenges of the postcommunist countries. The disaster capitalism narrative strengthens opponents of the West who promote the rise of right-wing populism across the region. One element of this is the nostalgia perspective, which suggests that many things were actually better under communism. This perspective is rooted partially in the memories of many older citizens who grew up under communism and may have a rosy picture of their youth. Some are deeply dissatisfied with the present and

therefore romanticize the past (in some cases a past they did not know if they were born after 1989). But nostalgia for the communist past has greater traction in some communities and bodes ill for political stability in the long run.

Another critical perspective—often pushed by contemporary populists—suggests that the transition period represented a conspiracy between old communists and new liberals to seize control and divide society's spoils among themselves. As so well described by the anthropologist Janine Wedel in her award-winning book, *Collision and Collusion*, Western liberals or neoliberals rushed into Eastern Europe to create a capitalist utopia and worked with reformist elites who used the enormous legitimacy of Western advisors to generate great wealth for themselves.³² The majority of the people, in this view, were disenfranchised during the transition. Others have argued that former communists and reform-minded liberals made a corrupt deal in which former communists were allowed to enrich themselves, while liberals agreed not to prosecute them for past misdeeds. In this narrative, the true anti-communists need to take power and root out these communist and neoliberal influences, for instance, in a Polish “fourth” republic.³³ In Russia, President Putin has put forward a similar and highly effective negative view of the transition, in which outside forces foisted the transition on Russia in a grand conspiracy to defraud and weaken the country. It needs a strong hand to resist these external agents and create a Russian economy that works for Russians.³⁴

In our view, however, the perspective that best explains the good and bad sides of transition is an inequality perspective. Rooted in social science research, this perspective suggests that the transition opened up vast inequalities, which have produced two distinct but not mutually exclusive narratives about the transition process. Some prospered greatly; others declined precipitously. Inequalities opened up along a number of socioeconomic lines: regional disparities between capital cities and remote regions, disparities caused by higher returns to education that advantaged educated elites and punished average workers, gender inequalities between women—who tended to be more attached and responsible to families while losing out in employment parity—and men. These inequalities, and others—that are visible on individual, regional, and national levels of analysis—created a situation in which those who could benefit from transition experienced significant gains while the majority of the postcommunist population suffered profound losses. National economic policies did not deliver a positive transition experience to enough of the population to win majority support for the transition to capitalism in most countries. People waited, but ultimately they were disappointed in “the light that failed.”³⁵ Subjective measures, such as public opinion polling and ethnographic case studies, show that although many people advanced during the transition, in only a few countries does a majority

express a positive evaluation of the transition to markets and democracy. Many just gave up and left.

Nationally representative surveys and ethnographic case studies clearly show that people initially interpreted Western-oriented economic reforms as a gateway to increased prosperity. Not surprisingly, after the scarcity and consumption restrictions of communism, citizens desired a higher standard of living (in material terms) more than almost anything else. At the same time, they wanted to keep some of the protections of state socialism, such as subsidized housing, medical care, day care, higher education, and low-cost access to food, energy, water, and medicine. This is not, however, what transition delivered. A substantial minority share of the population achieved the promise of a better life, but a vast majority of the population in postcommunist countries suffered over a prolonged (in most countries) recessionary transition period. Just what shape this inequality took and among which populations is explored in the pages that follow.