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THREATENING DANGERS

The Peterson Institute for International Relations (USA) and the School of Public Policy at the Central European University (Hungary) convened a conference on "Transition in Perspective: 25 Years after the Fall of Communism" in Budapest, on May 6 and 7, 2014. The conference was attended by Leszek Balcerowicz, Václav Klaus, Anatoly Chubais, and many other well-known economic policy-makers and academic economists of the postsocialist transition period. This is the text of the keynote lecture delivered at the dinner of the conference.

Introduction

I would really like to give a cheerful and optimistic talk. I was optimistic when I was working on my book *The Road to a Free Economy* in 1989. I undertook comprehensive evaluations of the post-socialist transformation later, on various occasions, and although all the essays pointed out the problems, they always ended on a note of optimism. Even today, there are several developments that may give grounds for satisfaction: in many countries in Central-Eastern Europe and in the Baltic regions dictatorship has been replaced by democracy, the command economy by the market economy, socialism by capitalism. My sentiments, however, are overcast by two depressing developments.

I am Hungarian – my mind can barely stop processing the uninterrupted flow of gloomy news for a second. Hungary was moving forward on the path of democratic development for 20 years. People were tormented by various troubles, however, it was to be hoped that sooner or later we would manage to overcome these too. But the situation changed for the worse in 2010, when the political forces leading the country performed a U-turn. Instead of the strengthening of democracy we saw the abolition or drastic restriction of numerous fundamental institutions of democracy. Instead of private property being reinforced, the security of private property came under attack. Instead of continuing decentralization, the tendency to centralize was revived.

What has taken place here in four years and what will, in all likelihood, continue for the next four is a unique phenomenon: Hungary is the first - and so far the only - one among the countries that chose the democratic path in 1989 – 90 which made a U-turn. This one example, however, is enough to prove that such a change *can happen*. The path on which we started in 1989 is not necessarily a one-way road; the changes, of historical significance, are not irreversible. Quite the contrary - and this is one of the terrible aspects of the Hungarian state of affairs -, the situation after the U-turn may become irreversible for a very long time. Democracy, especially in countries where it has not yet taken deep root, might be unable to defend itself. It may be overpowered if it is attacked unscrupulously and with Machiavellian determination.

The other shadow over our celebration is cast by the Ukrainian situation. Nobody can tell for sure what the months to come will bring. But one thing has already happened, and this is the *de facto* annexation of the Crimean peninsula. One of the fundamental principles of the Accords signed in Helsinki in 1975 was the sanctity of the status quo: the state borders valid at that time were not to be changed for any reason whatsoever. The Crimean peninsula became part of Ukraine twenty years before the Helsinki Accords. One of the basic principles of the Accords was overthrown in March 2014, and the world took note of this and responded only by wagging a disapproving finger and introducing mild reprisals. Like the Hungarian changes, this constitutes a powerful precedent, according to which it is possible to change a lawful border using military force on some pretext or another, and for this purpose the most obvious excuse is ethnic.

All the things I wish to say tonight I will discuss in the light of these two precedent-forming events.

Alternative political regimes

Let us imagine the map of the world and let us look at the Eastern half. We shall use three colors. Let's cover the new democracies with green, the color of hope. I call them the *post-communist democracies*. Although many of their features are identical with those of traditional Western democracies, their political cultures still bear the marks of the communist past.

East of this stretches a very wide zone, which I would cover with pale red: this is the zone of *post-communist autocracies*. Their prototype is Russia. After 1989 the transition towards a market economy was launched there as well. At the very beginning a democratic constitutional structure appeared : parliamentary elections among competing parties, debates between a government relying on its parliamentary majority and the opposition. The rule of democracy, however, proved to be a very brief episode. Following a few stormy years Putin seized power and a new political structure emerged. This has restored certain aspects of the communist system, especially the great power of the state, but it also differs from that in some significant ways. The number one leader (whatever his official legal status might be) is invested with an enormous amount of power and rules over a strictly centralized hierarchical state and political apparatus, but he does not possess the absolute monopoly over power of a real dictator. There are opposition parties, parliamentary elections do take place, although it is true that the opposition is very weak and doomed to lose the elections from the start. There are newspapers, radio and television stations and internet portals that are independent of the ruling group - their voice, however, is weak. This type of autocracy is halfway between the full-fledged Western-type democracy and a totalitarian dictatorship. What mainly distinguishes it from the latter is the fact that, although the regime is very repressive, it does not use the most brutal means: the arrest and confinement in cruel concentration camps or physical liquidation *en masse* of the representatives of alternative political movements. The other great difference from the communist system is that the autocratic political regime is connected to an economy in which private ownership is dominant. The ruling political powers hold important positions in the economy, both in the still significant state-owned and the very broad private sectors. The larger part of the economy works according to the behavioral regularities of capitalism

Of the 15 successor states of the former Soviet Union, three Baltic countries have become relatively stable post-communist democracies. I would place Belarus and the Central-Asian republics together with Russia in the post-communist autocracy category. Now, 25 years after 1989, it can be stated that the situation in the post-communist autocratic countries is basically unchanged; there is absolutely no sign of the iron hand relaxing its grip.

Ukraine's position is uncertain, and has actually now become especially problematic; over the past 25 years it has sometimes displayed the signs of post-communist democracy; at other times those of post-communist autocracy.

Let us go back to our map. To the east and south of the region of autocracies we can see China and Vietnam. These embody a third type, which I shall call *post-communist dictatorship*. Let us cover this region with a deep red color. The economy resembles, in many respects the Putin-type regime. Although the state sector has remained very significant, the larger part of economic resources are now in private ownership. Here too the political and economic worlds are closely intertwined. The significant difference lies in the fact that in China and Vietnam the ruling political parties have never for a moment given up their own power monopolies. The Chinese and Vietnamese communist leaders did a thorough analysis of the Gorbachev era. The series of events which started with *glasnost* and ended with the disintegration of the country, the loss of super-power status and the liquidation of political monopoly have been haunting them like horror dreams. Anything but that! The Chinese and Vietnamese leaders have made an unshakeable decision never to open the floodgates of free political movements.

The Chinese and Vietnamese governing parties are only 'communist' parties in name: nowadays they have absolutely nothing to do with the Marxist-Leninist program which intended to abolish capitalism. Lenin would classify these political formations as bourgeois. The Chinese and Vietnamese ruling parties accept capitalism in practice, they cooperate with it and profit from it. The case of China and Vietnam clearly demonstrate that capitalism is compatible with dictatorship. It is true that there is no democracy without capitalism, but this statement cannot be reversed. Capitalism can exist and function for a very long time without democracy. In spite of the hopes of many Western analysts, there are no signs of any tendency for the heavy-handed regimes to loosen their grasp.

I will not go on to discuss the situation of certain small countries: North Korea, Cuba and Venezuela. Instead, I will refer back briefly to the introduction of my lecture. In 2010 Hungary changed color: it turned from green into pale red. It is not a post-communist democracy anymore, but a post-communist autocracy. As I have said, this is a

first and so-far unique event. But here I ask the participants of this conference: is there no danger that other countries which are still in the green zone will make a similar U-turn?

Nationalism

Historical developments show, that the problem of state borders and the relationships between ethnic groups within the borders is one of the most important issues of the post-socialist transformation; it is no less important than the form of political government and the radical transformation of property relations.

The Soviet Union disintegrated into 15 successor states. Czechoslovakia was divided into two. These two changes took place peacefully. The disintegration of Yugoslavia, on the other hand, was followed by bloody wars. Not long after the declaration of independence a war broke out between two successor states of the Soviet Union, Azerbaijan and Armenia. Fighting is now virtually continuous in the southern regions of today's Russia. And now here we are in the middle of Ukrainian internal strife and the Ukrainian-Russian conflict.

We have divided the post-communist region into three zones on the basis of the defining features of their political structure. What the countries in all three zones share, however, is the existence of ethnic conflict. The intensity of conflicts varies. Relatively speaking, the 'mildest' form is nationalist *rhetoric*: blustering about the superiority of the majority ethnic group, vilifying ethnic minorities, or rabble-raising against neighboring peoples. A graver situation is when nationalist, racist arrogance is manifested in *deeds* as well. It can happen in discrimination affecting schooling and the distribution of work places, or in the limitation of the free use and official acknowledgement of a minority language. Unfortunately, the most criminal forms of nationalism also take place. Although infrequently, violent behavior driven by racist motives occurs, such as the desecration of Jewish cemeteries and synagogues, and even Roma murders.

There is not a single country in the post-communist region which is immune to the epidemic of nationalism. There are degrees, of course: at one end of the scale we find the quietly thrown anti-Semitic or anti-Roma terms of abuse in 'gentlemanly' style. Next degree: hateful, cruel words. Next, more frightening degree: beating of members of the

minority, threatening parades of uniformed commandos. And at the other end of the scale: murder. Who knows where the incitement to nationalism will lead?

The dangers of radicalization and expansion

In all three zones and every country of the post-communist region significant economic problems make themselves felt. Naturally, the constellation of difficulties, the relative gravity of the different issues varies from country to country. However, there are certain problems which are fairly general.

Post-communist transition has its winners and losers. Large numbers of people lost their jobs, unemployment became chronic. In many countries the inequality of income and wealth distribution escalated. Millions live in abject poverty, while others who have suddenly lined their own pockets enjoy their wealth in front of them. This explains why so many people think of capitalism with annoyance or hate. Few of them expect help from the extreme Left: the chances of a communist restoration are negligible. The number of those, on the other hand, who turn to the extreme Right, is significant. The ears of the disappointed, the losers and the needy quickly pick up the message of the populist demagoguery against profit, banks, and multinational companies.

The atmosphere of dissatisfaction is susceptible to the slogans of nationalism. "Life would be better if we lived again in an empire as large as it was during the tsar's time" – they say in Russia. "If only we could get back those resource-rich parts of the country that we were stolen from us at Trianon in 1920!" - they say in Hungary.

So, what we have is a mass *below*, receptive to nationalism and slogans of "law and order". And we have political parties and movements *above* which sense the opportunities provided by the angry mood of the masses. A vicious, self-inciting cycle evolves from disappointment in democracy, the attempts at anti-democratic governance, nationalism, and economic dissatisfaction. There are government intentions and mass sentiments at work which mutually reinforce each other.

The holders of power in Russia are anxiously observing how the growth of production is slowing down, how it has almost reached stagnation. This is when *attention must be diverted* from the problems of the economy towards 'great national issues' such as the plight of fellow-Russians living on the other side of the Western borders.

Nationalism gives birth to an *expansion drive*. And this is no longer a domestic issue, but a tendency whose effect crosses national borders and threatens peace.

I have mentioned Russia because the looming monster of Russian expansion has appeared in our immediate vicinity. But we must also speak of China. The idea of nationalism is growing stronger there too. The rate of growth has fallen spectacularly. The inequality of income is extreme. There is a great deal of audible dissatisfaction about the fact that the rise in the living standards is far behind the growth of production. Here too, nationalism proves to be the best way of diverting attention. Local protests are crushed not by eliminating economic problems, but by police measures. The people in charge are iron-fisted fighters for ‘order’.

Although in my imaginary map post-communist autocracies and post-communist dictatorships were given two different colors, in terms of nationalism, the tendency towards expansion and the heavy-handed restriction of democratic rights they share many features. These create a strong kinship between them, bonds which are strong enough even after the shared beliefs in Marxist-Leninist ideology disappeared. Most likely this political kinship also plays a part in the fact that so often the *international* political actions of the countries in the pale red and deep red zones correspond. At important sessions of the United Nations they vote the same way, they support or turn down the same interventions. They have no joint centre, but it is as if they were marching to the same drum on crucial issues. The axis of repressive powers opposing Western democracies is in the making – if I may borrow the expression “Axis” from the vocabulary of the period preceding the Second World War, when it was the name of the Alliance between Germany, Italy and Japan.

Closing thoughts

I am not Cassandra: I am not blessed or cursed with the ability to foresee the future. All I can say is that present-day events recall historical memories in me.

Hungarian current events remind me of the end of the Weimar Republic. There is great economic dissatisfaction. Millions of patriotic Germans feel humiliated by the terms of peace. More and more join the Nazi side. In the meantime, the anti-Hitler forces are at each others’ throats. In the 1933 multi-party election, which are conducted lawfully,

Hitler's party emerges victorious, but without a parliamentary majority. And then the moderate right-wing Centrum party is ready to enter a governing coalition with the Nazis ... I shall stop this story here.

Thinking about the Ukrainian events Hitler's first conquests come to my mind: the occupation of the Saarland, then the annexation of Austria. The aggression is based on ethnic reasoning: the territories in question are inhabited by Germans. Then comes the Munich agreement; Chamberlain's joyful announcement: we have saved the peace - at the price of the Czechoslovak territory inhabited by Sudeten Germans being annexed to the German empire. Soon comes the dismemberment of Czechoslovakia. Then the plan to conquer Danzig, referring to ethnic reasoning... Here I shall leave this story too.

Who knows how the history-writers of the distant future will view the conference on Ukraine recently held in Geneva. Was it merely an insignificant diplomatic event? Or did it give birth to a new, albeit minor, Munich agreement, encouraging further aggression?

It was George Kennan who in 1946 pronounced the principle of *containment*. It is time to declare this principle again. Now it is not the spreading of communist principles, the Stalinist expansion, but the spread of nationalist principles, the expansion of post-communist autocracies and dictatorships, that need to be contained.

It is not for me to work out the methods by which the new principle of containment could be applied in practice. I can say this in the plural: we academic researchers are unfitted for this task. I regret, but I cannot present the present company with a plan of action.

Let me finish here. I am just not able to end my lecture with words of reassurance. My intention was to alarm you, to unsettle you, to arouse in you the sense of threatening dangers.