

The crisis in Eastern Europe and the lessons of 1989

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Twenty years ago in Eastern Europe, a broad wave of protests swept aside Stalinist regimes that at the start of 1989 had seemed firmly ensconced in power. In June, Solidarnosc won the parliamentary elections in Poland, and in October, Hungary adopted a bourgeois constitution. In November, the Berlin Wall was toppled along with the Stalinist regime in Bulgaria. The next government to fall was in Czechoslovakia, while in Romania, the Stalinist dictator Ceausescu was shot by a firing squad.

The movements that unleashed these political earthquakes had a broad but diffuse social basis. They were motivated by the desire for more democracy and better living conditions, but lacked any clear idea of how to achieve these ends. The working class, which constituted the overwhelming majority of the population, lacked any independent perspective. Decades of political suppression by the ruling bureaucracy and the perversion of Marxism by Stalinism had severed the working class from the traditions of genuine socialism.

Under these conditions, a minority took the initiative to restore capitalism. The Stalinist bureaucrats sided with them, proclaimed the "failure of socialism" and secured their privileges by appropriating large sections of the nationalised productive forces as their own private property. The majority of the population paid a high price. Social life throughout Eastern Europe is characterised by unemployment, mass poverty, the decay of infrastructure and health and education systems, and gross social inequality.

Now, 20 years after the overthrow of the Stalinist regimes, there are indications of a fresh wave of protests. In recent days, sharp clashes occurred in Latvia, Lithuania and Bulgaria.

On January 13, 10,000 gathered in the Latvian capital of Riga to protest against the flagrant incompetence and corruption of the government. Demonstrators threw snowballs and, according to the police, a few Molotov cocktails. The police responded with tear gas, made 126 arrests and injured 28 demonstrators.

A few days later, similar scenes took place in neighbouring Lithuania. After a trade union demonstration in the capital

city of Vilnius, protesters tossed snowballs, eggs, bottles and stones at the country's parliament. The police responded with tear gas and rubber bullets.

The European Union fears a chain reaction. The *Financial Times* wrote: "In Brussels there is growing concern that the public protests could spread across the entire region where many governments depend on narrow majorities or are based on shaky coalitions."

These concerns are entirely warranted. The international financial and economic crisis has massive implications for Eastern Europe. It is shattering not only its national economies, but also the ideological conceptions bound up with the restoration of capitalism in these countries.

Relative high rates of economic growth, foreign investment, entry into the European Union and the social rise of a middle class layer encouraged hopes that the economic and social situation would improve after an initial period of economic difficulties.

Now these illusions are being shattered. The international economic crisis has brutally exposed the parasitic and semi-criminal character of east European capitalism. The result of 20 years of capitalist "reconstruction" is a mountain of debts and the looming bankruptcy of entire states.

International concerns that made handsome profits by exploiting cheap labour in Eastern Europe are implementing mass redundancies as demand for their goods shrinks. Western European banks that made high returns in Eastern Europe are withdrawing their investments. And the ruling elites, who became fabulously rich through the privatisation of state assets, are now making the people pay for the crisis.

They are doing so in close collaboration with the EU and the International Monetary Fund (IMF). The protests in Latvia were a direct reaction to an IMF financial package that was tied to extensive austerity measures. It is expected that the Latvian economy will shrink in the coming year by at least 5 percent with a 10 percent increase in unemployment.

Twenty years of capitalist restoration have left nothing of lasting value or capable of withstanding the crisis. Western European concerns and banks have systematically ransacked

Eastern Europe, and the native elites, acting as intermediary, have raked in their own share of the booty. Now finance capital is being withdrawn, leaving not only states, but many ordinary citizens as well, with a mountain of debt.

According to a report in the Austrian newspaper *Kurier*, 30 percent of the income of east European households is tied up with debt repayment. This percentage is even higher in Ukraine, Romania, Hungary and Slovenia. In the euro zone countries, the equivalent percentage stands at 10 percent.

National budgets are also massively indebted. The worst situation is in Ukraine, a country of 46 million. The country confronts bankruptcy and is only able to acquire new loans at horrendous rates of interests. Ukrainian government bonds are yielding a profit of 27 percent, and the currency is in free fall: the Hrywnja has lost 30 percent of its value in the last three months. Industrial production collapsed by 27 percent in the month of December.

In the meantime, western European banks are worried that they could be caught in the turbulence. Analysts currently regard Eastern Europe as one of the biggest risks for investors. Austrian financial institutions are particularly exposed. They have loaned €224 billion to Eastern European countries—the equivalent of 78 percent of Austrian GNP. But other European banks, including the Italian Unicredit, the German HypoVereinsbank (through its subsidiary Bank Austria), the French Société Générale and the Belgian KBC, are also heavily involved in the region.

Nine major banks have formed a lobby aimed at pressuring the European Union and the European Central Bank into supporting Eastern Europe. In particular, these banks are seeking guarantees for their own investments. The peoples of Eastern Europe will not see a cent of possible EU money. Instead, they will be forced to pay the bill for the bailout of Western banks through cuts in their living and social standards.

Western European bankers also fear that the gains of capitalist restoration have been lost. "Many of us have fought fifty years in order to free these countries from Communism and now that we have a free market system in the region we cannot leave them on their own," was the comment by Herbert Stepic, head of the Austrian Raiffeisen International to the *Financial Times*. His bank played the leading role in assembling the lobby of nine banks.

The working class in Eastern Europe must draw the lessons from 1989. At that time, the advocates of capitalist restoration were able to prevail because workers lacked their own independent programme. The result is the current catastrophic situation.

At the time, the International Committee of the Fourth International issued strong warnings about the dangers of capitalist restoration. "The working class has not overthrown

[the heads of the GDR] Honecker, Mielke, Krenz and the entire Stalinist Mafia in order to hand over the levers of production to Daimler, Thyssen and Deutsche Bank, the same capitalist interests which organised two World Wars and set up concentration camps for the workers." wrote the Bund Sozialistischer Arbeiter (today the German Socialist Equality Party) in a programmatic statement of February 1990.

We opposed the infamous lie that declared that Stalinism was the inevitable consequence of socialism: "The history of Stalinism is the history of the greatest crimes committed against the working class—all in the name of socialism.... The collapse of the regimes in Eastern Europe has refuted not only Stalinists but also all anti-communists: what has failed is not socialism but Stalinism."

We called for the defence of nationalised property and for its organisation under the democratic control of the working class. "The production facilities which were erected with great sacrifice by the working class cannot be left to the whims of the capitalists. State property must be cleansed from the control of the parasitic Stalinist caste and placed at the disposal of the working class.... Workers councils must assume control over the economy and democratically reorganise the planned economy from top to bottom in order to meet the demands of producers and consumers."

Finally, we emphasised that these aims could only be achieved through the unified action of the international working class: "Capitalist restoration in Eastern Europe will have drastic consequences for the working class in Western Europe, allowing the capitalists to utilise cheap layers of qualified workers in the east to massively increase the exploitation of workers in the west.... The current situation poses more urgently than ever the task of uniting workers across all borders in a combined struggle for the overthrow of capitalism and Stalinism."

This perspective is of utmost importance today. The unification of the European and international working class in the struggle for a socialist programme is the only progressive alternative that can prevent Europe from once again being plunged into war and barbarism as was the case in both 1914 and 1939.

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