

# AFTER THE BLOC PARTY

*by Stephen E. Deane*

**I**t is easy to wax euphoric over the events that swept Eastern Europe in 1989. The images—flashed across television screens or played upon the pages of newspapers and magazines—still remain fresh in memory: In Hungary, the funeral and reburial of Imre Nagy, leader of the 1956 Revolution; in East Germany, the joyous flood of people streaming through the Berlin Wall, that symbol of division and Cold War; in Poland, the beaming face of Lech Walesa, his Solidarity trade union relegalized; in Bulgaria, unprecedented throngs demanding democracy; in Czechoslovakia, vast crowds shaking their keys for the final curtain of communist rule; in Romania, the bloody end to the hated Ceausescu dictatorship.

As people power toppled the old guard in one country after another, it all seemed deceptively easy. “What were we afraid of all these years?” asked former dissident Rita Klimová, as she scurried about her small Prague apartment in preparation for her new job: Czechoslovakia’s ambassador to Washington.

To be sure, popular upheavals had shaken individual East European states at other times during the postwar era—in East Germany in 1953, in Hungary in 1956, and in Czechoslovakia in 1968. But an uncompromising Soviet Union saw to it that each one of these was crushed. In 1989, however, the Soviet leader himself inspired reform, and this time he made it clear that Soviet troops would not intervene. One by one, the East European satellites broke out of the Soviet orbit.

Poland was the first to go. On April 7, the government and Solidarity reached a round-table agreement, relegalizing Solidarity and providing for partially free elections. Despite election laws designed, with Solidarity’s assent, to assure a majority of communists and their allies, the communists were roundly humiliated at the polls on June 4. The opposition had received a clear mandate to govern, and on August 24 Solidarity’s Tadeusz Mazowiecki became prime minister, thus sealing the first successful transition from communist rule to democracy.

In Hungary, on February 11, the Communist Party Central Committee approved the creation of independent political parties. Three months later, on May 2, Hungary became the first country to dismantle its part of the Iron Curtain, tearing down the barbed wire on the border with Austria. On the seventh of October, the communists—officially the Hungarian Socialist Workers Party—reformed and renamed themselves the Hungarian Socialist Party. Ten days later, the parliament changed the constitution to allow for a multiparty system, and in a November referendum, the people voted to postpone the presidential election until after free parliamentary elections had taken place on March 25.

A certain ripple effect was clearly disturbing the once-solid Soviet bloc. On September 10, Budapest decided to allow visiting East Germans passage from Hungary into Austria. Once the floodgate was opened, thousands of East Germans fled to the West, while thousands more sought refuge—and a first step toward freedom—in

the West German embassies in Prague and Warsaw. The mass exodus, to say the least, put a damper on the German Democratic Republic's 40th anniversary celebration, and nine days later, on October 16, 100,000 East Germans demonstrated for change in Leipzig. On October 18, an ailing Erich Honecker was toppled and replaced by Egon Krenz, who was himself replaced in December by Gregor Gysi, a lawyer who had defended dissidents. Amid all these reshufflings, however, came the event of greatest symbolic resonance: the opening of the Berlin Wall on November 9. The politics of 1989 now had its equivalent of the storming of the Bastille.

But other East Europeans had little time to marvel at the momentousness of the moment. Just one day after the fall of the Wall, Bulgaria's dour leader of 35 years, Todor Zhivkov, was ousted. The foreign minister, Petar Mladenov, took the helm, promising Gorbachev-style reforms.

Czechoslovakia's hard-line leadership—installed by the Soviet tanks that had crushed the Prague Spring—suddenly found itself isolated. Most of the Czech and Slovak citizens, who pride themselves on a rich European cultural heritage, were embarrassed to find themselves lagging behind Bulgaria. Just as humiliating was being lumped together with the Soviet bloc's most Stalinist state—Romania.

But the government made a fatal mistake. On Friday, November 17, the police beat nonviolent student demonstrators with a fury unseen in Prague for two decades. "The massacre," as this event quickly became known, galvanized the opposition. That weekend, Czech students, actors, dissidents, and workers joined in creating the Civic Forum; Slovaks formed a sister organization, the Public Against Violence (PAV). Events accelerated at a breathtaking pace. On November 27, millions of workers staged a two-hour general strike,



*Lech Walesa leading the 1988 strike in the Gdańsk shipyard. Solidarity's popularity forced the government to agree to free elections.*

and less than a month later, on December 10 (International Human Rights Day), Civic Forum leader Václav Havel announced a new coalition government. The opposition gained the key posts, and Havel himself became president on December 29. Parliamentary elections are set for June.

Meanwhile, the Christmas season was proving to be less than kind to Romania's Stalinist dictator, Nicolae Ceaușescu. A mid-December protest on behalf of a pastor in Timișoara sparked the uprising. It took the army, however, to put down Ceaușescu's own private force, the fanatical Securitate. Ceaușescu and his wife, Elena, were executed—in what most observers deemed a grim but necessary spectacle—on Christmas Day.

The National Salvation Front, a loose coalition dominated by anti-Ceausescu communists in cooperation with the army, took over the government. While parliamentary elections are set for May, the political situation continues to be volatile.

Not that stability reigns in the other newly liberated nations. An old East European saw defines communism as "the longest and most arduous path from capitalism to capitalism," but now the witticism sounds less like a joke than a challenge. East European nations, fresh from the victories of 1989, are beginning to see just how difficult it is to move from single-party states and command economies to multi-party political systems and efficient free markets.

Poland, in most respects, is still leading the way. Throughout the 1980s, Solidarity—steered by Lech Walesa, backed by some of Poland's ablest intellects, and supported by the Catholic Church and a Polish pope—pioneered what Timothy Garton Ash has justly described "as a new kind of politics in Eastern Europe . . . a politics of social self-organization aimed at negotiating the transition from communism." But "refolution," to use Garton Ash's neologism, has its costs. Today, Poland's new institutions are encumbered by compromises that opposition leaders were forced to accept in their dealings with the communists.

So, for instance, while Poland was the first state to hold free elections, the opposition was allowed to contest only 35 percent of the seats in the lower house. Similarly, though Poland became the first East European state with a non-communist prime minister, Wojciech Jaruzelski, the general who imposed martial law from December 13, 1981, to July 22, 1983, remains the pres-

ident. And while the Communist Party split up in late January, entrenched functionaries at the local level have so far refused to budge. "The real battle for the future of Poland will happen on the local level," says Jerzy Regulski, the minister for local government reform.

Solidarity faces a difficult dilemma. It must hold together at least as long as the communist apparatus remains. Yet as Poland proceeds toward democracy, the various forces within Solidarity will inevitably split into separate interest groups, even into separate parties. By early 1990, such divisions had already emerged. Most of the government team, led by finance minister Leszek Balcerowicz, favors a big-bang shift to a market economy. The Solidarity delegation in Parliament, headed by Bronislaw Geremek, prefers a gentler social-democratic approach, with guarantees of basic welfare. And then there is the trade-union core of Solidarity—whose strength resides in the very factories, huge and obsolete, that the Solidarity-led government wants to break up for the sake of economic reform.

District elections scheduled for this June (or earlier) are expected to break the communists' stranglehold on local power. But the unifying force of Solidarity may still be needed to carry the nation through wrenching economic changes.

Czechoslovakia may have things a little easier. "In Poland there is exhaustion after eight years of struggle for democracy," observed Miroslaw Jasinski, a Pole who co-founded the Polish-Czechoslovak Solidarity group, "but here [in Czechoslovakia] there was a blitzkrieg that has enabled people to conserve their strength." That blitzkrieg resulted in fewer

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compromises with the communists, and as a result, Jasinski believes, "People here have the opportunity to achieve full democracy far more quickly."

The Civic Forum has already placed the people it favors in key posts, beginning with the presidency. Economist Valtr Komarek, one of two first deputy prime ministers, will chart the transition to a market economy. Dissident lawyer Jan Carnogursky, the other first deputy prime minister, will shepherd in legal changes guaranteeing human rights and multiparty democracy. Richard Sacher, Eastern Europe's first non-communist interior minister, ordered the abolition of the STB, or secret police, on February 1. And Jiri Dienstbier, a veteran human-rights activist, left his job as a stoker to become the new foreign minister.

The opposition also has succeeded in balancing the government leadership between Czechs and Slovaks, who form the two nations in this federal state. Marian Calfa (the new prime minister) and Carnogursky are Slovak, as is the new head of the parliament, Alexander Dubček. A recurrence of the tensions that have marred Czech-Slovak relations in the past cannot be ruled out, though I found no evidence of such hostilities during a month-long stay in Czechoslovakia this past winter.

Political fragmentation, not the nationality question, represents Czechoslovakia's most serious challenge. More than 30 political parties have sprung up to compete with the five pre-existing parties. There are several Social Democratic parties or factions, several Christian Democratic parties, at least two rival Green parties, and a left wing that includes the old Communist Party and two reformist parties. Czechoslovakia could find itself adrift without leader-



The Old and the New. *Alexander Dubček, leader of Czechoslovakia's ill-fated Prague Spring (1968), and Václav Havel toast the fall of the communist leadership.*

ship, its freely elected parliament immobilized by fractious quarrels.

The alternative is for the Civic Forum to stay together and for Havel to remain president, uniting both parliament and country after the June elections. Sasha Vondra, a spokesperson for the group, told me that the Forum could not become a political party because it comprises so many different political views, from neo-Trotskyism to neo-conservatism. Yet both the Forum and PAV will endorse a list of candidates—both independents and those running under party banners. This could be the first step in the evolution of the Civic Forum into a "non-party" party, one above politics, similar to Charles de Gaulle's *Rassemblement du Peuple Français* after World War II. The Forum could eschew partisan politics—the left, right, and center—and instead lay claim to a politics of morality. Havel

## THE SPRINGTIME OF NATIONS

*In an essay from his forthcoming book, The Magic Lantern: The Revolution of '89 Witnessed in Warsaw, Budapest, Berlin, and Prague (Random House), Timothy Garton Ash explores the significance of last year's events in Eastern Europe.*

Eighteen-forty-eight was called the Springtime of Nations or the Springtime of Peoples: the *Völkerfrühling*, *wiosna ludów*. The revolutionaries, in all the lands, spoke in the name of "the people." But the international solidarity of "the people" was broken by conflict between nations, old and new, while the domestic solidarity of "the people" was broken by conflict between social groups—what came to be known as "classes." "Socialism and nationalism, as mass forces, were both the product of 1848," writes A. J. P. Taylor. And for a century after 1848, until the communist deepfreeze, Central Europe was a battlefield of nations and social classes.

Of what, or of whom, was 1989 the springtime? Of "the people?" But in what sense? "*Wir sind das Volk*," shouted the first great crowds in East Germany: The people against the self-styled people's state. But within a few weeks many of them had changed the definite article. "*Wir sind EIN Volk*," they now chanted: that is, we are one nation. In Poland, Hungary, Czechoslovakia, Romania, the crowds were a sea of national flags, while the people raised their voice to sing old national hymns. In Hungary and Romania they cut the communist symbols out of the centers of their flags. In East Germany there were, at first, no flags, no hymns. But gradually the flags came out, plain stripes of red, black and gold without the GDR hammer and dividers in the middle: the flag of Western and before that of united Germany. And the chant taken up by a very large part of the crowds was "*Deutschland, Einig Vaterland!*"—the line on whose account the so-called "national" anthem of the GDR had not been sung officially since the early 1970s.

In every Western newspaper commentary on Eastern Europe one now invariably reads that there is a grave danger of something called "nationalism" reviving in this region. But what on earth does this mean? Does it mean that people are again proud to be Czech, Polish, Hungarian, or, for that matter, German? That hearts lift at sight of the flag and throats tighten when they sing the national anthem? In that case I must warn the world against one of the most rabidly "nationalist" countries I know. It

is called the United States of America.

Patriotism is not nationalism. Rediscovered pride in your own nation does not necessarily imply hostility to other nations. These movements were all, without exception, patriotic. They were not all nationalist. Indeed, in their first steps most of the successor regimes were markedly less nationalist than their Communist predecessors. The Mazowiecki government in Poland took a decisively more liberal and enlightened approach to both the Jewish and the German questions than any previous government, indeed drawing criticism, on the German issue, from the communist-nationalists. In his first public statement as president, Václav Havel emphasized that he would be the president of "all Czechs, Slovaks, and members of other nationalities." His earlier remark on television that Czechoslovakia owes the Sudeten Germans an apology for the way they were expelled after World War II was fiercely criticized by—the Communists. In Romania, the revolution began with the ethnic Romanian inhabitants of Timișoara making common cause with their ethnic Hungarian fellow citizens. It would require very notable exertions for the treatment of the German and Hungarian minorities in post-revolutionary Romania to be worse than it was under Nicolae Ceaușescu.

National and ethnic conflicts may grow again among and within these states, as they did in Eastern Europe before the last war, especially if their economic situation deteriorates. Or those national and ethnic conflicts may progressively be alleviated, as were those of Western Europe after the last war, especially if these countries' economic situation improves in a process of integration into a larger European common market and community. We shall see. But the historical record must show that 1989 was not a year of acute national and ethnic conflict in Eastern Europe west of the Soviet frontier. Quite the reverse: It was a year of solidarity both within and among nations. At the end of the year, symbolic and humanitarian support for the people(s) of Romania came from all the self-liberated states of East Central Europe. A springtime of nations is not necessarily a springtime of "nationalism."

seemed to take this approach in his New Year's Day address to the nation: "Now the issue really is not which party, club, or group wins the elections. The issue now is that the elections are won by those who are best in the moral, civic, political, and specialist sense, regardless of which party cards they hold."

At the same time, Havel is competent, even masterful, at behind-the-scenes hard-ball politics, as he demonstrated when he turned Alexander Dubček, a potential rival for the presidency, into an ally by seeing to it that he was made the head of parliament. The question is whether Havel and Civic Forum can continue to find a balance between the politics of morality and the realities of partisan conflict.

In Hungary, unlike Poland and Czechoslovakia, the Communist Party itself led the march away from Marxism-Leninism—first, in the evolutionary changes that characterized János Kádár's 32-year rule (1956–88), and second, in the accelerated reforms that swept away (or at least transformed) the Communist Party during the last couple of years. Imre Pozsgay and his fellow reformers-from-within, now calling themselves radical socialists, have steered both the new Socialist Party and (at least until the March elections) the government itself.

The ruling party having led the way, no Solidarity or Civic Forum emerged in Hungary. But with the opening of the political system, at least 47 parties have rushed in. In the partisan jostle, symbolic differences often seem to outweigh substantial ones. Many in the various opposition groups go without neckties to distinguish themselves from the communists and their heirs. But how do they distinguish their political and economic programs? David Shipler, writing recently in the *New Yorker*, described a "vague opposition whose programs and personalities remain sketchy." But Balint Magyar, a leader of the Alliance of Free

Democrats, disagrees, citing the 160-page program that his party had put out as early as March 1989.

Some observers are troubled less by vagueness than by rumors of virulent nationalism and of anti-Jewish and anti-Gypsy sentiments among some parties. Although its spokesmen deny it, critics allege that the Democratic Forum harbors anti-Semitism. As Shipler noted, there was increasing talk "... about 'real Hungarians,' as opposed to Jewish Hungarians, who are stereotyped negatively as being prominent at each end of the political spectrum—in the Communist hierarchy at one end, or in one of the most radical opposition parties, the Alliance of Free Democrats, at the other."



The dangerous mix of democracy and nationalism is nowhere more evident in Eastern Europe than in Bulgaria. In Hungary, suppressed tensions threaten to rise to the surface; in Bulgaria, the new leadership is seeking to quell hostilities that its hard-line predecessors provoked and encouraged. Last summer 320,000 Bulgarian Turks fled to Turkey—the culmination of a violent campaign that the Zhivkov regime had waged since 1984 to force the Turkish minority to abandon its religion and language and to accept Slavic names. The new communist leadership has moved to restore cultural, religious, and political rights to the country's one million ethnic Turks and other Muslims—only to

face strikes and protests from the Bulgarian majority. At one demonstration in Sofia, the crowd demanded a referendum vote on a constitutional provision that would make Bulgaria one nation with one official language and religion.

Opposition leaders, however, blame hard-line Zhivkov supporters for continuing to whip up antagonisms. "The anti-reformists are trying to fight their last battle over the ethnic issue," Zhelio Zhelev, president of the opposition's rainbow coalition, the Union of Democratic Forces (UDF), asserted in January. The UDF, which comprises 15 groups of intellectuals, ecology activists, trade unionists, and others, has been conducting fitful round-table talks with the communist leadership. In late February, the Communist Party agreed in principle to an opposition demand to withdraw Party cells from the workplace. The communists also agreed to postpone elections from May to June. The opposition has demanded that elections be put off until November to give it more time to organize.

Mladenov seems to want reforms aimed at improving communism, not at doing away with it. "It is only socialism that can grant social and economic development in our society," he declared in December. On February 2, Mladenov was removed as head of the Party, but he remained head of the state.

Romania's revolution—the only violent one in Eastern Europe—consisted neither of an organized opposition, as in Poland and Czechoslovakia, nor of reform-minded communist authorities, as in Hungary and Bulgaria. Hatred of Ceaușescu united Romanians during the uprising, but what will bind the nation together now? Some Romanians fear that the Ceaușescu dictatorship will be replaced by a dictatorship of the ruling National Salvation Front (NSF). The organization that originally described itself as a transitional government now says it will

run in the spring elections. In becoming a political party, the NSF could shed elements of its coalition of technocrats, students, and dissidents and be left with two core groups: anti-Ceaușescu communists, led by President Ion Iliescu, and the army. The NSF, backed by the army, could then seek to consolidate its power over an increasingly splintered populace.

There is hope, however, that Romanians, filled with revulsion at the violence they have already suffered, will make democracy work. On February 1, the National Salvation Front agreed to give up its monopoly of power and to enter into a coalition with 29 other parties. And even if the NSF wins the election, it is committed to a formal separation of party and state. This will give the opposition parties in parliament the opportunity to hone their political skills and to build coalitions.

It is worth recalling, too, that Romania's revolution was sparked when the ethnically diverse townspeople of Timișoara united behind a Protestant minister who had spoken out in defense of his fellow ethnic Hungarians. "History does not suggest that the Romanians have a particular gift for democracy," noted Romanian sociologist Pavel Campeanu in the *The New York Review of Books*, "but the price they have just paid offers the hope that they will be particularly protective of any democratic institutions they may create."

**P**oles, Czechs and Slovaks, Hungarians, Bulgarians, and Romanians all carried out revolutions without calling their national identities into question. But the East Germans could not. Erich Honecker used to say that Marxism-Leninism provided the state with its reason for being. Without that enforced ideology, the lure of reunification with economically prosperous and politically stable West Germany proved irresistible.

The communists certainly tried to gain popularity. They disgraced Honecker, opened the Berlin Wall, expelled Krenz, changed the party's name, and brought in a new team—Prime Minister Hans Modrow, a reform communist from Dresden, and Party leader Gregor Gysi, a lawyer who had defended dissidents. But they aroused new suspicions when they clumsily attempted to resurrect the secret police under a new name. And the exaggeration, if not invention, of a serious threat of neo-Nazi activity failed to provide the Party with legitimacy.

The opposition proved just as inept at asserting leadership. As the *Wall Street Journal* observed back in November, "The opposition is fragmenting into a noisy clash of competing factions—none of which seems prepared yet to articulate a clear vision of life after communism." Such chaos should not have been too surprising. The Honecker regime had for years been expelling potential opposition leaders to West Germany. The dissidents who had remained to form such groups as New Forum were mainly artists and non-conformists steeped in idealism, not political realism. Though they created some networks through the Lutheran Church, they developed no ties with workers, unlike the leaders of Solidarity and the Civic Forum.

To make matters worse for themselves, the opposition groups resisted the West German political and economic model. Advocating a fuzzy "third way" between communism and capitalism, these groups became irrelevant to the population. Though they were among the first to press for radical change, they found themselves shoved aside by new political parties that were in turn completely overshadowed by their West German partners.

Even before the elections on March 18, East Germans had been voting with their feet. More than 340,000 emigrated to West Germany last year, and in January 1990

they were leaving at a rate of 2,000 a day. As Pierre Hassner, research director of the National Political Science Foundation in Paris, accurately predicted last fall, "Pretty soon, their 'new form of socialism' will go down the drain, and since they're exposed to West German society, the second phase will be pressure for reunification."

In the new political landscape of Eastern Europe, communist parties and ideology have lost the power to prevent a return to market economies. When they take place, free elections will confer on new governments the legitimacy that they will need to push through painful economic measures. Fledgling democracies have little chance of surviving if they fail to solve the economic problems of shoddy products and consumer shortages, inefficient industries, spiraling inflation, and international debt. If the hopes of 1989 are to be realized, the economic system must be overhauled as thoroughly as the political system.

The new governments must also work quickly to clean up one of the world's most polluted regions. The signs of Eastern Europe's disastrous environmental degradation can be seen everywhere from Poland's filthy Vistula River to East Germany's Elbe River, from the dying Bohemian forests to Cracow's corroding medieval statues. The new political freedom will lift the shroud of state secrecy from environmental and related health problems and, for the first time, allow for uncensored discussion.

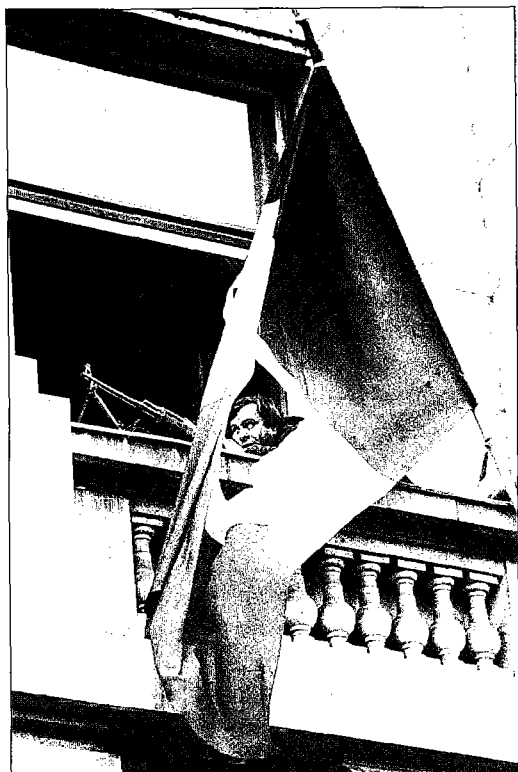
While political changes should benefit the environment, the effect of the economic changes is harder to predict. On the positive side, services and light industries are scheduled to replace a goodly number of the offending smokestack industries, and those that remain are to be modernized to consume less energy. But market mechanisms alone—with their emphasis on profits, cost-cutting, and reduction of state controls—give enterprises no incentives to



stop polluting. Therefore, the new governments will need to address environmental concerns even while they usher in market forces.

Such ushering will not be easy—not even for Hungary, which during the last two decades of Kádár's rule went farthest on the road to economic reform. Replacing mandatory plan targets with indirect planning and expanding the non-socialist "second economy" were half-measures that led to a dead end: Even before austerity measures were introduced this year, one in five Hungarians was living below the poverty line, inflation was running at about 20 percent a year, and the \$18 billion foreign debt was the highest—on a per capita basis—in Europe.

Paradoxically, the *Economist* noted,



During the popular uprising in Bucharest, citizens cut out the Communist Party symbol from Romanian flags, leaving a hole in the center.

"countries that have attempted the most market-oriented reforms—Hungary, Poland and Yugoslavia—are the very ones now suffering the greatest economic instability." Reforms failed to create real markets. The limited private sector was crushed by high taxes and bureaucracy, and it was forbidden to compete head-on with state enterprises. The latter operated under the luxury of soft budget constraints, knowing the government would always bail them out. "Much of Eastern Europe's \$100 billion or so of Western debt," the *Economist* observed, "started out as loans for enterprise investments, and ended up in the hands of central governments."

The cure, according to Harvard economist Jeffrey Sachs, is to replace halfway reforms with a big-bang return to capitalism. Poland has swallowed the medicine. Its unprecedented experiment, launched January 1, has two simultaneous goals: to break the back of inflation—estimated at 900 percent last year—and to make the institutional changes needed for a true market economy. "Today, when at last we have [political] freedom of choice, we are reaching for models that have been empirically and historically tried, tested, and proven—that is, to the West European model of a market economy," declared Balcerowicz, the Polish finance minister who designed the economic package. The plan includes these elements: slashing subsidies in half to cut the budget deficit and thus reduce inflation; letting enterprises either make it on their own or go bankrupt; freeing most prices; privatizing state enterprises and laying the legal groundwork for a private sector; encouraging foreign trade and making the currency convertible.

The first half of 1990 should provide answers to a host of questions spelling success or failure. Will prices stabilize after the steep initial rise? Will the government stick to its policy of hard budget constraints,

forcing bankruptcies and unemployment and preventing inflationary wage indexing? If so, will bottlenecks develop, production plummet, and shortages of goods grow even more endemic? Or will inefficient enterprises be weeded from the efficient ones, allowing production to pick up? How massive will unemployment be, and how fast can workers retrain and find new jobs? How soon will the private sector, services in particular, create new jobs? How tolerant will the people be when confronted with price increases and unemployment—and for how long?

Sachs argues for clearing the chasm in a single great leap, not in small jumps. The risk is great, but for Poland the alternative—doing nothing, accepting the disastrous status quo and an even more calamitous future—is scarier still. Ironically, then, Poland's economic crisis could prove to be an advantage.

It is an advantage that the other East European nations happily lack, despite their own economic woes. "The time pressure means that we have to go much farther and faster, albeit under more difficult conditions," remarked Jasinski, of Polish-Czechoslovak Solidarity. "In Czechoslovakia there is a danger that the seemingly good condition of the economy will make the new authorities afraid to move decisively toward a free market." A successful transition in Poland will greatly encourage the other East European nations, Czechoslovakia and Hungary in particular, to introduce radical and painful economic measures.

Hungary has already laid the groundwork for a return to a market economy. It has a stock exchange and a two-tiered banking system, with commercial banking separate from the central bank, and it treats private, foreign, cooperative, and state ownership as equal under the law. But the Hungarian economy has been crippled by hard-currency debt. Debt servicing eats up



*In 1989, Prime Minister Tadeusz Mazowiecki and Solidarity's parliamentary leader Bronislaw Geremek became the first non-communists to head an Eastern-bloc government.*

more than half of its dollar export earnings. Hungary has launched an austerity drive approved by the International Monetary Fund, and further reforms can be expected.

Economic transformation in Czechoslovakia, although coming much later and more suddenly than in Poland and Hungary, offers the best hope of success. The country enjoys low inflation and low debt and can draw on its interwar tradition of democracy and advanced industry. While the leaders of the 1968 Prague Spring sought to create socialism with a human face, Prague's leaders today seek to fashion capitalism with a human face. They seek no "third way" between Western capitalism and the old Soviet-style communism, no Gorbachevian hybrid of socialist ownership and market forces. Prime Minister Calfa, in a speech to parliament, made his position clear: "We must accept the market economy with all of its advantages and all of its disadvantages . . . [I]t grants to each individual an opportunity to be most beneficial for others by pursuing his own interests."

**W**ill the new leadership remain steadfast when economic changes bring unemployment, higher prices, and, quite possibly, strikes?

Will the people accept the sacrifices—or insist on a social safety net so wide that it will strangle economic efficiency? Success or failure in Poland will exert enormous influence on Czechoslovakia.

The East German economy is, of course, a special case. West German Chancellor Helmut Kohl engineered the victory of his East German allies by proposing monetary union and suggesting that his Christian Democratic Party was uniquely capable of renovating the East German economy. On election day, Kohl's economic minister promised a one-to-one exchange rate between East and West German currencies—an enormous boost to East Germans worried about their pensions and savings. Bonn, by offering capital, know-how, and a trading bridge to the European Community, provides East Germany with the prospect of a swift and smooth transition to a market economy—at least compared to the transitions awaiting the rest of Eastern Europe. When the transition is completed, however, East Germans could find virtually all of their plants owned by West Germans. In economics as well as politics, reunification may lead not to merger but to take-

over. It remains to be seen whether this will breed tensions both among West Germans, who will foot the bill, and among East Germans, who could come to perceive themselves as second-class citizens.

Economic reforms also are needed in Bulgaria, which has worrisome inflation and a high per capita debt (\$7.1 billion in a nation of 8.9 million), as well as in Romania, which paid off most of its foreign debt but at the price of drastic shortages of food, electricity, and heat. Just how far and how fast the economic changes come will depend on the political changes. One can expect that economic changes elsewhere in Eastern Europe will bear as strong an influence on Bulgarians and Romanians as did the political upheavals last year.

Thus, in one decade, we have come full circle. In 1980, Poland broke new ground with an opposition movement that united the nation, eventually toppled the ruling Communist Party, and presaged the collapse of Soviet control over Eastern Europe; in 1990, Poland again leads the way, pioneering an economic transformation that, if successful, will provide a model for all of Eastern Europe.

