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Which Past Matters?

Culture and Economic Development in Eastern Europe After 1989¹

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It is hard to imagine a better historical moment for reflecting on the relationship between culture and economic development in Eastern Europe than the period between 1989 and 2005. During this period, eight formerly communist countries radically changed their development trajectories by implementing the overlapping projects of postcommunist transformation and European integration within a worldwide context of globalization. These projects are veritable cultural revolutions. The interplay of the fading Soviet culture with the emerging European one in a global framework offers the researcher exciting insights into the ways culture affects economic development.

European integration is not a logically inevitable continuation of de-Sovietization but one of the several noncommunist futures of Eastern European societies. In order to adjust to European norms, these societies must renounce not only much of their communist past but also some of their "globalized" (Americanized) present. They are "returning to Europe," to use the 1989 slogan, but not only from communism. Therefore, the region provides the analyst with a cultural blend that consists of at least three major ingredients: Sovietism, Americanism, and Europeanism. And there is certainly a fourth

ingredient: a great variety of precommunist (distant) pasts filtered through a great variety of communist (recent) pasts.

Introduction: Accession as a Trump

The dominant narrative rests on six slightly simplified assumptions:

1. In terms of economic development, Eastern Europe's two historical subregions, Central Europe (more precisely, its eastern half, which is called East-Central Europe, or ECE)² on the one hand, and Eastern/Southern Europe³ on the other, present significantly different levels and patterns.
2. The first group of countries is moving safely and rapidly toward capitalism/Europe/the West/modernity, while the second is taking insecure steps and experiences repeated relapses.
3. The differences between the development levels and patterns originate in centuries-old cultural features that survived the communist era.
4. In the ECE subregion, the lion's share of these features were/are imported from the West, whereas in Eastern/Southern Europe the indigenous cultures play the decisive role.
5. Geographical proximity to the West is critical to acculturation.
6. The diversity in development levels and patterns is reflected in the fact that the ECE subregion was invited to join the European Union first.

Accordingly, ECE, the "favorite son," moves along a straight road that connects its precommunist past, via the Soviet intermezzo, with its European future. The countries in the region that were the most advanced before the communist takeover (the Central Europeans) are also the most advanced today. The communist episode did not rearrange the ranking order: the most advanced/Westernized/modern countries in Eastern Europe developed the most liberal/reformist communist regimes and thus coped most successfully with the tasks of postcommunist transformation. The more Western a country is geographically, the more Westernized it becomes. The more Westernized a country is, the more modern it becomes. This iron law could not be broken even by Soviet imperialism. Look at the list of the first-round accession countries in Eastern Europe: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia.

In this chapter I stress the enormous inflexibility of the dominant narrative. The logic of that narrative is transitive: just as the West has always been superior to the East, the Western half of the latter is superior to its Eastern one. The countries, regions, and subregions are located on a cultural/civilizational slope or cascade, and they usually do not exchange places. This presumption is "authenticated" by the results of the most systematic/scientific measurement and comparison of developmental features ever made: the entrance examination to the EU. The Eastern/Southern subregion has been carefully weighed in the scales and found wanting.

Yet if one complicates the dominant narrative, either by referring to the noneconomic motives of selection or to the kind of economic rationality embodied in the examiners' measurement techniques, then some room will emerge for an alternative interpretation. That interpretation will place more emphasis on how the cultural diversity of national communisms has affected the diversity of the examination results. It will probably also challenge part of the results by identifying short- and medium-term—frequently accidental—effects instead of focusing on secular determinants.

My principal goal in this chapter is to formulate a few hypotheses to support this rival narrative by illuminating differences in nations' determination and ability to pass the EU test. I assume that these differences are highly dependent upon the direct communist prehistory of the given country.

At the outset, let me make a few remarks on my main concepts. First, I use the concept of culture in a broad sense: values, habits, lifestyles, knowledge, skills, etc. and the institutions in which they are embedded. The notion of economic development contains a series of qualitative attributes, including economic institutions and policies and their cultural specifics. I will interpret the notion in the context of an "ideal type" of Western modernity; with some reluctance, I see development as tantamount to approaching that ideal. Nevertheless, because the cultural history of Eastern Europe is preoccupied with the question of whether Orthodoxy can breed capitalism, I will also touch on the concept of "multiple modernities."

Second, I will examine the causal relationship between culture and economic development only in one direction. I will not ask how development leads to cultural change or how cultures resist development. My choice is pragmatic; it does not reflect any "culturalist" bias. Third, we cannot ignore the aura of "magic" that seems to be

invoked by many definitions of Eastern Europe and its subregions. However suspect that magic may be, we must understand the symbolism of the dominant narrative before we can challenge it.

Finally, my conclusion rests on a distinction between the recent and distant pasts. By "recent past" I mean the communist era, while "distant past" covers many centuries stretching back to early capitalism.

Mapping the Subregions: From Dreaming about Development to Engineering It

Eastern Europe has never been known for a consensus among its citizens about the history of the region. A common destiny? Except for a latent hostility toward the Soviets, the nations of the region rarely demonstrated spiritual or moral cohesion even under communist rule. Apart from the cataclysmic days in 1956, 1968, and 1981, when intraregional solidarity materialized in a few street demonstrations and some humanitarian aid, the idea of common family or common roots was preached only by a few dissenters.

The idea of Central Europe arose as an expression of felt superiority to Russia and the Balkans (or any country labeled Eastern- or Southeast European). These feelings were justified by a certain strand of historiography, which used a three-area (West/Center/East) model to interpret the long-term evolution of capitalism in Europe. Some went so far as to break with the traditional inferiority complex of the Eastern Europeans, arguing that East-Central Europe became "more Western" under communism than the noncommunist half of Europe, where genuine European culture degenerated in the course of the twentieth century.

By rediscovering the "center" of Europe, such writers as Vaclav Havel, György Konrad, Milan Kundera, and Czeslaw Milosz intended to move their region closer to the West, that is, farther from Russia—symbolically at least, since the chances for real integration were negligible at that time. But from within this effort at emancipation some benevolent Westerners were happy to hear a desperate request: "Please adopt us!" And sometimes the message included an arrogant mix of critique and promise: You are so lucky to have us poor guardians of true European culture in your neighborhood. If you accept the "West of the East" into the real "West," you will gain far more than dirt, crime, and poverty. Soon the West will see a flow of genuine

European values from the Eastern reservoir, some originally Western and others originally Eastern. The West would get *Kaffeehauskultur* as well as untouched folklore, a high esteem for the written word as well as authentic entrepreneurial instincts, historical sense, irony, creativity, solidarity, and a stubborn quest for truth. You will profit from us, Kundera concluded, but our reintegration is primarily *your* moral duty: at Yalta you let the Russians kidnap us; so please, redeem yourselves now.

Some who could have easily been included in the concept of "Central Europe"—for example, Romanians, Serbs, and Bulgarians—were not. The "Central Europeans" instructed them to stay where they had always been: in the East. The message was hard to misunderstand: Queue up and wait; we will go West first. If you are patient enough, we may help you once we arrive there. Until then, you had better work on your Westernness. You are not yet sufficiently modern.

Ironically, the idea of Central Europe was not received with enthusiasm everywhere in the imagined subregion either. In Poland, for instance, quite a few intellectuals feared that, instead of full rehabilitation (i.e., Europeanness without an adjective), such a concept would legitimize a sort of second-rate position in Europe between Europe proper and "Asiatic" Russia. In their view, "Central Europe" would have remained culturally too close to "West Asia." Anyway, we do not have to return to Europe through the concept of Central Europe, they contended, since we Poles *are*, and have always been, Europeans. Many Yugoslav intellectuals followed the same logic, asking, in effect, why they should join a center that lies farther from the West in terms of consumption and freedom of travel, than they—in the alleged periphery—do.

Thus the idea of Central Europe proved to be a retroactive utopia. While truly expressing the irresistible desire of nations under Soviet rule for a *Drang nach Westen*, this utopia endangered what was called their "community of suffering" by dividing them into a more and a less Westernized subregion, the West (of the East) and the rest, to adapt Samuel Huntington's phrase.

In 1989 this utopia seemed to vanish for good. The unprecedented synchrony of the revolutions throughout Eastern Europe dulled the edge of the Central Europe thesis for a while and rendered superfluous all debates on developmental differences between the countries of the region. The collapse of the Soviet empire seemed to wash away the boundaries between the "Central" and the "non-Central"

subregions of Eastern Europe. The fact that the Eastern European nations broke with communism and started dismantling it at the same time and in a similar way created the impression that Sovietization had left deeper traces on this part of the world than had precommunist history. Soviet-style homogenization, even if it lasted only four decades, seemed to have offset much of the region's centuries-long cultural heterogeneity. Furthermore, in the light of then-prevailing expectations that the former communist countries would be quickly accepted into the European Community, "Europe" overshadowed "Central Europe."

The notion of Eastern Europe won its battle and withdrew from the war of concepts in political and cultural geography to find its place in pure geography. During the first half of the 1990s, however, it became clear that the European integration of ex-communist countries would take decades rather than years. Right after the 1989 revolution Western Europe proved unwilling or unable to absorb Eastern Europe as a whole, and it is still reluctant to make an all-embracing gesture of symbolic absorption. Meanwhile, the idea of Central Europe (or East-Central Europe) has gained support as observers describe the conspicuous differences that emerge in postcommunist development between the two sides of the postulated Central versus non-Central divide.

Many analysts talked about *reemergence*, regarding the new diversity of developmental patterns as historically determined facts that were not in the least surprising. They distinguished between the "diligent" and the "lazy" transformers, the frontrunners in decommunization or de-Sovietization and those who were lagging behind, the states committed to "liberal democracy" and those remaining under "national-communist authoritarian" rule, the "marketeers" and the "interventionists," the "globalists" and the "isolationists." By and large, these distinctions seemed to correspond with the old cleavages between the "Westernizers" and the "autochthonists," the Western Christians and the Orthodox, or in general between the "advanced" and the "backward," the "European" and the "Asian." The ironic journalistic metaphor of the great Soviet deep freezer that, instead of killing all kinds of precommunist cultures, preserved them in suspended animation, even found its way into scholarly works. According to the metaphor, the cultures revived after the last communist apparatchik unplugged the freezer.

This approach could not have become so influential had it not recently been reinforced by a powerful political project, the eastern enlargement of the European Union. Two decades ago, when Kundera and other noncommunist intellectuals took the first steps on the slippery slope of cultural geography, they could hardly have suspected that their fragmented thoughts would evolve into an official political doctrine of the West. Currently, the terms *Central Europe* or *East-Central Europe* (ECE) serve as names of departments in foreign ministries, international organizations, multinational firms, and NGOs, and also appear in titles of a great variety of research programs, media projects, and cultural initiatives. Even the rival acronym CEE (Central and Eastern Europe) emphasizes the difference between the "Center" and the "East."

Today, the controversial idea of Central Europe is being put into practice. Moreover, it is applied in a large-scale social experiment in a vast laboratory called the European Union (EU). It divides Eastern Europe into several rounds of accession countries, and it places Russia at the end of the line. How this happened can be summarized briefly: since the mid-1980s, Central Europe has become a specific political project, as professional policy makers stole the show from the intelligentsia, and the neopopulist left and right expropriated and misapplied part of the left-liberal argument in the former communist countries.

Most Eastern Europeans are convinced that passing the entrance examination to the EU is a life-or-death issue: those who get stuck in the examination room will slide down to the third world. The project is par excellence political, no longer a matter of common cultural roots, aesthetic and moral traditions, or historical justice in general. No one talks much about literary styles, religious rituals, or rural cuisine, or about the merits of the Germans and the Jews. In preparing for a future political victory, it may be counterproductive to speak too eloquently of past tragedies. The whole cultural mythology has been put in parentheses.

What remains is basically a catalog of pragmatic success and failure stories of the postcommunist transformation and European integration. We stabilized our economies more quickly, privatized our firms to a larger extent, wrote more liberal constitutions, sustained social peace longer, adopted the *acquis communautaire* more thoroughly, than you did. This is how the Czech, Hungarian, Polish, or

other Central European transformers speak to their Eastern/Southern European colleagues. Central Europe is the name for success in capitalist development in general, no matter how much or how little the targeted system is free-market oriented, corporatist, republican, or multicultural. It is exactly the imprecision and particularistic thrust (or, less euphemistically, the national self-centeredness and myopia) of the Central Europe concept from the 1980s on that makes it possible for political entrepreneurs to employ it successfully today. The soil was well prepared for them: albeit unintentionally, Kundera and his followers offered the region's postcommunist policy makers a manageable set of countries for future use or abuse. The boundaries of this set were flexible enough to drop Slovakia and Croatia and include Slovenia and the Baltic states (and rehabilitate Slovakia) at different points in time.

This flexibility also helped transform regional identity making into a project that is more about lobbying than dreaming of emancipation. Central Europe is designed and engineered by political professionals in a calculating mode. In the 1980s hardly anyone among them was engaged in rediscovering the region.⁴ By and large, they are pragmatists who lack the courage and innocence of their predecessors.

This is why I talk about expropriating the original discourse. In terms of Realpolitik, the political entrepreneurs of today may prove to be more efficient than the prophets of yesterday. Back in the 1980s, Havel, Konrad, Kundera, and Milosz spoke about the greatness of a whole subregion (even if vaguely defined); today, the political elites under postcommunism prefer to stress the eminence of their own nations. The former celebrated the moral cohesion between the countries of Central Europe; the latter were ready to forget the "spirit of Visegrad" overnight once Brussels flashed the light of individual privileges during the accession process. And so far as relations with the second- and third-round countries are concerned, compassion has vanished even on the level of political rhetoric.

The widespread slogan of "Joining the EU with national pride" has little to do with a joint—cosmopolitan—legacy. Rather, it reflects those platitudes of romantic national identity that people in this part of the world have always used to disrupt attempts at peaceful national coexistence based on mutual respect. Cosmopolitanism, a treasured source of pride for those reinventing Central Europe in the 1980s, is being replaced by nationalist insistence on the beauties of the Polish countryside, Czech industrial culture, or Hungarian ingenuity.

The Dominant Narrative: Pitfalls of Justification

Those who are disturbed by the moral and ideological convolutions of symbolic geography in Eastern Europe may raise a down-to-earth question that has remained unanswered since the first concepts of Central Europe were propounded back in the nineteenth century by Prince Metternich and Friedrich List: Where does Central Europe begin and end? This is exactly the question that was deliberately blurred in the 1980s. And today? Do we have reliable indicators of comparative economic, political, and sociocultural history in Eastern Europe, including current affairs, that would allow us to draw a boundary between its subregions?

Most experts on Eastern European affairs would agree that the frontier between the subregions has never been so clear. In East-Central Europe, democratic elections are held regularly, the rule of law is constitutionally granted, human rights are more or less observed, civil society is gaining ground, a great majority of state-owned firms have been privatized, the economies have opened up, and the markets have been deregulated. And the "transformational recession" has switched to fast growth. Undoubtedly the new regimes are still fragile and display the weaknesses of a mixed precommunist and communist legacy with a variety of contemporary capitalist practices. Also, severe business fluctuations, social polarization, authoritarian tendencies, and populist/nationalist lurches have accompanied the transformation process.

However, in this subregion they did not result in abusive democracy, new economic centralization, social crisis, or large-scale ethnic violence, as happened in most parts of Eastern/Southern Europe, particularly the former Yugoslavia (with the exception of Slovenia) and many ex-Soviet republics. As a rule, the latter subregion is stigmatized by the hoary term *Balkanization*, even when applied to Ukraine or Belarus. A gray zone between the two subregions can be constructed as well; for the time being, it includes Bulgaria and Romania (and possibly, Croatia). The first two have already received a formal invitation to accede to the EU in 2007.

Simply stated, the countries of the Eastern/Southern subregion are less "Western" than those in ECE because their transition from communism has been slower and more painful. No doubt about it, there are spectacular differences between the records of the two subregions. Let me begin with the growth rates. In terms of GDP growth,

Slovenia and the Baltic countries completed their recovery before the turn of the millennium, but the others did not return to their 1989 GDP levels until recently. Some of the latter (e.g., Ukraine, Yugoslavia, Moldova) are stuck in the middle of the road. At the same time, the gray zone is fairly large, including the Baltic states (i.e., the first-rounders), Bulgaria, Croatia, Romania, and even Macedonia and Russia. If growth in the ECE economies were to slow (which has happened in recent years) and the economies in the other subregion were to speed up, then some of the latter could rapidly catch up in terms of GDP per capita.

In 2002 the level of development in Latvia, Lithuania, and even Poland was lower than in Croatia; conversely, levels in Russia and Bulgaria nearly reached that of Latvia. Still, it is clear that the development levels of Slovenia, the Czech Republic, Hungary, and Slovakia stand out above all other states of Eastern Europe, despite the many distortions of statistical accounting. If we look more closely at the economic preconditions of entry to the European Union (EU) as stated by the *acquis* (the EU's body of rights and obligations) and the Copenhagen criteria, we see systemic—predominantly legal—organizational—requirements rather than mandatory targets of economic performance, minimum levels of economic development, or detailed rules of economic behavior. Thus, to put it simply, a country may overtake its neighbor in the accession race even if its economic growth is currently slower, its GDP per capita has always been lower, and its entrepreneurs are less risk-taking, provided it is faster than its neighbor in creating a sound legal framework for the market.

For the sake of brevity, let us accept GDP per capita as the most appropriate indicator of a country's level of economic development. Where does the economic performance behind this indicator originate? How strong is its predictive power? These questions are crucial if one is to test the explanatory force of the dominant narrative. For instance, if the 2002 level of GDP in the Czech Republic is mainly due to its level in 1945 to 1948, and if today's level is a solid guarantee of further steady progress toward the development levels of the most advanced Western countries, then papers like this one are on the wrong track. But we have no reliable comparative works on the economic history of Eastern Europe in the period since World War II and so we have no ready answers to the above questions.

Let us improvise a bit to illustrate the gravity of the problem, continuing with the example of the Czech Republic. In 1939 its eco-

nomic performance equaled that of France. Except for an aborted reform program between 1966 and 1968, the centrally planned economy remained intact throughout the communist era. Theoretically, it could have experimented with market socialism, tolerated small-scale private entrepreneurship and the informal sector, or opened up the economy to the West (to mention only three patterns of economic development in communist Hungary, Poland, and Yugoslavia). Instead, the Czechoslovak leaders kept their eyes fixed on macroeconomic balances and avoided reform moves that might have resulted in galloping inflation, a sharp decline in growth, or skyrocketing foreign debts.

As a consequence, unlike its neighbors, Czechoslovakia departed from communism in a crisis-free position. However, it did not experience the purging effects of socialist reforms that liberated many citizens in the more liberal communist countries from values, skills, and habits prompted by the command economy. In 1989 Czechoslovakia embarked upon the postcommunist transformation without an army of ambitious and experienced small entrepreneurs, networks of East-West joint ventures, or a government aware of the difference between real and pseudoprivatization and willing to take painful austerity measures to deregulate the economy. The country is still struggling to offset these legacies of the local version of communism.

Can one maintain that in Czechoslovakia the prewar level of development essentially explains the current position of the Czech Republic among the frontrunners in Eastern Europe? In my view, the similarity between the current development levels of this group and their precommunist levels is misleading. For the Czechs the similar GDP per capita figures mean a major deterioration of their relative position, but for the Poles or the Hungarians they mean a substantial improvement. Furthermore, Slovenia shows how communism created an opportunity to upset the hierarchy of development by overtaking some of the countries in the region that were doing well before World War II. Maybe the Czech Republic would be worse off today if its starting position in 1945 to 1948 had not been so advantageous. But maybe not, because a less sheltered status might have led to a greater affinity for market reforms under communism.

Obviously, communism had complicated effects. To consider the Czech case again: while communism largely contributed to the country's falling behind the West, it left an ambiguous heritage for its successor, one in which capitalist virtues were relatively weak.

Restarting capitalist development in 1989 would probably have been even harder if certain elements of prewar economic culture—demand for education, respect for hard work, propensity to save—had not survived to some extent. Nevertheless, these virtues were largely wasted, and if communism had lasted a decade longer, the Czech Republic could well have found itself today among the “laggards” (perhaps in the company of another hard-line regime, the former East Germany) who deserve the label of Central Europe purely in terms of geography.

Applying the same logic to the future, we can return to the second question above: Is the 1989 or the 2002 development level of the Czech Republic actually a good predictor of its capitalist progress in the coming years or decades? My answer is a cautious “no.” A delay in the upswing of capital imports and the resulting relatively slow increase in labor productivity support this negative conclusion. One of the test cases is Hungary, where a massive inflow of foreign capital, including several transnational companies, during the 1990s served as the engine of economic growth and cultural change. The other test case is Poland, which excelled in the upsurge of local entrepreneurship. The Czech Republic joined in these trends rather late.

Of course, economic development depends on a whole series of important cultural variables, from religious convictions through migration habits to consumption behavior, which also lurk in the background of productivity or import indices. I chose the examples of foreign direct investment and local entrepreneurship not only because they functioned as significant factors of development but also because of their rich cultural content. These cultural factors originate at least as much in communism as in the precommunist era. For instance, it would be a dangerous simplification to see traditional antistatism and xenophobia as explaining why Poland gave priority to small and medium-size enterprises in the first half of the 1990s and, in the privatization process, to indigenous owners, including employees. *Solidarnosc*, I believe, is a better explanation. Similarly, Hungary's openness to foreign investment after 1989 might be regarded as a legacy of the Austro-Hungarian monarchy, but the desperate search by the Kádár regime for legitimacy in the West after 1956 is perhaps a more significant reason, even if it was the Austrian chancellor, Bruno Kreisky, who first encouraged “goulash communism.”

Communism (and the Globe) Matters

Let us try a hypothetical experiment. Suppose the Soviet empire did not collapse between 1989 and 1992. Gorbachev adopts Deng's strategy of radical liberalization under continuing communist dictatorship. The war does not break out in Yugoslavia. Under these circumstances, the country groups in the former Eastern Bloc might show an unexpected configuration today. I would not be surprised to find the levels of economic development ordered as follows: on top, Yugoslavia and the Soviet Union, followed by Bulgaria, Hungary, and Poland, with the Czech Republic, East Germany, and Romania at the bottom. Hence, the actual configuration described earlier must result from a multitude of interacting historical currents that originated in the communist world. One may presume that these interactions were largely accidental, with plenty of unintended consequences: fortunate ones for the ECE subregion and unfortunate ones for the other group. (Fortunate because otherwise it would have been difficult for the geographically Central Europeans to show why *they* should form the vanguard of accession in Eastern Europe.)

Interactions and coincidences are essential because there are many potential cultural factors and the traditional explanations do not work well. For instance, ethnic homogeneity may facilitate a smooth political transition but prove counterproductive in fostering economic development. Proximity to Western Europe will probably lose its importance in the era of globalization. Inviting foreign capital was not a necessary condition of development in Slovenia; conversely, a resolute political break with communism in 1989 was not a sufficient condition in the Czech Republic. Rapid deregulation and stabilization at the beginning of the transformation backfired in Russia. Even complete assimilation (East Germany) is no panacea. All in all, the relatively successful transformation packages were largely contingent on the exit status of the given communist regime and its cultural - microcosm.

Which cultural variables are most frequently invoked as causes? Religious values, ethnic character, attitude toward the state, civic virtues, and individualism versus collectivism are a few. Often these variables are linked to institutions: church, nation, state, or to the social actors who actually reproduce, maintain, mediate and carry these goods. Over the past two centuries, the different schools of Eastern

European historiography have agreed on a set of variables under the theory of "belated modernization,"

Backwardness vis-à-vis the West was divided into two categories: a less and a more backward group of countries, half-periphery and full periphery. The half-periphery generally embraced the Habsburg monarchy. The historical analysts suggested a series of contrasting factors for understanding East-West divergence in state and nation building, market constitution, and urban development. They bridged the two extremes by attributing intermediate solutions to the Central European model, which came to be seen as a collection of transitions, hybrids, in-between constellations, dialectical twists, and ironic ambiguities.

If the West was characterized by parliamentary democracy and the East by autocracy, the political regime of the Center was "oligarchic democracy" or "parliamentary authoritarianism." If the West was described as market capitalism and the East as "state capitalism," the Center was seen as oscillating between the two types. If the West was represented by the paradigm of the political nation and civic patriotism and the East as a hotbed of the *Kulturnation* and ethnonationalism, the Center was somewhere in between. One could list pairs of representative concepts almost indefinitely: theocracy and secularization, informal relations vs. formalized institutions, fundamentalism vs. pragmatism, romanticism vs. realism, localism vs. universalism, the village and the city, agrarian vs. industrial development, closed vs. open society.

Within all these lists, three main variables are most important: religion versus secularization, ethnos versus demos, and state versus civil society and the market. For most authors, these variables explain the most spectacular differences between the two subregions since 1989 (e.g., between ethnic war in former Yugoslavia and velvet divorce in Czechoslovakia). To our underlying questions, they offer convenient but misleading answers: in brief, that religious fundamentalism, ethnonationalism, and state interventionism (which allegedly walk hand in hand) are not congenial to economic development under postcommunism.

Certain religions and ethnic groups, this argument holds, are prone to be less Western/modern/developed than others. The Serbs show a weaker affinity for modernization than the Czechs, and if the Czechs cannot perform the task, then the Germans (or the Jews in nineteenth-century Poland and Hungary) will do it for them. In

Eastern Europe, the main culprit was and is, of course, Orthodoxy. Its impact is allegedly detrimental to democracy, civil society, and the market. Eastern Christianity respects hierarchy, paternalism, and collectivism, hates privacy and civic initiative, resists innovation and risk taking, and prefers isolation and ethnic cohesion. Small wonder, the argument continues, that it could be smoothly combined with communism while the Western Christian nations in the ECE subregion rebelled against Sovietization from the very start. These nations were yearning for liberty, while the Orthodox peoples in the Balkans and the Soviet Union were, as always, silently serving their lords.

To illuminate the flaws in this argument, let us take the example of former Yugoslavia. Was it not one of the most liberal, open, and decentralized communist countries for a long time? Did Tito not succeed in moderating religious and ethnic strife for more than three decades? Was the explosion of interethnic conflicts at the end of the 1980s not due to the power struggle between communist oligarchs as much as to reemerging ethnic hatred? Were the Catholic Croats milder and more "civilized" than the Orthodox Serbs in the 1990s? Although religious difference was one cause of the Yugoslav tragedy, I am afraid that people in Croatia have not become more Western than the Serbs just because the neighbors they killed were in their opinion "obscure-minded" and "backward" Orthodox believers.

Or we can cite examples that are closer to economic development: Is voucher privatization in the Czech Republic more market-oriented than direct sale of state assets to foreigners in Romania? Is corruption in Hungary more "modern" than in the Ukraine? Is the business mentality of the Polish peasants more developed than that of their Bulgarian counterparts? Is a Serbian entrepreneur less Schumpeterian than a Croat partner? Is civil society stronger in Slovenia than in Bulgaria?

Why can the countries in the ECE subregion cope with the task of capitalist development better despite all their ambiguities and "half-Western" features? Ask the proponents of the dominant narrative. At some point in their answer, there emerge—like a *deus ex machina*—the ruling elites, in particular the Westernizing part of the intelligentsia that initiated and mediated the borrowing of techniques, skills, and habits of economic development from the West. Hence, *external* culture shocks are indispensable to swing the Center toward the West. But where do the Westernizing cultural elites come from? Were they not produced to a certain degree by the *internal* shocks of com-

munism? Do they simply mediate elite cultures, as often presumed, or do they help spread genuine goods of mass culture such as the work ethic, consumer preferences, and bargaining behavior?

The dominant narrative tends to obscure these nuances. It either considers the Soviet period as a black box or postulates an undisturbed continuity under communism. It takes for granted that the relatively developed Central Europeans retained part of their civilization (e.g., doctrines of Westernization) during the communist era, whereas backwardness in the countries of the Southern/Eastern sub-region was reinforced by communism. I challenged this thesis earlier by stressing the homogenizing effects of the communist system. But a more sophisticated counterargument looks at the inherent ambivalence of those efforts at homogenization.

Let us look at communist economic culture. I believe we cannot understand it exclusively by means of the old concept of *Homo Sovieticus*. This culture had been Janus-faced under communism, and its legacy became even more complex in the period of transformation. State paternalism and informal markets, public ownership and private redistribution, central commands and decentralized bargaining, overregulation and free-riding, collectivist economic institutions and individual (or family-based) coping strategies, apparatchik and technocratic mentality, learned helplessness and forced creativity—one could go on listing the contrasting features of economic culture in Eastern Europe before 1989. Country by country, in varying degrees, it combined the command economy with elements of market socialism, and all this with precapitalist traditions and a dynamism reminiscent of early capitalism. In a sense, it was not double- but quadruple-faced.

Paradoxical but true: even if in a distorted way, communism was not only a modernizer but also a school of capitalism. Industrialization, urbanization, mass education, and public health are incontestable achievements of the “quantitative” and “outmoded” modernization (or simply, breaking of traditions) under Soviet rule. In the course of this kind of modernization, people also had to learn calculative behavior, risk taking, and competitive attitudes, by default, to be sure, and not by design. Communism conserved and reproduced a sort of capitalist ethos, rooted, for example, in trust rather than formal rules, personal rather than institutional transactions, small rather than large organizations, which were meanwhile eroding in the West. Ironically enough, this ethos rooted in the reaction to communism may grant a comparative advantage to the Eastern Europeans today.

Let me make it clear that this ethos has little in common with other neocapitalist success stories, such as Confucianism and Evangelical Protestantism. It has no religious foundations, contains weaker feelings of responsibility for the family and community, and focuses less on self-denial and savings. Nor are its components distributed proportionately among the countries of Eastern Europe. Romania and Russia, for instance, may have more of these components than Slovenia and the Czech Republic. And this may lead to peculiar consequences.

While in 1989 most observers expected that the legacy of the social(ist) market might create an organic connection between the economic cultures of Eastern and Western Europe in an enlarged EU, the past ten to fifteen years have proven that another kind of cultural affinity is also possible. The virtues of capitalism shaped by the communist experience may have qualified the countries in both sub-regions to take their fair share from globalization. Moreover, given that contemporary global capitalism rests on such elements as networks, informality, flexibility, human resources, and innovation, the European Union might become a brake rather than an accelerator of economic development.

At the outset I suggested that, in retrospect, the mere fact of accession to the EU is dubious proof of economic development. But I did not speculate on whether or not EU membership would enhance development in the future. The dominant narrative presumes that any approach made to the West will have a positive impact. What if, on the contrary, it is more lucrative to stay outside?

Let us try another hypothetical experiment. In the near future Croatia's historical potential of economic culture (ranging from the entrepreneurial skills of Dalmatian merchants to Tito's market reforms) is combined with a massive import of venture capital from the United States or Southeast Asia, laying the foundation for a formidable take-off in a tax haven. Meanwhile, suppose the economies in the European Union begin to stagnate and membership does not compensate the new entrants for the losses they have to incur because the Accession Treaty obligates them to fight tax evasion, illegal trade, and price dumping, while they stop privileging the transnational corporations and follow extremely expensive environmental norms.

The new member states might also be worse off in another way. In all probability, they will spend at least as much time in the EU's “poorhouse” as did the “Southern” participants of the 1981/1986 accession rounds. The story of Greece's slow adjustment will always

loom over them. They will move from "best Eastern European performer" to "worst EU member state."

The memory of the one-time advantages of entry will evaporate quickly. Countries like the Czech Republic and Hungary will probably continue in a lasting third-rate position on a scale ranging from Finland or Denmark through Portugal and Greece and down to themselves. Catching up rapidly or jumping the queue, as the Irish did, may be inhibited both by the new EU architecture and by the rules of global competition. Instead of gradually closing the development gap between long-time members and new entrants in a framework of group solidarity and dynamic economic exchange, the more prosperous EU members may be less generous toward the poorer ones in terms of income redistribution than at any earlier period.

In addition, the more prosperous members might bypass the poorer members to find more attractive opportunities for investment and trade outside the EU, for example in China and India. This leap will deprive the first-round accession countries of many of their favorite markets, thereby prolonging their own "poorhouse" status in the union. Furthermore, any recession in Europe, any major weakening of the EU's relative position in the world economy, or any experiments in overregulation by Brussels will have disproportionately heavier repercussions for the newcomers than for the established members, especially because the Maastricht criteria may prevent the candidate countries from pursuing a "rapid growth/high inflation" trajectory for catching up in the future.

Imagine if East-Central Europe were to suffer within the EU while the Balkan countries enjoy life outside the Union. That would be a real blow to the dominant narrative! The farther you are from Western Europe, the more developed you become.

Why? Because you are closer to the "Globe."

Notes

1. In order to make the argumentation digestible for the reader outside the "culture & economics" discipline, I omitted the references of my original project report. Many of them are, however, to be found in the following papers of mine: "West-erweiterung? Zur Metamorphose des Traums von Mitteleuropa," in: *Transit* 21 (2001); "Approaching the EU and Reaching the US? Transforming Welfare Regimes in East-Central Europe: Rival Narratives," in Peter Mair und Jan Zielonka (eds.), *The Enlarged European Union: Diversity and Adaptation*, Frank Cass, London 2002; "Rival Temptations – Passive Resistance: Cultural Globalization in Hungary," in Peter Berger und Samuel Huntington (eds.), *Many Globaliza-*

tions (Oxford UP 2002); Zwischen Ressentiment und Indifferenz. Solidaritätsdiskurse vor der EU Erweiterung, *Transit* 26 (2004); "Little America," *Transit* 27 (2004); Vergangenheit oder Vorvergangenheit? *Berliner Debatte*, 2005.

2. The "Visegrad Four" are Slovenia and the Baltic states. As we will see later, East Germany is a cuckoo in the nest of every typology.
3. The "Balkans" minus Slovenia and the ex-USSR minus the Baltic states.
4. Vaclav Havel is a prominent exception here. He lost much of his intellectual prestige in the eyes of scholars and politicians outside the region by insisting on Central European particularism in his capacity as president of the Czech Republic.