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Fudan – Vienna Strategic Partners Week

After the End of History – The Great Transformation since the End of the Cold War

Keynote Speech for the Opening Ceremony | November 2, 2021

Prof. Dr. Philipp THER, Department of East European History, University of Vienna

Dear colleagues from Vienna and Shanghai,

I am very glad that this event is taking place and that we are able to enhance our cooperation with Fudan University. In spite of an increasingly difficult geopolitical context and the limitations on international mobility caused by the Covid-19 pandemic, I remain hopeful that we can carry out many innovative research projects together.

In my brief keynote speech today, I will focus on the course of large-scale transformations in the past thirty years; how the term “transformation” was defined in the past; and how it could be used for future comparative history and social science studies.

After the fall of the Berlin Wall and the breakdown of the Soviet Union, there was a widespread expectation in the West that the post-communist transformation would lead from a planned economy to a free market economy and from dictatorship to liberal democracy. The most vocal proponent of this expectation was the American political scientist Francis Fukuyama, who published his famous essay about the „End of History“ in the summer of 1989, i.e. even before the end of state socialism in Eastern Europe. Fukuyama was not alone in making such a bold claim. The most important Western economic advisor for Eastern Europe, Jeffrey Sachs, put forward a similar model. In his article about the „dual transition“ in Poland, Sachs claimed that the development of liberal democracy and capitalism are necessarily linked.

Sachs also played a key role in developing the “shock therapy” model for Poland and other post-communist countries. The idea of shock therapy combined the rapid liberalization of prices and of foreign trade with the deregulation of finance, privatization, and a long-term strategy of foreign direct investment. The goal was to help high-debt and high-inflation countries to get out of the abyss. Sachs first successfully implemented this shock therapy in Bolivia, was then called in as an advisor to

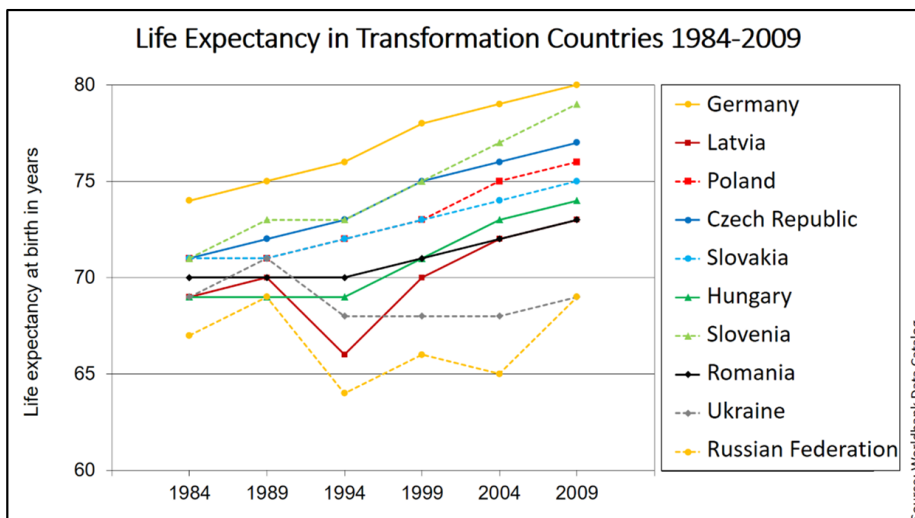
Poland, where the shock therapy and the recommendations of the Washington Consensus were emulated in the Balcerowicz plan (it was named after the finance minister in the first democratically elected government, Leszek Balcerowicz). The shock therapy did not work in the late Soviet Union and subsequently in the Russian Federation for a number of reasons: the size of the country; the fact that Soviet-style communism had been implemented for three generations, unlike in Eastern Europe and China; and the weakness of the state administration. In addition, the Soviet Union did not develop an internal readiness for radical reforms as was the case in Poland, where the mood had changed as a result of the failure of the gradual Perestroika reforms.

China was able to avoid a Soviet-style crisis and shock therapy because it enacted much bolder reforms in the 1980s. The liberalization of prices in agriculture, the gradual introduction of market niches, and subsequent experiments with special economic zones all went beyond the economic reforms enacted by Gorbachev. In retrospect, the economic opening under Deng Xiao Ping was also a key reason why it has been possible to preserve one-party rule. On the occasion of today’s meeting, we should add here that Fudan University has made a first-hand contribution to China’s opening and reform, and has been a vibrant forum for all types of intellectual debate on social and economic transformation.

Back in the 1990s, Poland served as a reference point in East-Central Europe and even on a global level. For this reason, almost all post-communist countries implemented neoliberal reforms over the course of the decade. The term “neoliberalism” is disputed; some economists misunderstand it as a leftist critique of capitalism. I think it can be analytically used and defined as a combination of liberalization, deregulation, privatization, and foreign direct investment. In the Anglo-Saxon tradition, neoliberalism also contains a libertarian critique of the state. This anti-statism is one of the reasons why neoliberal reforms have never worked in weak or crumbling states like the Soviet Union, and have inflicted substantial damage on the United States.

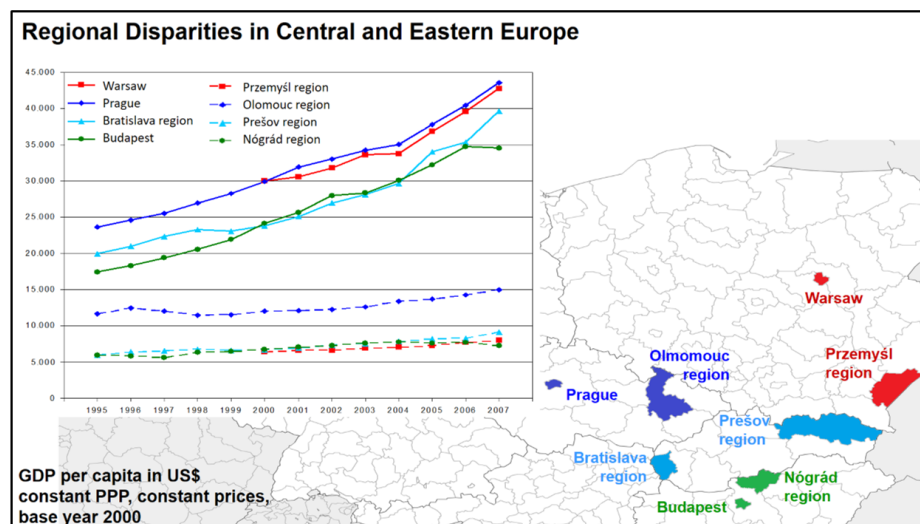
The situation was different in East-Central Europe, where the European Union stabilized the situation in the course of the 1990s. The EU provided the possibility of accession and capital, opened its market for exports, and insisted that state structures must be reformed, also guaranteeing the rule of law. Back then, this was called the third dimension of transformation.

All in all, the reforms in East Central Europe has multiple positive effects. This can be best illustrated by looking at the most comprehensive indicator of prosperity: life expectancy.



Here, you see how life expectancy went up in Poland and other countries which had a good prospect of joining the EU in the 1990s. However, you can also recognize the downfall of Russia, which eventually decided to turn away from the West and emulate the Chinese path of political development.

Nonetheless, even in the relatively successful new EU countries, there was a massive problem. Social inequality was rising between those segments of the that profited from the reforms, and those who lost out during the transformation. Moreover, there was a huge generational and rising regional inequality. People’s chances in life depended more and more on where they lived.



Eventually, the poor eastern regions became the bastion of anti-liberal parties, which are now governing Poland and Hungary. The situation was not that much different in the US and in the UK, where members of the white lower middle class who lost out under globalization eventually voted in high numbers for Donald Trump and Brexit.

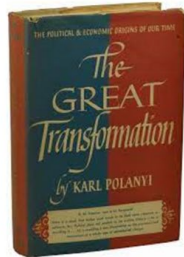
That anti-liberal turn in the West is also rooted in the global financial crisis of 2008/09, and the ways in which it was tackled. In fact, the US and the West were able to prevent a repetition of the global economic crisis they experienced in the 1930s. Nevertheless, the crisis was resolved by technocratic means, and by an alliance between center or center-left parties and the very actors on Wall Street and in international finance that had caused the crisis. As a result of this loss of legitimacy of neoliberal capitalism, anti-liberal politicians like Donald Trump gained the upper hand.

This political fallout of the post-89 transformation can be better understood if we look at the work of a much older revisionist Marxist and historical sociologist: Karl Polanyi.

Karl Polanyi (1886-1964)



Major terms:
global laissez faire capitalism
social protection
double movement
Embeddedness capitalism



In his book *The Great Transformation*, which deals with the rise of global laissez-faire capitalism in the 19th century, Polanyi analyzed political counter-reactions, the turn to protectionism and fascism. Equally important was his focus on those who lost out during the great transformation, on social displacement, uprooting and the search for social protection. I think Polanyi's approach would also be very interesting for Chinese colleagues, but I don't know whether his work has been translated in your country.

In any case, our take on transformation in several research projects at the Research Center for the History of Transformations (RECET) has been to combine the study of key economic indicators such as growth and per capita income with analysis of „transformation from below“. This means studying the transformation through well-chosen meso- and micro- case studies, biographical interviews and traditional archival studies. So far, our best platform for these kind of studies have been enterprises, which have – although this might appear paradoxical – a bigger significance for everyday life in socialist countries than in postmodern capitalism.

I am absolutely convinced that a lot can be learnt from Chinese reform strategies, since China was the single most important country that did not follow Fukuyama's path of development. I am sure that as much can be learnt from Chinese case studies, if there is sufficient openness to study them. Studying transformations "from below" would also be a great opportunity to form bilateral research teams, which would of course be very welcome to work in Central Europe, where we can guarantee open access to archives and interviews. I hope the same would be true in the People's Republic of China. I would like to finish my keynote lecture by asserting that the combination of social science interviews with traditional historical approaches makes for a fine laboratory for interdisciplinary work.

I hope that we will now have a short but lively discussion with many questions from our Chinese partners. Thank you for your attention.

About the Keynote Speaker



Philipp Ther is Professor of Central European History at the University of Vienna, where he also guides the Research Center for the History of Transformations (RECET). Four of his monographs have been published in English: *Europe since 1989: A history* (Princeton UP; the German original was awarded the Leipzig Book Fair's non-fiction book prize); *The Dark Side of Nation States: Ethnic Cleansing in Modern Europe*; *Center Stage: Operatic Culture and Nation Building in 19th Century Central Europe*; and *The Outsiders: Refugees in Europe since 1492* (Princeton UP). His most recent German book is: *Das andere Ende der Geschichte: Über die Große Transformation*. In 2019 he was awarded the Wittgenstein Prize by the Austrian Research Fund.