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Two Sorts of Crisis? The “long” 1970s in the West and the East

1. Three Waves of Crisis

Postwar German development logically unfolded within the conditions imposed on Europe by the challenges of postwar reconstruction and the Cold War. Whatever special features German development may have earlier presented (and they were certainly less “particular” by the 1970s than before the Second World War), a quarter century after 1945, the Federal Republic had become a full-fledged democracy with a mixed economy and capitalist development characteristic of other OECD countries. But it likewise faced the turbulence and difficulties that afflicted the West, and sometimes the West and East in different if related ways. The decade and a half from the late 1960s to the beginning of the 1980s comprised in fact the most troubled era of postwar institutional development in the second half of the twentieth century. It needs to be examined as a transnational crisis in which German developments comprised part of a more encompassing historical transition. And while it was difficult to perceive the linkages at the time, the difficulties encountered represented not just a crisis of capitalism. They amounted as well to a deep and ultimately insuperable challenge for the state socialist regimes. West Germany and democratic Europe overcame what observers felt were profound difficulties; the state socialist systems, including that of the Soviet Union and the German Democratic Republic did not. While it is unusual to study the political economies of East and West together, only in a joint scrutiny do we finally understand the nature of the challenge confronting each.

“Crisis”, of course is an over-used word; nonetheless it has a specific meaning, referring to a situation where the institutional arrangements of a society no longer deliver the results expected of them – whether public order, economic transfers and social justice, or economic growth – and where normal corrective actions seem only to make the situation worse: i.e. more disorder, less justice, more stagnation, etc. Crises differ from isolated political turmoil or conflicts. Most all regulative institutions seem to fail at the same time; there is a sense of profound interconnection. Crises change the balance of what Albert Hirschman has described as the options of “exit, voice, and loyalty”. Voice and loyalty both become more stri-

dent. The normal arrangements for mediating social demands seem to fail and the dissatisfied take to the streets and sometimes take up arms. The control of public space becomes an urgent stake for contending groups: crises are often disorderly and sometimes have higher levels of violence. Such turmoil only makes given institutions seem even more inadequate. Crises do not always destroy regimes or economic systems, but the arrangements that emerge will be significantly different from those that prevailed earlier.

Indeed the turmoil of the 1970s, in Germany and elsewhere, formed only one of what I believe was one of three systemic crises of the twentieth century. The first of these overarching crises lasted from about 1905 through the First World War. It involved the well-known international rivalry between alliance systems and a sustained conflict over political representation – whether the representation of ethnic groups (as in Ireland and the Dual Monarchy) or of socioeconomic classes, i.e. old elites often with aristocratic status, newer bourgeois representatives, and the industrial working classes. As a widespread *crisis of representation*, this decade witnessed such disparate events as the Russian Revolution of 1905, the controversies over universal male suffrage in Austria-Hungary, Italy, and Prussia, and the conflict over reform of the House of Lords in Great Britain¹. In many countries, the characteristic institution created by nineteenth century liberalism, that is, parliamentary discussion and decision-making, seemed paralyzed. The Right drew the lesson that parliamentary institutions should be curtailed and power restored to strong executives based if necessary on military authority. At the same time, Right and Left together understood that the so-called “masses”, admitted into the political arena by various expansions of the European suffrage from 1870 on, represented a strong force that could no longer be excluded from politics and must rather be wooed. Rightists offered nationalism and sometimes antisemitism as demagogic appeals; the Left pressed for suffrage expansion. Had the First World War been averted, probably by 1920 European societies would have limped uneasily toward a more democratic order and more effective representation for nationalities and working-class interests. Bad crisis management, however, meant the outbreak of the First World War, whose prolonged and costly stalemate brought nationalistic and quasi-authoritarian solutions were attempted first as World War I, only to be seen as failures in their turn.

The second of these systemic major crises was the world economic depression of the 1930s and involved the collapse of employment and national incomes after an effort to reestablish prewar economic conditions under vastly more difficult postwar circumstances. It was a *crisis within capitalism* and was resolved by de facto Keynesian programs of government spending including rearmament and wartime expenditure and ultimately by the postwar welfare state. It did not de-

¹ For the crisis of representation see *Charles S. Maier*, Political Crisis and Partial Modernization, in: *Charles L. Bertrand* (ed.), *Revolutionary Situations in Europe, 1917–1923* (Montreal 1977). The citations that follow do not include publications that appeared after the conference date.

stroy capitalism, but brought down the German democratic regime and undermined many others. Eventually, across the course of the Second World War, it changed the balance of the interest groups within capitalism, enhanced the role of industrial labor and eventually stabilized the role of a vastly reduced agrarian sector, and brought about a commitment to social spending, but not before helping to lead to Nazism and World War².

The third of the century's crises and the one treated in this paper was less a collapse within a system of political economy than *a crisis of industrial society* and thus of two rival sets of institutions: postwar Fordist capitalism and Fordist state socialism. The political economies developed to revive capitalism after the Great Depression seemed to fail in their turn as unemployment deepened and inflation persisted during the 1970s. The measures that had in fact precluded a renewal of the sort of crisis of the 1930s proved unable to solve the difficulties of the 1970s, because the symptoms were not caused by failing demand and investment, but a difficult transition from one set of economic activities to another. Daniel Bell invented the term ‘post-industrial society’ to describe a transformation whose scope in the mid-sixties was only becoming apparent³. The transition was based on technological opportunity (electronics), and on the industrialization of previous Third-World countries who could now produce many of the basic products earlier reserved to the West. The difficulties posed by this transition (or transition-manquée in the socialist world) gripped both halves of Europe, forced profound transformations in the West, and a decade and a half later led to the collapse of state socialism in the East. This paper will analyze the nature of the transformations involved, with primary attention to the difficulties that western capitalist societies passed through. Of course, the crisis was not only economic: it encompassed a collision of older and newer values, as exemplified by the university insurrections, the emergence of a distinctive youth culture and feminist agenda – all that we understand under the notion of “1968”, which epitomized so many of the discontents.

2. The Economic Challenges

Without attributing causal priority to the material aspects of the crisis, it is convenient to start with economic difficulties that seemed most preoccupying to many policy makers and ordinary citizens. The economic difficulties of the late

² For a persuasive argument about its causes as well as an authoritative history see *Barry Eichengreen*, *Golden Fetters: The Gold Standard and the Great Depression, 1919–1939* (Oxford 1992); international aspects in *Dietmar Rothermund*, *The Global Impact of the Great Depression, 1929–1939* (London 1996); Keynesian responses in *Peter A. Hall* (ed.), *The Political Power of Economic Ideas: Keynesianism across Nations* (Princeton NJ 1989). In this and the following notes, I have provided only a skeletal citation of recent scholarly sources; many of the works cited have detailed bibliographical guidance.

³ *Daniel Bell*, *The Coming of Post-Industrial Society: A Venture in Social Forecasting* (New York 1973).

1960s and 1970s – summarized in the West under the concept of “stagflation”, or simultaneous inflation and unemployment – can be seen as a series of simultaneous wrenching transformations. They must be understood in part as a reaction to the consensus on postwar capital rebuilding, deferral of individual and collective consumption within all societies preoccupied by rebuilding capital and housing after World War II and in the new Cold War confrontation. Most accounts take the oil crisis of late 1973 and early 1974 as the turning point from a remarkable 25 years or more of unprecedented European economic growth (1948–73), or even “les trente glorieuses” until the mid 1970s, into a decade of economic turbulence. In fact there were significant points of inflection in the record of untroubled growth from the mid-1960s on, including a growing impatience on the part of labor unions and a worsening American current-account balance that was unsettling the structure of international trade and payments.

But it is important to step back: How did one slip into the difficulties whose symptoms stretched across the years from 1965/66 through 1974/75? To understand the nature of the crisis, one has to understand the system that functioned in the preceding two decades. At the end of the Second World War, restive elements on the Left, though not the Communists, called for extensive socialization or redistribution of wealth. By 1946–47, the European communist parties and unions also urged a major shift in the control of the economy, but at the same moment that the United States became concerned about Soviet Communist expansion into Europe and determined to use extensive foreign aid to support the political elements of the center who would move beyond a policy that threatened increased inflation and deferred growth. The advent of the European Recovery Program or Marshall Plan reoriented politics: it consigned West Europe’s communists to long-term political opposition, but accepted the fact that the Soviet Union would control and seal off Eastern Europe. The Czech coup of February 1948 and the Berlin blockade during the next year established the limits of each side’s territory. Both halves of Europe moved to rebuild from the war under different auspices: an American-sponsored capitalism (albeit with a strong state-planning role) in the West, and a Soviet-model centrally planned socialism in the East.

The years 1948–1960/66 in Western Europe constituted an era presided over by center-right governments in which working-class parties were in a minority opposition, but were strong enough to secure the introduction of fundamental social-welfare reforms. Crucial to the political situation in the West was the division on the Continent between reformist social democratic parties and a communist opposition that from 1947–48 on refused to collaborate with the American-urged policies of monetary stabilization and productivity-keyed wages. In effect, Marshall Plan aid allowed the governments of continental Europe to finance both reconstruction and an emergent welfare state without rigorous deflationary measures, thus securing the cooperation of social democratic leaders in coalition with new Christian Democratic mass and precluding a dangerous descent into class politics. In West Germany, where communist appeal was not an issue, the imperatives of reconstruction and the negative example of Soviet Zone and later

GDR development similarly contributed to a limit on ideological division. Under American leadership, exercised in part through the Marshall Plan, West European societies avoided the polarizing disputes of the 1930s and secured a minimal consensus around an ideology of growth (the politics of productivity), in which divergent class interests moved beyond their earlier conflicts over distribution. Instead they looked to increased production shared equitably for enhanced welfare, a notion that corresponded to the United States' own experience in overcoming the Depression and assuring high wartime production. The postwar Council of Economic Advisers, led by Leon Keyserling, introduced the rhetoric and idea of continuing growth, popularizing, in effect, a theme that academic economists had begun to explore at the end of the 1930s⁴.

The extraordinary economic growth was also facilitated by the continuation of cheap energy prices as the Anglo-Americans retained control of Iran after the crisis of 1950–51, and secured continued imports from countries not yet organized into an oil producers' cartel. It also rested on relatively inexpensive labor costs as the one-time transformation of agriculture (fertilizers, mechanization, etc.) released farm workers for urban employment. For the first time since the nineteenth century, moreover, prosperity continued through a second decade, as private American investment increased in the late 1950s and Europeans returned to convertible currencies and launched the European Economic Community⁵.

After fifteen years of reconstruction and social "discipline", the 1960s brought a change in relative collective preferences from intensive capital accumulation to social and individual consumption. With the early 1960s, the discipline of the Cold War ebbed; onlookers expected a "thaw" (Taufwetter); social observers talked of "convergence". Center-Left governments came to power in Italy and the United States, then in Britain, and in West Germany. The Roman Catholic Church underwent a period of profound transformation. New coalitions turned from private capital accumulation to social investment and spending (university expansion, welfare spending) and increased private consumption (television, automobiles, vacations). Organized labor now pressed for higher wage settlements and produced the first serious strikes in the Netherlands and West Germany after 1966. Heavy wage increases, of course, would be sought and conceded during the crisis of May

⁴ See *Charles S. Maier*, *The Two Postwar Eras and the Conditions for Stability in Twentieth-Century Western Europe*, in: *American Historical Review* 86, 2 (April 1981) and *Maier*, *The Politics of Productivity: Foundations of American International Economic Policy after World War II*, in: *Peter Katzenstein* (ed.), *Between Power and Plenty: Foreign Economic Policy of Advanced Industrial States* (Madison, WI 1978) reprinting *International Organization* (autumn 1977) – both essays now included in *Maier*, *In Search of Stability: Explorations in Historical Political Economy* (Cambridge 1987).

⁵ See on postwar growth: *Charles P. Kindleberger*, *Europe's Postwar Economic Growth: The Role of Labor Supply* (Cambridge, MA 1967); *Ingvar Svennilson*, *Growth and Stagnation in the European Economy* (Geneva 1954); *Alan S. Milward*, *The European Rescue of the Nation State* (London 1992); *Nicholas Crafts*, *Gianni Toniolo*, *Economic Growth in Europe since 1945* (Cambridge 1996); *Andrea Bolitho* (ed.), *The European Economy: Growth and Crisis* (Oxford 1982).

1968 in France (the Grenelle Accords) and the Hot Autumn of 1969 in Italy, settlements that undermined price stability⁶.

Two other major sources of inflation also intervened: First, the United States slipped into a current-account deficit by the end of the 1950s, in part because of government spending abroad, in part because of the liberalization of American foreign investment. The dollars America spent abroad were accepted (until 1965 in France) as central-bank reserves according to the Bretton Woods agreement. Insofar as America spent more in Europe than it purchased, these dollars pumped abroad fed so-called Euro-dollar accumulations in Europe and ultimately the European money supply. Washington attributed the balance-of-payment difficulties not to American consumer purchases but the cost of keeping troops in Europe, and thus continued to pressure its allies, above all the West Germans, into bearing some of the garrison costs – the so-called “offset” negotiations. But when President Johnson decided to finance the first years of sharply increased costs for an expanded war in South Vietnam, the current account grew even more adverse. Nominally fixed at \$35 per ounce of gold, the dollar in fact was significantly overvalued, and American investors took advantage of the unrealistic exchange rate to buy European businesses (the so-called “Défi Américain” denounced by Jean-Jacques Servan-Schreiber), even as their government financed its own wartime deficit by seignorage. The importing of dollars compelled the Bundesbank to two upward revaluations of the Deutschmark in 1969–70, but did not ease the pressure on the American balance of payments. On August 15, 1971 President Nixon disavowed the American commitment to pay gold for dollars in order to compel general revaluation of foreign currencies. The relief secured by the Smithsonian agreements the next spring did not last long and in 1973 the dollar was allowed simply to float. Economists argued that eliminating a fixed rate among currencies would prevent the transmission of inflation, but very shortly thereafter a new series of shocks hit the Western monetary systems⁷.

Following the oil embargo at the time of the Yom Kippur War, the OPEC countries effectively quadrupled the price of oil in early 1974, thus ending the era of cheap energy imports. Importing countries reacted differently – some treating the new price increase as an inflationary surcharge that had to be counteracted by higher interest payments at home; others viewing it as a contractionary tax that had to be counteracted by easing interest rates to sustain employment. In the United States, the anti-inflationary campaign (Whip Inflation Now) of 1975 was

⁶ See *Stephen Graubard* (ed.), *The New Europe* (Boston 1964); *Michele Salvati*, May 1968 and the Hot Autumn of 1969: the Responses of Two Ruling Classes, in: *Suzanne Berger* (ed.), *Organizing Interests in Western Europe* (Cambridge, MA 1981).

⁷ *Fred L. Block*, *The Origins of International Monetary Disorder: A Study of United States International Monetary Policy from World War II to the Present* (Berkeley 1977); the McCracken Report by the OECD, *Toward Full Employment and Price Stability* (Paris 1977); *Arthur N. Okun*, *Prices and Quantities: A Macroeconomic Analysis* (Washington, DC 1981); *Lawrence B. Krause*, *Walter S. Salan* (eds.), *Worldwide Inflation: Theory and Recent Experience* (Washington, DC 1977); *James O'Connor*, *The Fiscal Crisis of the State* (New York 1973).

followed by a stimulus program a year later, but not sufficient to re-elect President Ford. In any case, the combined results of American deficits, the ending of the Bretton Woods system, the labor pressure on wages, the OPEC price increases – and a renewed OPEC increase in 1979 led to sustained inflationary pressure that lasted into 1980–82, only to be followed by sharp recessions. Efforts to control inflation by concerted action or neo-corporatist union-management agreements supervised by the state (in the US, UK, Britain, Sweden) consumed vast amounts of public effort, but did not work effectively⁸.

By the end of the 1970s, all the premises of the neo-Keynesian consensus – belief in a stable and favorable employment-inflation trade-off, the so-called Philips curve and confidence that government spending could yield permanent rises in employment without continuous inflation – had fallen into disrepute. Indexation, designed to moderate wage demands, only stimulated them, above all in Italy (as in Israel and Argentina). Economists discovered "interdependence": the idea that the economic policies carried out within a nation must always lead to responses abroad such that no Keynesianism in one country, or detachment from the international economy, was possible. By the end of the 1970s some Western observers were arguing that democracy and a non-inflationary economy were incompatible objectives: in a "political business cycle" elected officials would always stimulate the economy and generate inflation. Conservative economists argued that democratically elected governments would never turn off the facilitating monetary printing press and would continue to generate inflation and social unrest. Neo-Marxian theories of inflation (Kaleckian and neo-Cambridge schools) came to similar conclusions from a different political perspective. Neo-Marxist economists looked at the power of labor unions and industry representatives and suggested that they were locked in a standoff; each party had become too collectivized to let market mechanisms work but not controlled enough, at least in the West, to allow liberal economic adjustments to continue. Western societies were allegedly locked into a fatal rivalry: workers who drew a society's wage bill remained opposed to investors who lived off assets but also invested in future productivity. Periodically capitalism was supposedly forced to provoke a recession just to weaken trade-union power⁹.

In retrospect it can be seen that the economic crises were not just exaggerations of the normal business cycle and not just, as during the 1930s, a failure of collective consumption or other parameters. Instead, they accompanied a transition in

⁸ *Philippe Schmitter, Gerhard Lehmbruch* (eds.), *Trends toward Corporatist Intermediation* (Los Angeles 1980); *John H. Goldthorpe* (ed.), *Order and Conflict in Contemporary Capitalism* (Oxford 1984).

⁹ See discussions in *Philip Armstrong, Andrew Glyn, John Harrison*, *Capitalism since 1945* (Oxford 1991), essays in *Leon N. Lindberg and Charles S. Maier*, *The Politics of Inflation and Economic Stagnation: Theoretical Approaches and International Case Studies* (Washington, DC 1985); for conservative interpretations see *Brian Barry*, *Does Democracy Cause Inflation? Political Ideas of Some Economists*, in: *Lindberg, Maier, Fred Hirsch, John Goldthorpe* (eds.), *The Political Economy of Inflation* (Cambridge, MA 1978).

the Western world as basic heavy industries (iron and steel, coal mining) were shut down eventually to be replaced by an economy oriented more toward services, leisure, and the post-industrial, post-Fordist array. But the transition was not smooth or easy, and Keynesian remedies of increasing demand could not really stimulate employment, which depended rather upon the advent of increased services employment and new industries. The “rust belt” of the American Great Lakes, the coal mines shut down in the Ruhr, or Charleroi, or northern Britain, provided the long-term dismal signs of such “creative destruction”. East Europeans would undergo the same difficult times once state socialist planners understood that they must undergo the same process.

3. A moral crisis?

Stagflation and economic malaise were not the only source of crisis. A brief essay need not recapitulate the mobilization of young people in the 1960s. Again, the new wave of activism began in the United States, starting with the recruitment of idealistic students for the civil rights movement to end Southern segregation in the early 1960s, then the formation of Students for a Democratic Society to agitate for “participatory democracy”, the Free Speech Movement at Berkeley, and within a few years increasing numbers of antiwar protests, and finally efforts to transform the universities into centers of radical change. Students in Mexico and western Europe likewise mobilized, creating in Germany, for example, an “extra-parliamentary” opposition, taking to the streets, and everywhere in tandem with the authorities increasing the violence of their confrontations. The United States faced its own particular insurrections in the Detroit and Watts ghettos. Between 1967 and the early 1970s tear gas, water cannon, looting and occasionally bullets marked the urban and university landscape in the United States, Europe, and Latin America. The student protests of 1968 in Paris astonishingly came close to forcing the resignation of President de Gaulle and bringing down the Fifth Republic. By the 1970s insurrectionary spontaneity had given way to more durable organizations – whether African-American movements, women’s networks, or the small hardcore of increasingly terrorist cells in Italy and Germany¹⁰.

What was at stake in this upheaval and how important was it? Daniel Bell, whose post-industrial society has been cited already, had earlier published an essay in 1959 on the “end of ideology” concerning the exhaustion of world-transforming political ideas in the postwar decade and a half. Such a theme was echoed often by the political theorists of the 1960s: Otto Kirchheimer and others talked

¹⁰ For an encompassing comparative study, see the essays in *Ingrid Gilcher-Holtey* (ed.), 1968: *Vom Ereignis zum Gegenstand der Geschichtswissenschaft* (Göttingen 1998), with bibliographic references. Some of these essays and others are included in *Novecento: Rassegna di Storia Contemporanea*, n.1 (July-December 1999). See also *Carole Fink, Philipp Gassert, Detlef Junker*, 1968: *The World Transformed* (Cambridge, England, Washington, D.C. 1998).

about the end of opposition, by which they meant the decline of ideologically based parties¹¹. The SPD's renunciation of Marxist ideology at the 1959 Bad Godesberg conference was a supposed indication of this change. More generally, social theorists expected a de-ideologization of politics, a “convergence” between post-Stalinist Communism and welfare-state capitalism. Increasing numbers of issues would be settled by bureaucratic administrators and experts: society was becoming less adventurous and conflictual, routinized and rational. The Chancellor of Berkeley and labor economist, Clark Kerr, outlined a vision of a multiversity that prepared young people to take up the role of experts in this new society, rather than to become generally versed in humanistic knowledge. Of course, not all students accepted this functional a view of their future; they returned to Marx's 1844 manuscripts or read Paul Goodman's *Growing Up Absurd* and decided not to become cogs in the new Leviathan. In effect, the 1960s revealed that ideology was not dead; students were not to be young technocrats, workers were not always content with productivity wages, and all were ready to take to the streets even at the risk of being seen as spoiled children by mature adults¹².

The upshot of all these trends was that the confident expectation of convergence, the image of a technocratic administered society, run by experts and leaving class conflict behind really fell apart. The new activism of labor, students, and women further called into question the whole future of parliamentary representation – under threat, it appeared, by corporatist agreements on the one hand, or the new social movements on the other. But what resulted, of course, was not the collapse of capitalism or parliamentary and party governance – rather a rejection of the neo-Keynesian and neo-corporatist solutions and a surprisingly successful turn to market solutions. The defeat of the Swedish socialists in 1976 after over forty years of continuous governing, the election of Margaret Thatcher in 1979 and of Ronald Reagan in 1980, the advent of a CDU-FDP coalition in 1982, and the abandonment of a traditionally Popular Front spending program in favor of market measures by the Mitterrand government in 1983. By 1980, the Communists in Italy had declined from their 1976 highpoint and had abandoned their unsuccessful search to conclude a “Compromesso storico”. Indeed in the fall of 1980 workers forced an end to a party-led strike at FIAT, within a year, the Bank of Italy had won the right not to finance government debt, and the Socialist Party began to become the pivot of the political system. Except in Greece those socialist parties that did come to power soon ended up following orthodox monetarist and market-oriented economic measures.

The resurgence of foreign-policy tensions at the end of the 1970s with the Iranian revolution and hostage crisis, NATO alarm over Russian mid-range missile development and then the Soviet invasion of Afghanistan also changed the political

¹¹ Otto Kirchheimer, *The Waning of Opposition in Parliamentary Regimes*, originally 1957, on Kirchheimer, *Politics, Law and Social Change* (New York 1969); Robert A. Dahl (ed.), *Political Oppositions in Western Democracies* (New Haven 1966).

¹² Clark Kerr, *The Uses of the University* (Cambridge, MA 1963); Paul Goodman, *Growing Up Absurd: Problems of Youth in the Organized System* (New York 1960).

climate. Once NATO governments decided to respond to Soviet intermediate missiles with the so-called double-track decision, peace movements gained a renewed vigor; however, despite large and frequent demonstrations, the NATO countries did follow through on intermediate-missile emplacement¹³. A general intellectual reaction against the apparent Soviet freeze of the late Brezhnev years helped contribute to a new disillusioned assessment among intellectuals concerning the nature of Communist regimes. "Neo-conservatives" in the United States and the New Philosophers in France became popular media personalities and made anticommunism newly chic.

Serious unemployment marked the first few years of the Thatcher and Reagan experiments; nonetheless, by mid-decade renewed growth was underway – uneven, leaving behind the sites of traditional industry, producing a new propertied middle class in Britain as state rental housing was sold off and prosperity came to those who participated in the "enterprise culture". The Italian economy chalked up impressive gains, and the United States economy revived as a massive tax cut, passed under the new dispensation of "supply-side economics" took hold. Meanwhile both the British and U.S. administrations administered sharp defeats to labor unions as coal miners in Britain and air controllers in America lost major strike attempts. Western capitalism was revived and on the basis of market principles that no analyst had really believed possible a decade earlier¹⁴.

4. Delayed Reckoning in the East

The profound unsettling crisis in the West was matched by equivalently corrosive elements in the countries under Communist control, although for a decade or so the full extent of their difficulties remained concealed. With the suppression of Prague spring and the march into Czechoslovakia under the so-called "Brezhnev doctrine", all the tentative moves toward liberalizing the centralized economies (so-called Liebermanism, *khosrachet*, the New Economic System) were abandoned, and the CMEA economies reverted to more centralized control. While the advent of Edward Gierek in 1970, the pursuit of Ostpolitik, German-German treaties and Berlin accords, and the Helsinki accords in 1975 and Ostpolitik seemed to stabilize the post-Prague status quo in Eastern Europe, in fact, the role of dissent grew – with Charter 76 in Czechoslovakia and the Solidarity movement in Poland.

¹³ *David N. Schwartz*, *NATO's Nuclear Dilemmas* (Washington 1983); *Raymond L. Garthoff*, *Détente and Confrontation: American-Soviet Relations from Nixon to Reagan* (Washington 1986).

¹⁴ *Peter Hall*, *Governing the Economy: The Politics of State Intervention in Britain and France* (Cambridge 1986); *Douglas J. Forsyth, Ton Notermans* (eds.), *Regime Changes: Macroeconomic Policy and Financial Regulation from the 1930s to the 1990s* (Providence, RI, Oxford 1997); *Andrew Martin, George Ross*, et al., *The brave new world of European Labor: European Trade Unions at the Millennium* (New York 1999).

In effect, under Brezhnev, the Soviets decided that competition in the economic sphere could not be won, but that Russia must remain a superpower on the basis of her massive armed forces. As mentioned above, the Soviet effort to gain an edge in middle-range missiles targeted on Europe, thus perhaps with the intention of leading the U.S. to “decouple” ended up, however, leading NATO to match intermediate weapons. Even before Ronald Reagan led an arms build-up Chancellor Schmidt and President Carter had accepted the need for Western response. Indeed the Soviet effort on rearmament helped lead to a full-scale economic blockage in the planned economies by the early 1980s. What is more, the conventional forces of the Soviet Union became bogged down in Afghanistan – with the demoralizing effects that had also characterized the American effort in Vietnam a decade earlier.

Moscow moreover, was entangled in an international economic network that became increasingly frustrating for all participants. The Russians had long accepted the need to subsidize the satellite countries by subsidized oil pricing within the Comecon, although by the 1980s Hungarians and Poles, Czechs and East Germans wanted access to hard currency and western goods as well. In effect the state socialist economies faced the same conflict as the West had experienced a decade earlier between what Marxists called accumulation (investment to keep productivity and economic growth) and legitimation (consumer spending to satisfy mass aspirations). The conflict was clearest perhaps in Poland where it led to working-class explosions in 1970 and 1980, followed by government efforts to increase consumer welfare even as it continued with the construction of a heavy industry. Only a continued dependence on Western loans allowed the state to pursue both these efforts. Poland and East Germany, Hungary to a lesser degree depended increasingly on western credits to prevent social explosions. Meanwhile the Soviet Union underwent a sharp decline in national product in the first few years of the 1980s, accompanied by its usual tell-tale woes of rising alcoholism and even higher death rates. Still, the crack-down in intellectual dissent that had increased in 1968 and then again in the mid-1970s against intellectuals and protesters continued, until Gorbachev decided to reverse course in the mid 1980s¹⁵.

5. Two Crises or One?

I will not trace the unravelling of the communist regimes in Eastern Europe and ultimately the dissolution of the Soviet Union. By the end of the 1980s the one-party system that had seemed so solid to most observers had collapsed in a blood-

¹⁵ On economic difficulties of the Communist bloc see *Timothy J. Colton*, *The Dilemma of Reform in the Soviet Union*, rev. ed. (New York 1986); *Randall Warren Stone*, *Satellites and Commissars: Strategy and Conflict in the Politics of Soviet-Bloc Trade* (Princeton 1996); *Charles S. Maier*, *Dissolution: The Crisis of Communism and the End of East Germany* (Princeton 1977), chap. 2, trans. as *Das Verschwinden der DDR und der Untergang des Kommunismus* (Frankfurt a.M. 1999), with bibliography; *János Kornai*, *The Socialist System: The Political Economy of Communism* (Princeton 1992).

less series of mass demonstrations and party concessions. The opening of the Berlin Wall in November 1989 was just the most dramatic symbol in the process. What had seemed a powerful and monolithic system stood revealed as near economic and, of course, ideological bankruptcy, as Communist leaders revealed that their ideology had become irrelevant for mass aspirations and even activists had become “‘tired’, resigned, and had finally given up”¹⁶.

The question to be posed in conclusion is what relationship the crisis that so lethally afflicted the Communist states in the 1980s had to that which Western countries had undergone from the late 1960s to the end of the 1970s. Most narratives make no connection between the two, but I would urge that they represented, in fact, two phases of one epoch of unrest confronting the industrial world – capitalist and communist. The historian can trace the causation along either “material” or “ideal” lines. Historical change, of course, always seems over-determined in retrospect. Different orders of transformation, technological and cultural, take place together, and the historian does better to trace their interaction rather than to insist on the causal priority of one or the other.

The scenario that follows the technological and economic story pivots on the transition from the age of assembly line industrial production to post-industrial or post-Fordist production. It would focus on several decisive transformations: the advent of microelectronic and computer technology that OECD countries forged ahead with at least a decade and perhaps a generation before the centrally-planned economies might themselves begin to catch up; the increasing importance of the service sectors; the rise of export-oriented industrial economies in Asia; and the reclaiming of market power by the oil producing nations. These were profound and seismic shifts for the siting of economic activity. What is more, they were accompanied by the breakdown of the Bretton Woods monetary order. And this meant, it turned out, the growing “interdependence” – the economists’ new term of the 1970s and 1980s – of the Western countries’ national financial initiatives and their inability to use national monetary or fiscal policy as an effective instrument of macroeconomic policy without serious counter-effects. All these developments in retrospect pointed to the difficulty of reverting to neo-mercantile economic policies that presupposed national autonomy. The alternative that parties of left and right embraced alike was acceptance of the international market and ultimately of what by the 1990s was termed globalization. Western electorates, to the astonishment of most academic analysts, accepted this logic as new economic activities grew in importance and the traditional working-class constituencies and the power of the labor unions based on these older communities dissolved across the three final decades of the twentieth century. The *nomenklaturas* of the East could not accept this loss of relevance, attempted to cling to forms of production and control that meant they fell further and further behind until finally their legitimacy clamorously dissolved.

¹⁶ Stasi memo cited in *Armin Mitter, Stefan Wolle* (Hrsg.), “Ich liebe euch doch alle!”: Befehle und Lageberichte des MfS Januar-November 1989 (Berlin 1990) 142.

The same story can be followed from the starting point of a change in values as well as technologies: the growth of consumerism and the impact of the United States youth culture as well as productive power, the dissolving of the social discipline of “accumulation” and saving after the exertions of reconstruction. Conservatives in the 1970s denounced these trends – so dramatically symbolized by the student explosions of 1968 – as the advent of hedonism and short-sighted pursuit of today’s consumption at the expense of tomorrow’s capital. But it testified to the West’s shedding of the older social roles assigned by industrial society and the growth of a far more complex trying out of successive protean identities. 1968 involved many impulses, but everywhere it signaled the unwillingness of a generation largely born without experience of World War II’s collective discipline to accept the social roles prescribed by those who had reconstructed postwar societies. The virtues of sacrificing for the future, for acceptance of roles as producers, the acceptance of the meta-narratives of modernization, all came under scrutiny, sometimes utopian, sometimes intolerant, sometimes violent. The question whether 1968 changed anything is badly posed. 1968 happened because everything had already started to change. But it changed at different rates and the protests were different West and East. Activists in the West envisaged the old regime as a diffuse set of capitalist institutions, enforcing their control through ideological “hegemony”, stratified educational “reproduction”, and repression at the workplace. Activists in the East understood that the Communist Parties were their proximate oppressors. So they remained as well for almost two further decades, but by that time they could no longer contain the multiple demands for fulfillment and reform that bubbled up from a now autonomous “society”. Communist Party rule could remain viable only in societies where the macrostructures of industrial society had not yet been riddled through by the differentiated enclaves of post-Fordist economic activity and postmodern values, that is outside of Europe. The same held for military dictatorships, which likewise abdicated when the societies they governed became too complex to steer from above.

It was only logical that the socialist and non-socialist world should face systemic changes that had an impact on both. For all the postwar period the two systems had helped shape each other’s politics, military strategies, and economic choices. While Western capitalism survived, many of its underlying assumptions that had marked what might be called the Keynesian age from World War II to the mid-1970s were powerfully transformed. The institutions of the West allowed those who ruled to be changed and the rules to be changed while sparing their constitutions. Only monetary policy had to be taken out of the hands of parliaments and parties and placed in the hands of autonomous central bankers. But the institutions of the Communist world could not escape the transformations that so undermined the logic of their postwar history. The twentieth century effectively ended between 1973 and 1989. But what would durably emerge as the institutional base of the twenty-first century was not at all clear. Many writers in Europe and North America were confident during the 1990s that market democracies would remain triumphant and usher in a so-called end of history. But they tended to

extrapolate from societies that had undergone the postmodern transition and the advent of “globalization” without a serious backlash. It may turn out that the twenty-first century opened, in effect, on September 11, 2001, and it would be rash to predict the long-term outcome.