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## International Organization

Comparing Responses to International Disturbances

**Ellen Comisso**

**Laura D'Andrea Tyson**

Eastern Europe as a Region

**Michael Marrese**

**Iván T. Berend**

Economic Strategy inside the CMEA

**Ronald H. Linden**

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Responding to Economic Change outside the CMEA

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**P. Nikiforos Diamandouros**

**Chalmers Johnson**

**Albert Fishlow**

**Ellen Comisso**

Sponsored by the World Peace Foundation  
Edited at Cornell University  
Published quarterly by The MIT Press

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*International Organization* is published quarterly, Winter, Spring, Summer, and Fall by The MIT Press, 28 Carleton Street, Cambridge, MA 02142.

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# International Organization

Volume 40, Number 2, Spring 1986

Special issue edited by *Ellen Comisso and Laura D'Andrea Tyson*  
Power, purpose, and collective choice: economic strategy in socialist states

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Eastern Europe

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# Abstracts

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## **Introduction: state structures, political processes, and collective choice in CMEA states**

by Ellen Comisso

The similarity of state structures throughout Eastern Europe helps to explain why the reactions of states in that area to the international economic disturbances of the past decade resemble each other and why they differ from those of states outside the socialist bloc. Similar state structures, however, do not explain why the economic strategies of the East European states themselves in response to international economic shocks in the 1970s and 1980s diverged so noticeably. The role of state structure is to define “*kto/kovo*” (who can do what to whom) relationships in the state and economy. In this way state structures define problems that political leaders must solve, possibilities among which they may choose, and political resources and allies upon which they may draw in the course of their decision making. In contrast, strategy choices—“what is to be done”—are the outcomes of political processes in which leaders mobilize resources and allies to capture positions of power from which they can pursue the purposes they advocate. Thus differences in foreign economic strategies among member states in the Council for Mutual Economic Assistance reflected differences in the dynamic interaction of the form and content of political processes that occurred within common state structures.

## **The debt crisis and adjustment responses in Eastern Europe: a comparative perspective**

by Laura D’Andrea Tyson

The responses of East European states to changing international economic opportunities and constraints during the 1973–84 period are examined and contrasted with a sample of newly industrializing countries, including Korea, Taiwan, Singapore, Mexico, Brazil, and Yugoslavia. The effects of external economic shocks and internal policy choices on balance-of-payments difficulties and borrowing requirements in the mid-1970s are assessed. With the exception of Korea, all the countries that chose to borrow heavily at this time, including all of the East European countries, confronted a debt crisis by the early 1980s and were compelled to introduce austerity measures. Economic performance under austerity is compared in terms of the policy instruments different countries used and their effects on output growth, distributional goals, the balance

of payments, and debt levels. Long-term effects of the debt crisis on development strategy and economic and political structure are also considered.

### **CMEA: effective but cumbersome political economy**

by Michael Marrese

The Council for Mutual Economic Assistance is primarily a forum for bilateral bargaining between the Soviet Union and each of the other CMEA countries. The bilateral negotiations are conducted with tremendous concern for Soviet long-term preferences and for the short-term economic-political stability of East European countries. The CMEA provides the Soviet Union with an effective but cumbersome politico-economic policy-making apparatus that is becoming less effective and increasingly cumbersome over time. From the East European perspective, the CMEA tends to solidify the positions of the East European leaders yet generate long-term economic costs. What are the preferences upon which the CMEA is constructed? How are CMEA characteristics related to these preferences? What are the economic costs and benefits to member countries in static and dynamic terms? Why have costs for all member countries risen over time? How is intra-CMEA trade likely to change during the next decade?

### **The historical evolution of Eastern Europe as a region**

by Iván T. Berend

What is Eastern Europe? There are geographical and political interpretations of the term. "Eastern Europe," the territory east from the river Elbe, is first of all a historical category, for the region has evolved over thousands of years. Eastern Europe was already displaying specific traits as early as the very beginning of medieval European development in the 5th to 8th centuries. After the discovery of America and the emerging Atlantic trade, Eastern Europe was left on the "periphery" of the modern world system, lagging behind Western Europe until the 18th century. The "double revolution" of the late 18th century—the Industrial Revolution in England and the socio-political revolution in France—posed many challenges to Eastern Europe. The region met these challenges with a series of reforms based on an imitative strategy of catchup. In the aftermath of World War I, Eastern Europe developed new patterns of reactions, prompted by backwardness and its belated start, by the hindrances and problems of economic, social, and national development, by the presence of numerous and only partly assimilated national-religious minorities. As a result of power relations within the world system, however, a specifically East European socialist model came to fruition following World War II. Political Eastern Europe became almost identical with historical Eastern Europe.

### **Socialist patrimonialism and the global economy: the case of Romania**

by Ronald H. Linden

The evolution in Romania of a governing system of socialist patrimonialism, as opposed to one of collective rule by counterbalancing elites, accounts for both the country's early and extensive contact with the international capitalist economy and its belated but sharp reaction to international economic disruptions. In the absence

of powerful alternative political elites or policies, the socialist nationalist ideology of Nicolae Ceaușescu defined the country's "multilateral development" and its deviant foreign policy. Ceaușescu's manipulation of the system strengthened his hold during the time of rapid economic development and undermined the country's capacity to react promptly or moderately to economic shocks. Events in Poland, especially the rise of Solidarity, complicated Romanian adjustment; but on balance, the adjustment to external economic forces reinforced rather than eroded Ceaușescu's socialist patrimonialism.

### **Explaining the GDR's economic strategy**

by Thomas A. Baylis

The GDR's fundamental economic strategy since 1971, as reflected in but also modified by its response to the "price shocks" of the 1970s and the ensuing credit squeeze of the early 1980s, has been shaped in important measure by the pressures imposed and the opportunities offered by its complex relationship with the German Federal Republic. The direct and indirect constraints resulting from the GDR's status as junior partner in its alliance with the Soviet Union, the terms of the still tenuous accommodation the regime has worked out with its own citizens, and changes and conflicts within the political elite have also influenced the GDR's choices. The short-term and long-term measures taken in response to the shocks appear to have been surprisingly successful, even though there is evidence that two of the latter—the return to a policy of economic reform "in small steps" and the utilization of the GDR's "West German connection" to restore its creditworthiness and strengthen its access to Western technology—proceeded only in the face of internal and external controversy. The GDR's apparent success in comparison to its East European neighbors must be attributed to a number of factors, only one of which is its special relationship with the Federal Republic.

### **The economics and politics of reform in Hungary**

by Ellen Comisso and Paul Marer

Reform of the domestic economic system is the distinctive element of Hungary's foreign economic strategy in the 1980s. The need for systemic economic reform stems from Hungary's status as a small country, heavily dependent on foreign trade, many of whose imports can no longer be met within the Council for Mutual Economic Assistance alone. The many obstacles to economic reform lie in a heritage of policy choices that responded to domestic and CMEA supply constraints rather than to principles of comparative advantage. Such policies undercut the initial economic reform in 1968 and contributed to a major economic crisis in 1979–82. The subsequent changes in policy priorities and institutional mechanisms prompted by this crisis aimed to reduce Hungary's insulation from the larger international economy and make the economy more efficient. Politically, economic reform is possible in Hungary largely because of the impact of the 1956 revolt on both the subsequent composition of the political elite and the norms and features of collective leadership that guided its decision making afterwards. Nevertheless, the political and economic structures on which collective leadership rests weaken reform advocates and obstruct consistent implementation of their policy preferences. Yet Hungary's economic situation in the

late 1970s altered the political balance of forces in favor of reformists, permitting them to alter both economic structures and policies.

### **Economic adjustment and political forces: Poland since 1970** by Kazimierz Poznański

Postwar Poland has experienced relatively great economic instability and recurring political upheavals, at least by East European standards. Recent dramatic developments include a severe economic crisis following an extended period of spectacular growth. The collapse of the once popular leadership of Edward Gierek, the creation of the first independent trade unions under a communist regime, and the replacement of party with military rule bear witness to the severity of Poland's political disruptions. Have economic or political factors caused the economic crisis? Which are the critical factors? Escalating internal political tensions and enormous external political pressures have caused Poland's current economic collapse, preventing the successful implementation of adjustment policies. The underlying sources of these political forces—namely, worker disillusionment with communist practices and confrontational relations between the superpowers—have not eased to date; the current malaise is likely to continue for some time.

### **Orthodoxy and solidarity: competing claims and international adjustment in Yugoslavia** by Susan L. Woodward

Yugoslav policies of domestic adjustment to world economic changes during 1973–85 are the result of two sets of constraints imposed by the strategy of the ruling communist party for retaining its power: (1) an open international strategy for economic growth and national autonomy, chosen in the 1940s, that includes extensive use of foreign capital resources, and (2) the coalition of competing political and economic interests gathered within the party, which has been maintained by granting autonomy to producers, limits on the economic role of the state, and successive devolution of financial and administrative authority. The first imposes external budget constraints, the terms of which are defined by foreign creditors and supported by domestic economic liberals; the second imposes domestic political constraints that narrow the policy alternatives, limit their effective implementation, and require compromises that encourage further borrowing and political reform. The policy result is central party determination of policy orientation; macroeconomic stabilization policies that have continually given priority to maintaining the external balance and that combine orthodox deflation with administrative controls; periodic alternation in structural adjustment policies between a developmental, redistributive emphasis and an export-oriented, liberal, market emphasis, depending on the external constraints; and political and institutional flexibility in response to each policy shift and in order to maintain political order.

## **State structures and political processes outside the CMEA: a comparison** by Ellen Comisso

Although state structures among non-CMEA NICs varied widely, all were fundamentally different from state structures within the Council for Mutual Economic Assistance. Moreover, because those differences were as much in kind as in degree, even nominally similar strategy choices and political processes were actually the product of different causes, shaped by different objectives and political actors, accomplished with different instruments, and followed by different international and domestic consequences. At the same time, although the *substance* of state structure and economic strategy in Eastern Europe and the NICs was different, the *relationship* between structure and strategy was similar. In both areas, state structures define problems, possibilities, and political resources; yet strategy was the result of differentiated political processes in which elites mobilized allies at home and abroad to formulate solutions to the issues and opportunities that state structures created.