

## EASTERN EUROPE - IN SEARCH OF A NEW SOCIAL ORDER

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During the last few years a great number of political analysts on this side of the Iron Curtain have begun to entertain the idea that the economic and social changes that took place in Central and Eastern Europe during the last decade have been of a permanent nature. It has been argued that these changes were going deeply into the minds of the people and into the structure of the economic life. We have been told that the result of these changes has been a newly emerging type of socialist man and a socialist society; both of them are supposedly impossible to eliminate, and any attempts to retard or to stop the trend are simply attempts "to turn back the clock." Consequently we have been advised to be prepared for the long existence of a socialist order in the heart of Europe.

The fateful events of this past October and November in Poland and Hungary have shown to the free world that these expectations were premature. Uprisings in these two countries have shown clearly that Communism was not able as yet to create a new socialist generation and a new socialist type of man. On the contrary, the events have shown that these nations are strongly opposed to the new order which has been imposed on them for more than ten years. This opposition was so strong that it led to bloody revolution against tanks and guns, a development which was unthinkable some years ago. And the most interesting fact about the uprisings is that the strongest reaction came from the younger generation — students and young workers — people who were expected to be the vanguards and defenders of the new socialist order.

The failure of Communism to convince the world of the alleged superiority of the socialist system poses several questions as to the future social order in Central and Eastern Europe. We may argue with great weight that for years to come the eastern European nations will be looking for another system different from that which has been offered to them during the last decade. If so, we shall ask what social order the captive nations are looking for. Do they seek the return of pre-World War II conditions? Or are they looking for some new ideas in, and forms of, economic life?

### **WHY COMMUNISM FAILED IN EASTERN EUROPE**

Before discussing the possibilities of a change in the economic system or the possible retardation of the present socialist trends, it seems worth while to discuss briefly those reasons which have been most apparent for the failure of Communism to create a new socialist society and to analyze the strength of those factors in the future development of political and economic life in Eastern Europe.

As two of the most important factors we may list family ties and the influence of the Church, especially of the Roman Catholic Church. These two factors probably will remain strong for many years to come. The present indications are that the strength of the Catholic Church did not diminish in the captive countries, on the contrary, the events of the last few years created new martyrs and strengthened even more the spirit of religious resistance. Similarly, family ties are getting, and probably will continue to become, closer and stronger in the future because the family is becoming, to many young people, the last hope and the last source of moral strength. Of course, the influence of the family upon the younger generation could be broken in a relatively short time by massive deportations and by the splitting of families by force. Although this is a measure often resorted to under the Communist system, it does not appear that the Communist regimes will try this method on a large scale at the present. Such measures would be difficult to conceal from the public opinion of the world, and second, such massive deportations would interfere severely with the fulfillment of their economic plans.

In view of these considerations we may expect that family ties and the Church will continue to be the strongholds of the opposition to the new social order and will continue to act as the defenders of those spiritual values which have been prevailing values of the society in the immediate past.

Another factor of great importance is the nationalism of all the captive European nations. Events have shown that the formerly strong nationalistic feelings have not been eliminated — they remained strong and unrestrained throughout all those turbulent years in spite of all the efforts of Communists to discredit them as reactionary fascist movements. Nationalism as such does not necessarily represent an opposition to the socialist system. In the past we have witnessed the emergence of national socialism in Germany and elsewhere which was compatible with socialist systems and which made us believe that extreme nationalism may ultimately lead to socialism. However, in the case of Eastern and Central Europe, such an extreme development of nationalism does not seem probable at the present time. The present nationalist movements of captive nations are strongly opposed to socialist and communist ideas mainly because the socialist economic system is being brought to them from Russia; and Russia, for centuries, has been regarded as the principal enemy of the nationalist movements of Eastern Europe. Therefore, being an imported commodity, socialism and communism do not have many supporters among the native populations of Eastern and Central Europe. Consequently, it seems reasonable to assume that the nationalism in the captive nations will continue to be the type of moderate and healthy nationalism associated with the ideas of freedom and the social order alien to the Communist system as it was for years before World War II.

The fight for personal freedom is another factor which brought about the failure of Communism in Eastern Europe. The effects of this factor on the development of the social order is so obvious that not much elaboration is needed. On the basis of observation of the most recent history of Eastern Europe and elsewhere we may conclude that the yearning for and the fight for personal freedom will continue to be an additional strong factor which will work against the creation of the socialist society in Eastern Europe. After all, Marxian socialism takes personal freedom away from the people of the nation, and the present generations in all of Eastern Europe are educated sufficiently to see this clearly. They have shown that they are determined to resist encroachment upon their personal freedom by peaceful, as well as by forceful, means and thus far this determination has been quite powerful and effective.

We shall consider economic failures as another reason for the failure of Communism to create a new socialistic society. The economic plans of the Communist regimes in the captive countries were very ambitious and were intended to change the entire economic pattern of those nations. On the whole, the plans were not successful. As far as heavy industry, especially the armament industry, is concerned, quite significant success can be noted in some countries. However, the plans in consumer goods were a complete failure. The supplies, both of the necessities of life and of the major consumer goods, declined to such an extent that agricultural countries like Poland, suffered food shortages. Although the Communist regimes explained to the population that this is the shortest (although roundabout) way to plenty of abundance, the captive nations were not willing to take this road, and they simply refused this as the means to alleged high standards of living at some distant future time. The economic failure made people distrust the socialist idea and now the nations are wondering whether the socialist system is the best way toward plenty and prosperity.

Once the confidence of the nations in the socialist ideas has been shaken, the captive nations will be very susceptible to any thought other than the socialist one. Those nations now will be looking and searching for the ideas prevailing in other countries, and they will be asking if those other ideas could not do the job of providing them with a greater supply of goods and a higher standard of living. This leads us to the assumption that the ears and eyes of all the captive nations will be open for some time to come to proposals and advice coming from anywhere, and by no means will those proposals necessarily bear the socialist pattern. After all, all those nations want freedom and a decent standard of living. The socialist system was not able to give it; then why insist on the socialist system? Why not try some other, more efficient, system?

## **A RETURN TO THE PRE-WAR SOCIAL ORDER NOT PROBABLE**

Eefore we start to analyze what economic system Eastern Europe may be looking for in the immediate and more distant future, we should ask whether this search might mean a return to the econcmic and social order that existed in those countries before World War II. Our immediate answer to this question will be in the negative for the reasons given below.

As is generally known, the pre-war economic and social order in Central and Eastern Europe was an odd combination of the remnants of feudalism, of emerging capitalism, and of violent nationalism. In each country the social order took a different form, but the general pattern was quite similar. The remnants of feudalism were strongest in Poland, Hungary, and Rumania. In these countries the land was mainly in the hands of large landowners, in many cases absentee aristocracy. The owners did not take any noticeable measures to improve the social conditions of the peasants, nor did they try to improve the productivity of their lands. And, of course, they were strongly opposed to any large-scale land reforms. As a result, the economic status of the peasant was very low, and he was dissatisfied and poor. In the Baltic States — Lithuania, Latvia, Estonia — the land situation was better. In these countries the land had been given to small farmers. In this way the last remnants of feudalism had been eliminated, and the social status of the peasant had considerably been improved. However, the economic status of the peasant was relatively low, mainly because of the shortage of investment capital and of difficulties in the marketing of crops.

The type of capitalism emerging in Eastern and Central Europe before World War II was the European type of capitalism, which differs substantially from its American counterpart. One of the basic features of European capitalism has been the absence of mass production and of mass consumption. European capitalism has always tended toward cartels, monopolies, and other agreements, which tended to divide the existing markets, to limit the level of production, and to eliminate free competition. Such arrangements did benefit the capitalists, but they did not benefit the average consumer. The capitalists were assured of high profits in spite of low production simply by charging a high profit per unit of production. Consequently, they were not interested in the expansion of productions and consumption. It is strange, but true, that the American idea of mass production at low cost and at a relatively low profit margin per unit of production has always been alien to European capitalism.

Because European capitalists did not go into mass production, the prices of industrial goods were generally too high for the average consumer, and consequently he was not the beneficiary of the system. Moreover, the average consumer did not regard the capitalist system as "his" system. He regarded this as a system serving and benefiting the rich, and in many cases the system has been branded as the system of exploiting the poor. Such notions were entertained not only by Marxists but also by many others who did not necessarily subscribe to socialist ideas, but simply were disillusioned about the practical applications of the capitalist system. As a result, the capitalist system has never been popular in Eastern and Central Europe, and the term "capitalism" always has some negative connotations.

Another significant feature of the prewar economic order of Eastern Europe was a rather strong nationalistic pattern which in some countries took the form of socialist interference in business. In all of these countries — Estonia, Latvia, Lithuania, Poland, Rumania, Hungary, Yugoslavia — the governments were semi-authoritative regimes different from the Anglo-Saxon type of democracy. The governments in these countries assumed certain economic functions which in this country are left to private initiative. They regarded it, for instance, as their duty to assure a high level of business activity by means of direct government interference in business or by means of taking over the ownership of some enterprises in the fields of utilities, transportation, manufacturing, or even retail and foreign trade. No detailed statistics are available on the extent of government economic activities in these countries, but we may guess that in some countries those activities may have accounted for as much as fifty percent of the total national product. There is no doubt that such government interference retarded the economic progress of these nations, and we may wonder if such strong nationalistic attitudes toward the business world will prevail among these nations after all these turbulent years of wars and Nazi and Soviet occupations.

Eastern European nations probably have learned their lessons, as Western Europe already has. That extreme nationalism is not the all-out cure for all the economic troubles. They had ample opportunity to see that international cooperation promotes prosperity better than violent nationalism does, and therefore we may expect that Eastern Europe will not be willing to restore nationalism as the main guide in economic affairs.

### **AMERICAN PEOPLE'S CAPITALISM — AN EXAMPLE TO STUDY**

In their search for the new social order the Eastern European nations undoubtedly will be turning their eyes to the outside world, especially to the United States of America. We single out the United States purposely, since this country has always been very popular with Eastern Europeans. Many of them have relatives or friends in this country, many of them are receiving material aid from private American individuals or organizations, and many of them admire America simply because of its richness, its great power in the world today, and its unselfish attitude toward the oppressed and underdeveloped nations of the world.

However, in spite of this great popularity of America, the American economic system has been known little in these countries and probably is still less known at present. America was known as a rich and prosperous country, but people in general did not realize how this prosperity was achieved and what institutions and factors were responsible for the richness of the country. Somehow, American prosperity has always been regarded by Europeans as given by the Grace of God, without much questions as to why this was given to the United States and not to Europe. Moreover, many Europeans while admiring American greatness and richness, were ignorant and even critical about American economic institutions. Many of them were and apparently still are under the impression that the American economy is governed by a small group of rich families which exercise monopoly powers and exploit the working class. The term capitalism is usually used to describe the American economic system, but since this term has very different references and clear negative connotations in Europe, the American economy is often branded as monopolistic, imperialistic, and unfriendly to the working class. Such opinions are often expressed not only by socialist writers but also by many average citizens who have no reason to show any prejudices against America.

Europeans in general are unfamiliar with the workings of the American economic system. They do not realize that 150 years of economic freedom have been the main foundation of American prosperity and progress; they do not realize that capitalism in this country has developed during the last several decades into a new and different form of economic organization — people's capitalism — which gives equal opportunities for everybody and enables him to be a co-owner of all the productive facilities of the nation. Europeans are generally unaware that the average American is a warm supporter of the free enterprise system and that he regards this system as a part of the American Way of Life. Many Europeans have completely distorted ideas about mass production methods and they regard them as some sort odd "machine monstium," which endanger the individual and finally absorb him into mass society without soul and mind. We may summarize all this by

saying that Europeans in general are very misinformed about the American economy at work, and they grossly underestimate the powers, potentialities, and beneficial effects of the American free enterprise system.

These remarks may be substantiated by the experience of many European immigrants to this country who have had the opportunity to observe the American free enterprise system at work. This writer was one of them. Being raised and educated in Europe, he was skeptical of, and ignorant about, the American economy and the free enterprise system, as were many of his friends and fellow students who were brought up under similar circumstances. After coming to this country he started to realize the effects of freedom in economic life and could see clearly through his own experience, that the writings of European nationalist, socialist, and communist economists and intellectuals about the alleged inferiority of the capitalist, and the supposed superiority of the socialist system, was grave distortion of real facts.

The conclusion of this writer, therefore, is that Europeans in general and Eastern Europeans especially, having never seen the real free enterprise system at work, are not sufficiently informed about the beneficial effects of freedom in economic life. They need to be informed in more detail the great story of American economic progress and the role of free enterprise in it. The purpose of doing this is not to impress Europeans about the ingenuity of American people, but simply to show them that it would be to their advantage to adopt a similar system to their own countries. In telling the story of American progress we will not praise ourselves but we will be performing a service to other nations by showing to them that they too can benefit from big markets, mass production, mass consumption, and freedom of economic choice. After all, economic freedom and the present American economic system — people's capitalism — is not an American monopoly. Each European nation may adopt a similar system if it wishes to progress more and to advance its standard of living.

In spreading knowledge about the American people's capitalism we may encounter many formidable difficulties. One of these difficulties is that many European nations are prejudiced, misinformed, and ignorant about the American free enterprise system, and any attempt to present this system to them may be regarded as a new attempt to indoctrinate them and to extend the powers of American big business. However great the difficulties may be, we should not be discouraged. We should realize that many Europeans have seen many severe abuses of the capitalist system, and that they have for years and years been exposed to very intensive nationalist and socialist propaganda extremely unfriendly to the ideas of economic freedom. Therefore we may regard it as our duty to present to Eastern Europeans the manner in which the American free enterprise system is working in real life toward progress and prosperity. It is not our purpose nor our duty to force European nations to adopt similar social orders in their own countries. But we believe that once Eastern Europeans have the opportunity to see and to realize the great creative powers of the American free enterprise system, they will be able to make their own decisions as to their future social order. And, knowing the power of human mind and human nature, we have no doubts as to what the decision of the majority of the average citizens would be.

This task of informing Eastern Europeans is a difficult one, and it may appear impossible at present. Nevertheless, much can be done at the present moment in spite of the fact that contacts with Eastern Europe are very few and sporadic. It is not the purpose of this article to analyze in more detail the practical implications. It will suffice just to mention it, leaving the more detailed elaboration to other minds. One of the ways of informing Eastern Europeans is the State Department — sponsored powerful Radio Voice of America, and the equally powerful private Radio Free Europe. Radio waves do reach Eastern Europe easily, and they find there very eager listeners. Therefore may we suggest continuation and intensification of the radio programs along the lines presented above.

Another way of reaching Eastern European nations is by means of exiles. Although it has been said many times that the exiles are out of touch with their mother countries and that their political role is finished, we are inclined to disagree. We may agree that exiles probably will not be the actual political leaders in their own countries but we must insist that they have and will have in the future great influence in shaping the fate of their nations. Especially in the realm of relations with the Western world, the role of exiles probably will remain quite significant. Therefore may we advise enlisting the help of the exiles to a greater extent in presenting the achievements of the American free enterprise system to Eastern European nations. Specifically, publications in the various native languages presenting the story of American economic progress can be prepared right now and eventually published. Furthermore, there is among exiles a large number of qualified individuals who may conduct research in comparative economic systems with special emphasis on the possibilities of the application of economic freedom in Eastern Europe. And of course we should give the opportunity to leading exiles to study at first hand the way the American economic system works. In this respect the cooperation of industry in the form of special educational programs along the lines presented to American college teachers would be especially welcomed.

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*It is the steadfast view of this government that the conscience of America will not be in peace until all captive nations enjoy their full freedom and have governments of their own free choosing.*

*J. F. Dulles*