
THEIR RUINS AND OURS: SOUTHEASTERN EUROPE AND THE AMERICAN RUST BELT IN COMPARATIVE PERSPECTIVE

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Abstract:

The fall of the Eastern European “Soviet Bloc” governments has generally been understood as a unique phenomenon. This paper proposes to challenge this understanding through comparative analysis with the American Rust Belt. In both areas landscapes are dominated by shuttered factories and decaying industrial cities, visual reminders of better days long gone. Both areas have suffered impoverishment, unemployment, and shrinking populations.

The outcomes are comparable, but so are the origins. The same global financial pressures that shattered the autarkic economic systems of the Soviet bloc were simultaneously undermining basic industry in the US, sectors of the economy in which the industrial unions once dominated. These processes lead in Eastern Europe to the bureaucracies’ embrace of capitalism, while in the US, over the course of the 1980s the unions were converted from organizations that advanced workers’ interests into mechanisms through which wage-cutting and layoffs were imposed.

Key words: *industrial decline, American Rust Belt, Southeastern Europe*

Introduction: Industrial Ruins as the Images of our Time

In 1889, Jacob Riis published his landmark collection of photography *How the Other Half Lives*. The volume, an unflinching look at the startling poverty in the Lower East Side neighborhood of Manhattan, was meant to draw the attention of the growing American middle class that had separated itself from the cities through suburbanization. One hundred and twenty years later, in 2009, Andrew Moore’s *Detroit Disassembled* was published. The volume depicts the destruction of America’s preeminent industrial city.¹

¹ Riis, Jacob A. *How the Other Half Lives: Studies among the Tenements of New York*. New York: Charles Scribner’s Sons, 1890; Moore, Andrew, and Akron Art Museum. *Detroit Disassembled*. Bologna, Italy : Akron, Ohio: Damiani ; Akron Art Museum, 2010.

Though 110 years separate the two, some have criticized Riis and Moore for a kind of voyeurism of poverty. “Slumming” is the slang word. There is no need to share in this cynical interpretation. Certainly Riis hoped to alleviate urban suffering and, to some extent, his work contributed to the Progressive Era’s muckraking journalism – including the photography of Lewis Hine – that helped put in place reforms such as laws against child labor. For various reasons to which I shall return presently, there is far less reason to believe that Moore’s work will result in a new spate of legislative urban reform. In any case, what is in fact so effective about this sort of photography is not that it shows something to an audience blissfully unaware, but that it captures, in artistic images, a powerful social truth. Yet while the poverty depicted by Riis showed the flip side of American industry in its ascent, those of Moore show us industry’s present decline.²

Images of industrial ruins are images of our time, both in the American Rust Belt – that zone of the United States bounded by the Atlantic on the East, the Ohio River on the South, the Mississippi on the West, and the Great Lakes on the North – and in Southeastern Europe. There are of course other zones of industrial ruins – the entire former Soviet bloc, portions of Western Europe such as the Midlands in England. Indeed, part of what makes the image of the industrial ruin so true is its universality, rather than its uniqueness. In this sense a comparison of the Rust Belt to Southeastern Europe only exemplifies broader historical processes. When viewing these images the search for a metaphor, I would suggest, leads one to war. They are perhaps most reminiscent of the photography of ruins that emerged after World War II. The metaphor is apt. What these images suggest is the destruction of a social order.³

The fall of the Stalinist⁴ Eastern European regimes between 1989 and 1991 has generally been understood as a *sui generis* phenomenon. This paper proposes to broaden this understanding. Both there and in the American Rust Belt areas landscapes are dominated by shuttered factories and decaying industrial cities, visual reminders of better days long gone. In the shadows of these often hulking monuments to an earlier industrial era are populations suffering the consequences. Both areas have experienced catastrophic industrial decline, measurable in impoverishment, unemployment, and shrinking populations.

² Meyer, Edith Patterson. “*Not Charity, but Justice*”: *The Story of Jacob A. Riis*. New York: Vanguard Press, 1974; Gansky, Andrew Emil. “‘Ruin Porn’ and the Ambivalence of Decline: Andrew Moore’s Photographs of Detroit.” *Photography and Culture* 7, no. 2 (2014): 119–39; Handwerker, Margo. “The Life and Death of Buildings: On Photography and Time.” *Journal of Architectural Education* 65, no. 2 (2012): 151–52.

³ Pusca, Anca. “Industrial and Human Ruins of Postcommunist Europe.” *Space and Culture*, 2010; Millington, Nate. “Post-Industrial Imaginaries: Nature, Representation and Ruin in Detroit, Michigan.” *International Journal of Urban and Regional Research* 37, no. 1 (2013): 279–96.

⁴ I use the term advisedly and in the original denotation of the term as used by Trotsky, who did not intend it as an epithet, but to describe the bureaucratic character of the Soviet Union. To use the term “socialist” to describe the Eastern European states is to join with what they themselves and their Cold War opponents called these governments.

The outcomes are comparable, but so in fact are the origins. In the global political economy of the “long boom,” (ca. 1945–1973) the mass industrial unions in the US played a role analogous to the Stalinist regimes in Eastern Europe: both stifled independent working class struggles while providing limited material gains as underwriters of a sort of social contract for a “good life.” Afterward, the same global financial pressures that shattered the autarkic economic systems of the Soviet bloc were simultaneously undermining basic industry in the US – steel, auto, rubber, coal, etc. – sectors of the economy in which the mass industrial unions once dominated.

These global processes lead in Eastern Europe to the apparently sudden collapse of the Stalinist regimes, or, more accurately, their conversion into capitalist regimes, while in the US, over the course of the 1980s the unions – epitomized by the once powerful United Auto Workers union – were converted from organizations that advanced workers’ interests into mechanisms through which wage-cutting and layoffs were imposed.

Mirror Images? Decline in the Rust Belt and Southeastern Europe

Perhaps the starkest expression of this transformation is declining population. The short-term relationship between population and economic health does not need to be spelled out any more than to recall the truism that people need jobs and they tend to leave places where there is little or insufficiently-remunerated work. In the longer run, steadily declining populations in industrial societies measure, more than any other gauge, a widespread lack confidence in the likelihood that the socio-economic situation will improve.⁵

Let us begin with what was arguably America’s most famed industrial city, Detroit, “Motown.” According to the last US census, Detroit lost 25 percent of its population between 2001 and 2010. In all, 237,500 left the city, a rate of one person every 22 minutes. It is the largest ten-year decline for any large city in US history, and second in percentage terms only to the decline experienced by New Orleans after Hurricane Katrina. Detroit’s population, 713,777, is at its lowest point since World War I. This population decline has continued through 2013, according to US Federal Census estimates.⁶

⁵ Kubrin, Charis E., Tim Wadsworth, and Stephanie DiPietro. “Deindustrialization, Disadvantage and Suicide among Young Black Males.” *Social Forces* 84, no. 3 (2006): 1559–79; Newman, Katherine. “Urban Anthropology And The Deindustrialization Paradigm.” *Urban Anthropology and Studies of Cultural Systems and World Economic Development*, 1985, 5–19; Matthews, Rick A., Michael O. Maume, and William J. Miller. “Deindustrialization, Economic Distress, and Homicide Rates in Midsized Rustbelt Cities.” *Homicide Studies* 5, no. 2 (2001): 83–113; Roberts, Ken. “Change and Continuity in Youth Transitions in Eastern Europe: Lessons for Western Sociology*.” *The Sociological Review* 51, no. 4 (2003): 484–505.

⁶ Bureau of the Census, 2010 U.S. *Census Multi Level Database*.

Though extreme, Detroit is not alone. Census data show that Chicago, Cleveland, Pittsburgh, and Cincinnati now have their lowest population counts since the 1910 census, and Milwaukee and Toledo have declined to levels not seen since the 1940 count. These cities were once among the most important manufacturing centers in the world, their names synonymous with the industrial might of the US. Moreover, the population has not just shifted out of the cities themselves, but out of the industrial states as a whole and toward the South and the West. The 2010 census not only revealed Detroit’s population decline, but for the first time since before the American Civil War, a decline in the state of Michigan’s African American population.⁷

Across the former Eastern Bloc, but especially in Southeastern Europe, there has also been a sharp population decline, with some predicting that national populations may fall to half of their 1990 levels by 2050. Fifteen years after “the fall,” and the introduction of the supposed wonders of the free market, these processes continue unabated. In 2013 Bulgaria suffered a population growth rate decline of .83 percent, placing it 229th out of 233 countries in the world. Not counting tiny island principalities, only another Balkan state, Moldova (-1.02 percent) and war-ravaged Syria (-9.73 percent) suffered sharper population declines.⁸

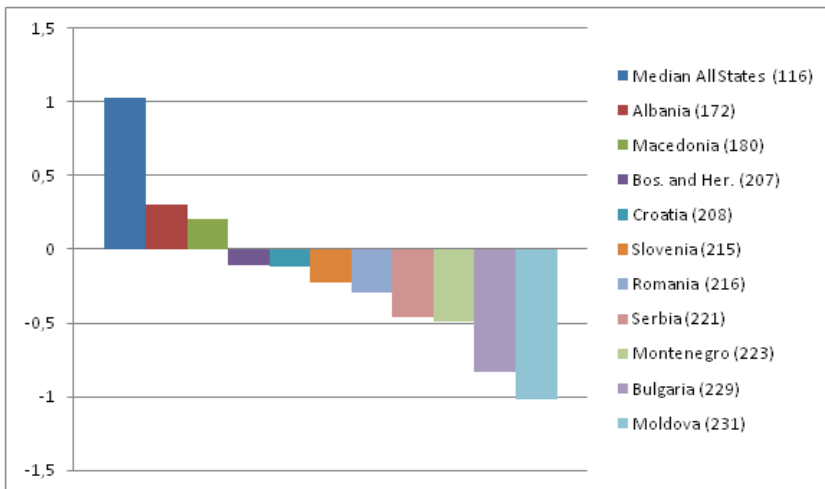


Figure 1. Balkan population rate decline from 2013

⁷ Ibid.; Frey, William H. “Metro America in the New Century: Metropolitan and Central City Demographic Shifts since 2000.” Washington: Brookings Institution, 2005. http://www.brookings.edu/~media/Research/Files/Reports/2005/9/demographics%20frey/20050906_metroamerica.pdf; Rosenberg, Stuart. “Growth, Decline, and Structural Change in US Cities and Towns.” In Paper Present at the 8 Th Global Conference on Business & Economics, Florence, Italy, 2008. http://www.gcbe.us/8th_GCBE/data/Stuart%20Rosenberg.doc.

⁸ Central Intelligence Agency. *The CIA World Factbook 2014*. 1 edition. Skyhorse Publishing, 2013.

There are similarities not only in the fact that a population decline is taking place both in the Rust Belt and in the former Eastern Bloc and ex-Yugoslavia, but in the character of that decline. In both cases, a major factor is the exodus of the young and able. This phenomenon, sometimes called “the brain drain,” has left behind populations in both Rust Belt cities and Southeastern European countries that are increasingly elderly or dependent, straining social services that are simultaneously being rolled back by politicians.⁹

Much more could be drawn out in terms of social comparisons: unemployment, poverty, environmental degradation, life expectancy, infant mortality, and so on. There is one more telling similarity that deserves special note, however: the powerful role that finance capital wields over both areas through the mechanism of the bond yield. In Detroit, this has reached something of a finished point. There, the state of Michigan, backed by the Obama administration, has imposed an unelected “financial manager” vested with the power to tear up contracts, eliminate services, and even depopulate neighborhoods in the name of servicing debt. In Southeastern Europe a similar process is well advanced, although perhaps overshadowed by the events of the past four years in Greece, the former Stalinist regimes’ neighbor to the south, where living conditions of the population have been thrown back decades.¹⁰

Behind the Image: The Historical Processes behind Industrial Decline

There was to be no place for such naked financial dictatorship in the global economic regime envisioned by America’s economic planners during the conflagration of WWII. The lesson that they had drawn out of the catastrophic decades of war and depression lasting between 1914 and 1945 was that the financial system must be subordinate to a nation-state system in which the US would reign supreme. “Ideas, knowledge, sciences, hospitality, travel – these are things which should of their na-

⁹ Straubhaar, Thomas. International Mobility of the Highly Skilled: Brain Gain, Brain Drain or Brain Exchange. HWWA Discussion Paper, 2000. <http://www.econstor.eu/handle/10419/19463>.; Carr, Stuart C., Kerr Inkson, and Kaye Thorn. “From Global Careers to Talent Flow: Reinterpreting ‘brain Drain.’” *Journal of World Business* 40, no. 4 (2005): 386–98; Carr, Stuart C., Kerr Inkson, and Kaye Thorn. “From Global Careers to Talent Flow: Reinterpreting ‘brain Drain.’” *Journal of World Business* 40, no. 4 (2005): 386–98; Mitra, Dana L., Marcela Movit, and William Frick. “Brain Drain in the Rust Belt Can Educational Reform Help to Build Civic Capacity in Struggling Communities?” *Educational Policy* 22, no. 5 (2008): 731–57; Hollander, Justin B., Karina Pallagst, Terry Schwarz, and Frank J. Popper. “Planning Shrinking Cities.” *Progress in Planning* 72, no. 4 (2009): 223–32.

¹⁰ Lane, Philip R. “The European Sovereign Debt Crisis.” *The Journal of Economic Perspectives* 26, no. 3 (2012): 49–67.; Davey, Monica, and Mary Williams Walsh. “Billions in Debt, Detroit Tumbles into Insolvency.” *The New York Times*, 2013. http://www.vis-am.ch/uploads/alleghi/Files/Billions%20in%20Debt,%20Detroit%20Tumbles%20Into%20Insolvency%20-%20NYTimes_.com.pdf.

ture be international,” Keynes said. “But let goods be homespun whenever it is reasonably and conveniently possible, and above all let finance be primarily national.” Or, in the words of US Treasury Secretary Morgenthau, the aim of the crafters of the Bretton Woods system would be to “drive the usurious moneylenders from the temple of international finance.”¹¹

In other words, a system in which nation-states and national industry was paramount. This might just as well crystalize the economic thinking of the Stalinist governments of the Soviet bloc, though there the purpose of the system was not to sustain the wealth of a capitalist class, but the status and privilege of a vast bureaucracy. In both cases, however, the period from the 1940s to the late 1960s witnessed dramatic economic growth, which allowed for the implementation of a certain “social contract.” In the industrial belt of the US, this meant a growth in pay for wage laborers (which also propelled upwards salaries for the middle classes) and improved benefits, predicated on the profit health of the major corporations, and to some extent an expanded social safety net – although here only as a shadow of that which was instituted in Western Europe. The decisive role private capital would play in the American social contract was epitomized by United Auto Workers (UAW) president Walter Reuther’s “Treaty of Detroit” with General Motors (GM), which established Detroit as the home of the “middle class” worker. In the Eastern Bloc, the contract entailed improved living standards through a dramatic expansion of government provision of health care, education, retirement, and public infrastructure, and to a much lesser extent than in the US through improved access to consumer goods. Neither regime ruled by force alone.¹²

By the 1960s, cracks began to appear in the global system of political economy. In the US, the recession of the late 1950s already revealed a stagnation in basic industrial production. Unable to acknowledge the more powerful underlying economic factors at work, this was misconstrued by the administrations of John Kennedy (1961–1963) and Lyndon Baines Johnson (1963–1969) as a problem of “underutilization.” If industry was not using its full capacity, it was reasoned, this was a problem of investment. It followed that the trend might be reversed by cutting taxes for the wealthy and for corporations, who would then use their new cash to invest.

¹¹ Beams, Nick. *The Significance and Implications of Globalization*. Marxism and the Fundamental Problems of the Twentieth Century. Bankstown, New South Wales: Mehring Books, 1998: 35.

¹² Eichengreen, Barry. *The European Economy Since 1945: Coordinated Capitalism and Beyond*. Princeton University Press, 2008; Crafts, Nicholas, and Gianni Toniolo. *Economic Growth in Europe since 1945*. Cambridge University Press, 1996; Deacon, Bob. “Eastern European Welfare States: The Impact of the Politics of Globalization.” *Journal of European Social Policy* 10, no. 2 (May 1, 2000): 146–61; Brenner, Robert. *The Economics of Global Turbulence: The Advanced Capitalist Economies from Long Boom to Long Downturn, 1945–2005*. Verso, 2006; Lichtenstein, Nelson. Walter Reuther. *The Most Dangerous Man in Detroit*. Urbana: University of Illinois Press, n.d.; Cook, Linda J. *The Soviet Social Contract and Why It Failed: Welfare Policy and Workers’ Politics from Brezhnev to Yeltsin*. Russian Research Center Studies 86. Cambridge, Mass: Harvard University Press, 1993.

And so began, in 1964, decades of high-end income and corporate tax cuts. In fact, the tax cuts coupled with the overvalued dollar caused a shift in investment away from industry and exports, and toward finance and imports, further accelerating the decline of American industry.¹³

Declining profit rates were felt most sharply in manufacturing. In the Group of Seven largest capitalist economies – the US, West Germany, Japan, France, Great Britain, Italy, and Canada – the profit rate in basic industry fell to half its level in the period lasting between 1960 and 1969. Then too, the decaying industrial position of the US was exacerbated by enormous military outlays that distorted the economy and further sapped the strength of the dollar. Military outlays might have been counteracted by cuts to social spending, but, at the height of postwar liberalism, this was viewed as politically unfeasible. The real value of the dollar declined, but the fixed exchange rate system, which mandated the US Federal Reserve exchange gold at the “eternal” rate of \$32 per ounce – remained the same. The crisis came to a head in the 1970s. After several years of sharp inflation in the late 1960s and early 1970s, in 1973, after the abortive Smithsonian Agreement of 1971, the Richard Nixon administration (1969–1974) abandoned the Bretton Woods fixed currency exchange regime once and for all.¹⁴

The seemingly intractable economic crisis was exacerbated by – and mutually constitutive of – a profound political crisis lasting from 1968 through 1974 that must rank with 1945–1946, 1934–1936, and 1917–1923 as one of the four great upheavals of the last century. Revolutionary or near-revolutionary situations erupted in a number of countries, including Czechoslovakia, France, Italy, Spain, Portugal, and Chile. In Great Britain a miners’ strike drove a Tory government from office in 1974. The crisis in the United States, if less acute, was more protracted. In 1968 urban uprisings swept the great industrial cities, coinciding with the height of the anti-Vietnam War protests; between 1964 and 1968 there took place over 300 riots in more than 250 cities. This was followed by the last major strike wave in US history, which lasted from 1969 until 1974. A great many of these strikes centered on wage demands, as workers sought to catch paychecks up with inflation. In this they were often successful – following the pattern set by mass working class upheavals in France in 1968 and Italy’s “Hot Autumn” of 1969. But workers’ wage increases only fed back into inflation.¹⁵

¹³ Maier, Charles S. “‘Malaise’: The Crisis of Capitalism in the 1970s,” in Ferguson, Niall, ed. *The Shock of the Global: The 1970s in Perspective*. Cambridge, Mass: Belknap Press of Harvard University Press, 2010: 30; Brenner, Robert. *The Economics of Global Turbulence*.

¹⁴ McCormick, Thomas J. *America’s Half-Century: United States Foreign Policy in the Cold War and After*. 2nd ed. The American Moment. Baltimore: Johns Hopkins University Press, 1989: 162–163; Beams, *The Significance and Implications*: 42; Maier, Charles S. “‘Malaise’: The Crisis of Capitalism in the 1970s,” in Ferguson, Niall, ed. *The Shock of the Global: The 1970s in Perspective*. Cambridge, Mass: Belknap Press of Harvard University Press, 2010: 30.

¹⁵ Maier, Charles S. “‘Malaise’: The Crisis of Capitalism in the 1970s,” in Ferguson, Niall, ed. *The Shock of the Global: The 1970s in Perspective*. Cambridge, Mass: Belknap Press of Harvard University Press, 2010. Beams, *The Significance and Implications*: 43–44; Olzak, Susan, Suzanne

The years 1979–1981 marked a watershed in global political economy. In 1979 President Jimmy Carter appointed Paul Volcker head of the US Federal Reserve on a program that at once sought to break the strike militancy of the working class and put an end to the inflationary crisis. Under Volcker’s leadership the Fed lifted the benchmark overnight lending rate past 20 percent, driving up long-term real interest rates from 1.5 percent in 1980 to 8.1 percent in 1984. “Big ticket” industrial items, formerly nurtured by low interest rates, became less affordable. At the same time, the value of the dollar was driven up versus the yen and the deutschmark. Industrial production plummeted and unemployment rose to over 10 percent. (The British Central Bank, under Margaret Thatcher, soon followed suit.) In addition to the calamitous results for American industrial production, the high interest rate regime of the 1980s gave a mighty new impulse to the financialization of the economy. The mantra of the decade was summed up by the fictional corporate raider Gordon Gekko in Oliver Stone’s *Wall Street*: “Greed is good.”¹⁶

At the same time, the perfection of the integrated circuit and advances in communication accelerated a global reorganization of economic production. In 1990 dollars, the cost of a unit of computing power had fallen by 99 percent from its 1960 value. Over the same period, the cost of a three minute telephone call from New York to London fell from \$244.65 to \$3.32, and the cost per mile of air transit fell from 68 cents to 11 cents. It was now possible to disaggregate and re-aggregate production on a global scale, taking advantage of the low-wage labor regimes enforced by military dictatorships in Latin America and especially among the East Asian “tiger” economies.

Globalizing economic production and mass unemployment seriously weakened the bargaining position of organized sections of the working class. By the 1990s union membership levels in the private sector had dropped to 11 percent of the total workforce, a low not seen since the first years of the 20th century, and down from a high of upwards of 35 percent in the late 1950s and early 1960s. This was not simply a quantitative change, however. The unions were, by the early 1990s, qualitatively different organizations. In the face of global economic changes and the corporate state-offensive, the nationally-based trade unions in the West proved less than impotent. With the national trade union federation in the US (AFL-CIO) and its leading industrial unions leading the way – the autoworkers,’ steelworkers,’ and mineworkers’ unions (UAW, USW, and UMW, respectively) – the unions converted themselves into corporatist instruments. From the standpoint of political economy, their role was no longer the maximization of the return on labor in the capitalist market through increased organization and the strike weapon, but the imposition of

Shanahan, and Elizabeth H. McEneaney. “Poverty, Segregation, and Race Riots: 1960 to 1993.” *American Sociological Review* 61, no. 4 (August 1, 1996): 590–613. doi:10.2307/2096395.

¹⁶ Maier, Charles S. “‘Malaise’: The Crisis of Capitalism in the 1970s,” in Ferguson, Niall, ed. *The Shock of the Global: The 1970s in Perspective*. Cambridge, Mass: Belknap Press of Harvard University Press, 2010: 36; Beams, *The Significance and Implications*: 44.

wage concessions and plant closures in the name of maintaining the competitiveness of American industry. One might describe the process as one of “decoupling”: as the unions increasingly insulated themselves from declining membership numbers and defeats, they became more and more dependent upon other sources of revenue. For private sector unions as a whole, membership fell by 36 percent between 1970 and 1987, yet overall revenue rose by 16 percent. In short, the survival of the bureaucracies was, by and by, no longer dependent upon the fortunes of the workers they nominally represented, much less the overall health of the American working class.¹⁷

This process has taken its most dramatic form in the UAW, not incidentally centered in Detroit, once the American industrial colossus and the home of the alleged “middle class” industrial worker – and now the city most notorious for its poverty and industrial ruins. In the 1950s and 1960s, the national contracts negotiated by the UAW had a profound impact on the wage structure for American workers in every industry, whether organized or not. The media, politicians, and academics followed closely Walter Reuther’s negotiations with General Motors, Ford, and Chrysler. In the auto industry the watershed arrived in 1979. That year the UAW assisted in the federal bailout of the third-largest American automaker, Chrysler, in a deal that was predicated on the imposition of wage cuts and layoffs. Through the 1980s, as the industry lost market share to Japanese and German rivals, the UAW embarked on a “Buy American” campaign, but this failed to reverse declining auto sales – nor did it check the union’s own increasing reliance on financial assets. Between 1989 and 1991, the UAW’s net assets rose by over \$120 million, to over \$1 billion. In 2007 the UAW formed VEBA (voluntary employees’ beneficiary association) benefits for workers at General Motors, Ford, and Chrysler, thus transferring to their own books the retirement and health care obligations of the automotive workforce. Today, the UAW Retiree Medical Benefits Trust has more than \$58.8 billion in assets, making it the world’s largest VEBA. The increasingly financial character of the UAW culminated in the Obama administration’s 2008 bailout of General Motors and Chrysler, which transferred billions in shares to UAW’s ledgers. A major use of the concept was implemented in 2007 when the United Auto Workers agreed to form VEBAs

¹⁷ *Joint Committee on Western Europe. Organizing Interests in Western Europe: Pluralism, Corporatism, and the Transformation of Politics.* Edited by Suzanne Berger. Cambridge Studies in Modern Political Economies. Cambridge [Eng.] ; New York: Cambridge University Press, 1981; *Joint Committee on Western Europe. Order and Conflict in Contemporary Capitalism.* Edited by John H. Goldthorpe. Oxford : Oxford ; New York: Clarendon Press ; Oxford University Press, 1984; Maier, Charles S. “‘Malaise’: The Crisis of Capitalism in the 1970s,” in Ferguson, Niall, ed. *The Shock of the Global: The 1970s in Perspective.* Cambridge, Mass: Belknap Press of Harvard University Press, 2010: 35; Perspectives Resolution of the Workers League. “The Globalization of Capitalist Production & International Tasks of the Working Class.” Southfield, MI: Mehring Books, 1993.

for their workers at the Big Three automobile manufacturers, thus relieving the companies from carrying the liability for their health plans on their accounting books.¹⁸

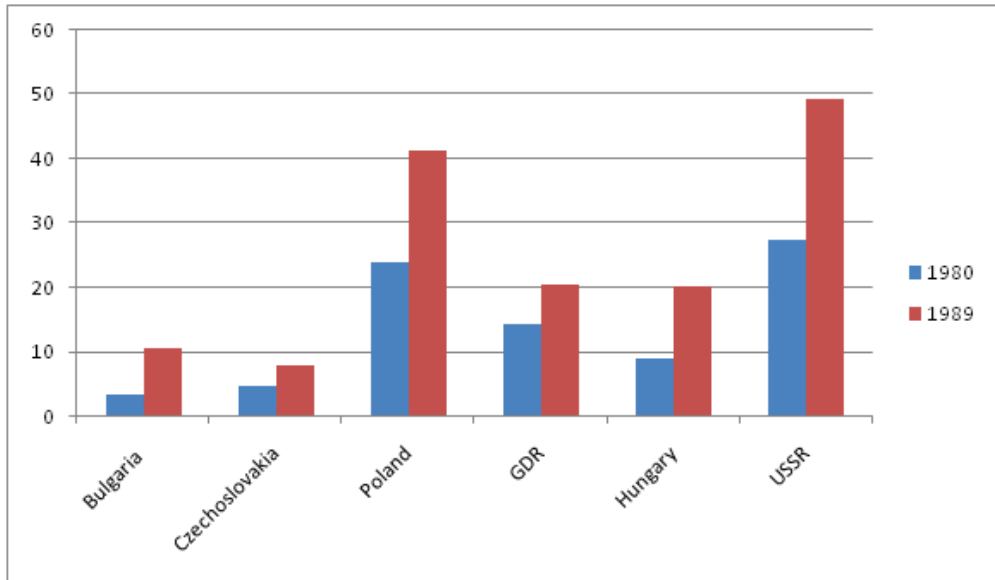


Figure 2: Figure 1. Growth of Eastern European foreign debt in billions of dollars.
 Source: *Storia dell'eta Contemporanea*.¹⁹

The crisis that manifested itself at the very heart of the global capitalist system, paradoxically, also emerged with a vengeance in those economies that most sought to shield themselves from that system. As Marxist economist Nick Beams aptly put it, the crisis “expressed itself initially, and not at all accidentally, precisely in those regimes – the Stalinist-ruled states – which had based themselves so directly on the pursuit of a nationalist program... While the isolated Soviet economy was able to achieve a certain level of industrialization, that very industrialization posed new and more complex economic tasks. In the era of information technology and computerization, the Soviet economy was increasingly unable to maintain itself in the face of the higher productivity of labour developed through the globalization of capitalist production.” The Eastern European regimes lagged far behind in computer technology and other innovations, thus tending to widen their traditional deficit in labor productivity. Trotsky had warned as far back as 1936, in his prescient *The Revolution Betrayed*, that while military intervention against the Soviet Union was

¹⁸ Lichtenstein, Nelson. *Walter Reuther: The Most Dangerous Man in Detroit*. Urbana: University of Illinois Press, 1995.

¹⁹ Ortoleva, Peppino and Marco Revelli. *Storia Dell'eta Contemporanea*. Milan: Mondadori, 1993: 854.

a danger, “the intervention of cheap commodities in the baggage trains of capitalist armies would be incomparably more dangerous.”²⁰

To cite one example, the share of global engineering exports belonging to the German Democratic Republic fell from 3.9 percent in 1973 to .9 percent in 1986. The Catch 22 was that, to bridge the gap required capital purchases on foreign markets. This in turn required loans financed by western banks. With heavy Soviet subsidization of their economies – by some estimates \$8 billion per year in the 1960s – Moscow tacitly encouraged the reintroduction of market relations with the West, so that by 1976 fully one third of COMECON trade was determined by global market prices.²¹

For a time the eroding position of the Stalinist regimes was masked by factors peculiar to the 1970s, chiefly the decade’s high inflation which drove up prices for basic commodities. This was particularly true of energy exports of oil and gas owing to the decade’s OPEC price shocks. Between 1970 and 1980, Soviet foreign trade increased by fourfold, and with the West by a factor of six. In 1982 and 1983, energy exports accounted for nearly 80 percent of Soviet trade with the West. The Soviet Union effectively underwrote the COMECON economies by exporting oil at well below market rates (though in most other respects the COMECON economic union failed to overcome each regime’s own autarkic policies.) While this temporarily benefitted the balance of payments, it exposed the Soviet economy, and with it the Eastern bloc economy as a whole, to global market pressures. These pressures came to the fore in the 1980s. The price of oil and gas fell sharply during the decade, and with it Soviet foreign trade, which actually contracted by 11 percent between 1980 and 1987.²²

In response to these pressures the bureaucracies began to reconstitute their rule by gradually assuming direct ownership in key economic sectors. The literature from the field of sociology on the formation of the post-Stalinist elite is vast, and has hinged on questions over to what extent the new capitalist elite was drawn from the Communist parties, from the state apparatus itself, from the management of the state enterprises, from the directors of the financial institutions, or from the “sub-elite” of the intelligentsia, and so on. My interpretation is that the real disputes are generally over degree, and not kind. That is to say, the new capitalist ruling class was drawn from the old bureaucracy, broadly defined. The transformation denoted

²⁰ Beams, *The Significance and Implications*: 20–21; Trotsky, Leon. *The Revolution Betrayed: What Is the Soviet Union and Where Is It Going*. Detroit, Mich.: Mehring Books, Incorporated, 1991.

²¹ Scwarz, Peter. *Stalinism in Eastern Europe: The Rise and Fall of the GDR*. Marxism and the Fundamental Problems of the 20th Century. Oak Park: Mehring Books, 1998: 27; McCormick, *America’s Half-Century*: 167, 168.

²² Feinberg, Richard Edward, John Echeverri Gent, and Friedemann Müller. *Economic Reform in Three Giants: U.S. Foreign Policy and TheUSSR, China, and India*. Transaction Publishers, 1990: 48–49; Bideleux, Robert. *A History of Eastern Europe: Crisis and Change*. 2nd ed. London ; New York: Routledge, 2007: 536–571. McCormick, *America’s Half-Century*: 167, 168.

not just a change in economic policy, in other words, but a fundamental alteration in the relationship between the ruling layers and the means of production.²³

The conversion of the trade unions in the US into instruments for the imposition of wage cuts and layoffs, and the conversion of the bureaucracies in the Stalinist regimes into a new capitalist class, were not only blind historical processes. Both encountered substantial working class resistance that was ultimately subdued. In each context much more and better scholarship – at least in the English language – is required, but certain provisional points can be made. In the US, the watershed appears to have been the 1981 PATCO strike of air traffic controllers, after which numerous strikes followed a similar pattern in which the strike was isolated and defeated, typically after considerable intervention from the state (in Great Britain the crushing of the miners’ strike in 1984–1985 played a similar role.) This was conjoined to a political offensive. When the controllers refused a back to work order, Reagan fired all 10,000 of them. Their strike converted into a lockout, the air traffic controllers received no official strike support from other sections of the organized working class, not even within the airline industry. PATCO set a pattern that was followed by strike after strike through the 1980s until the early 1990s: strikes were provoked by wage concessions demands, strikers showed great militancy, but in the face of the concerted offensive of corporations and the state, and in the absence of sympathy strike action by the AFL-CIO, these struggles went down to defeat.

The direct relationship between economic pressures and the conversion of the Stalinist regimes to capitalism against substantial working class opposition is well-illustrated by the Yugoslavian example. When Tito died in 1980, Yugoslavia had amassed a \$21 billion debt, having established itself as one of the prime recipients of recycled petrodollars. By the mid-1980s Yugoslavia was compelled to spend 44 percent of its foreign currency holdings to service its debt. To make way for IMF and World Bank restructuring of its debt – which took place on four separate occasions in the 1980s – Belgrade imposed vicious austerity programs, triggering massive unemployment – 1.2 million workers by late 1986 – but none of this stopped rapid inflation, and the deutschmark and dollar began to be preferred in domestic exchange. The government’s austerity policies, imposed to counter inflation, provoked a strike wave in the working class. In 1986 there were 851 strikes, in 1987 there were twice as many, and in 1988 there were approximately 2,000. According to Linda Cook a similar process played out in the Soviet Union, where coal miners led working class resistance to austerity. After several years of heavy strike activity, “From early 1990, the Soviet labor movement basically split between militant, strike-prone

²³ Higley, John, and György Lengyel, eds. *Elites after State Socialism: Theories and Analysis*. Lanham, Md: Rowman & Littlefield, 2000; Lane, David Stuart, György Csepeli, and Jochen Tholen, eds. *Restructuring of the Economic Elites after State Socialism: Recruitment, Institutions, and Attitudes*. Changing Europe, v. 2. Stuttgart: Ibidem, 2007; Eyal, Gil. *Making Capitalism without Capitalists: Class Formation and Elite Struggles in Post-Communist Central Europe*. London ; New York: Verso, 1998. North, David, *Perestroika Versus Socialism: Stalinism and the Restoration of Capitalism in the USSR*. Detroit, Mich.: Mehring Books, 1989.

independents in energy and transport sectors and reformed official unions, which sought a constructive dialogue with the government.”²⁴

There is still one other point of comparison. In both the case of the trade unions and the communist parties of Eastern Europe, the “left-wing,” broadly defined, had been purged. This took place in the United States in the aftermath of World War II. Among the Eastern European parties, the left wing and militant figures, sheltering from far-right regimes in the Soviet Union in the 1930s, did not survive the blood purges of the late 1930s. This left working class resistance to wage-cutting and austerity politically disarmed.

Conclusion: New Paths in Comparative Study?

I have here drawn attention to two parallel phenomena readily apparent to even a casual visitor to either the American Rust Belt or to Southeastern Europe: the predominance of industrial ruins. This common surface appearance, interestingly enough, has not yet nurtured a substantial comparative scholarship, either in terms of commonalities in social decline, or in terms of the underlying historical processes that may have produced the current situation. The scholarship available in English pertaining to “the fall” of the Stalinist regimes of Eastern Europe has treated this outcome as unique process. In this sense it also mirrors scholarship addressing the decline and collapse of American heavy industry, the US trade union movement, and Rust Belt cities.

There exist interesting grounds for comparison, I argue. In so doing, I have pointed to outcomes such as population loss and declining living standards. From there I have turned to key similarities in historical development that led to this outcome. In the postwar “social contracts” for improved living standards in both the Rust Belt and the Eastern European regimes were girded by rapidly growing economies. The stagnation of this economic growth, driven by global processes, led to the scrapping of these social contracts. In the case of the Rust Belt, the American trade union movement over the course of the 1980s enforced wage-cutting and layoffs at the point of production; in Eastern Europe the nomenclatura in and around the Stalinist regimes set themselves up as new exploiting class based on capitalist property relations.

Such a presentation can, of course, only broach such immense topics and points of comparison. It is hoped that new research in “contemporary history,” carried out

²⁴ Mrak, Mojmir. “Debt Conversions in Yugoslavia.” Research Programme on Financial Policies for the Global Dissemination of Economic Growth. OECD Development Center, February 1992; International Committee of the Fourth International. “Marxism, Opportunism, and the Balkan Crisis,” 1994; Woodward, Susan L. *Balkan Tragedy: Chaos and Dissolution after the Cold War*. Washington, D.C.: Brookings Institution Press, 1995: 73; Cook, Linda J. *The Soviet Social Contract and Why It Failed: Welfare Policy and Workers’ Politics from Brezhnev to Yeltsin*. Russian Research Center Studies 86. Cambridge, Mass: Harvard University Press, 1993: 187.

by scholars on both sides of the Atlantic, will begin to pose new questions about their subjects and compile research that can go into far greater depth on the profound economic and social changes of the past thirty years.

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