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SEEING LIKE A BANK: A MONEY LENDER'S PERSPECTIVE ON THE END OF THE COLD WAR

Abstract

How did international bankers see the end of the Cold War? How did they evaluate the trajectory of late socialist Eastern Europe? What might they contribute to our reassessment of 1989 in the newfound "global context"? This article unfolds in three steps. In the first one I provide a brief overview of the recent historiography on the global aspects of state socialism. Why, I ask, have historians turned to the optic of the global and what new topics of empirical research have they ferreted out in so doing? This is not meant as a balance-sheet. This historiography is yet in its infancy and much more research will be needed before any reasonable stock-taking might be attempted. Rather, I merely want to point out that, on a conceptual level, capital is still a missing object of analytical focus. In the second part I let myself guided by international banker Lawrence Brainard through the maze of late socialist Eastern Europe's financial affairs. This is a heuristic exercise the role of which is to pick up on Brainard's often sober analysis of Eastern Europe's debt problems and raise afresh several questions about the region's insertion in the global circuit of capital. Finally, in the last part, I reflect on Eastern Europe's potential to serve as an archive of the world in which "capital has moved onto central stage", and to illuminate the central tension of the Cold War, that between the politics of empire and the interests of capital.

Keywords: Cold War; Eastern Europe; state socialism; international banks, 1989

Two distinctive features characterize the torrent of scholarship published to mark the thirtieth anniversary of the 1989 revolutions in Eastern Europe. The first, quite unlike the more selective previous batches, is comprehensiveness – hardly an actor of the time now escapes acknowledgement, however cursory: intellectuals and workers, nomenklatura and dissidents, secret police employees and soldiers, religious activists and secular bystanders; women, men and children, all gathered "in the unlikely venues of folk-music festivals (Estonia), Baltic shipyards (Poland), underground theatres (Czechoslovakia) and church-led candlelit processions (East Germany)."[1] The second is a change of optics. The revolutions of 1989 are no longer presented just as events in the history of the Cold War, closing off the half-century of struggle between freedom and oppression, but as "world-historical" events of global reach. Indeed, few recent works fail to refer to the "global context" of 1989 or the "global" spillover of the revolutionary ideas and practices that collapsed the Soviet empire and went on to influence protesters' repertoire of contention everywhere, from Maidan to Tahrir Square.[2] Both historiographical developments result as much from the logic of research as from perceptions of the current political landscape. Historical knowledge being essentially cumulative, we now know more about the end of the Cold War in Eastern Europe and we can thus afford a charitable view of its many participants. On the other hand, the alleged worldwide "authoritarian" turn of late made historians reevaluate the legacy of 1989. The semantics of "dialogue", "human rights" and "rule of law" that shaped the round-table talks now matter as much in Istanbul, Delhi and Rio as they once did in Budapest, Prague and Warsaw; the practices of quotidian opposition seemingly as useful in resisting Trump and Putin as they once were in undermining the likes of Honecker and Ceaușescu.[3]

For all its inclusiveness and conceptual innovation, the recent historiography of the 1989 revolutions in Eastern Europe has yet to discover the figure of the international banker, the money lender involved in financing the region's economies, in supervising communist countries' debt management and in mediating financial flows in and from Eastern Europe during late socialism.[4] How did international bankers see the end of the Cold War? How did they evaluate the trajectory of late socialist Eastern Europe? What might they contribute to our reassessment of 1989 in the newfound "global context"? These are hardly original questions. They were first raised by US senators in various congressional hearings throughout the 1980s and early 1990s, by social scientists busily surveying the prospects of the region in those years, by the experts of the International Monetary Fund and by journalists of the financial press. The money lender's perspective was sought after even in such unlikely places as Bucharest, months before the 1989 revolution, when the president of the local branch of Manufacturers Hanover was featured in an interview praising Romania's unprecedented achievement of paying off its foreign debt.[5] But these are all seminal questions if we are to better specify what was global about the "global context" of 1989 and enlarge the ranks of participant observers to the end of communism in Eastern Europe. For international bankers lived not in a world in which people brough down empires and set up constitutional democracies but rather in one, as Lawrence J. Brainard put it, characterized by the fact that ever since the 1970s "capital has moved onto center stage".[6] Vice-president of Bankers' Trust and arguably the most knowledgeable expert on Eastern Europe's financial affairs during the 1970s and 1980s, Brainard will be my guide to this new world of capital.[7]

This article consists of three parts. In the first one I provide a brief overview of the recent historiography on the global aspects of state socialism. Why, I ask, have historians turned to the optic of the global and what new topics of empirical research have they ferreted out in so doing? This is not meant as a balance-sheet. This historiography is yet in its infancy and much more research will be needed before any reasonable stock-taking might be attempted. Rather, I merely want to point out that, on a conceptual level, capital is still a missing object of analytical focus. In the second part I let myself guided by Brainard through the maze of late socialist Eastern Europe's financial affairs. This is a heuristic exercise the role of which is to pick up on Brainard's often sober analysis of Eastern Europe's debt problems and raise afresh several questions about the region's insertion in the global circuit of capital. Finally, in the last part, I reflect on Eastern Europe's potential to serve as an archive of the world in which "capital has moved onto central stage", and to illuminate the central tension of the Cold War, that between the politics of empire and the interests of capital.

I. Why, indeed, should the state socialist regimes and their denouement of 1989 be placed in a global context? Much of the answer has to do with the development of East European studies over the past several decades. For the call to globalize the history of the region in the second half of the twentieth century is a double injunction – it speaks first to the intellectual stagnation of the field as such; and then proceeds to invoke anew the wider relevance of Eastern Europe as a laboratory of the present. To grasp it, we may conveniently map the dynamic of scholarship as it unfolded in the pages of *East European Politics and Society and Culture* (EEPSC), the field's flagship academic journal. For its founding fathers, the launching of EEPSC in 1987 was justified by the conviction that, broadly defined, Eastern

Europe was the place where the future of socialism would be decided and the world's most burning problems – nationalism and economic backwardness as springboards of conflict across continents - could be explored in pristine form. Mobilizing the conceptual array of the social sciences, the new journal promised to examine this infamous triptych: the fate of socialism, the trajectory of nationalism and the overcoming of backwardness. It was in view of this problématique that "the historical experience of Eastern Europe, then, is an invaluable source of information and insight for the study of much of the rest of the word."[8]

By 1990, the new editor of the journal felt emboldened by the collapse of communism to proclaim that the region, whatever its future, "offers enterprising scholars a most promising laboratory of political and social problems."[9] How these so-called problems related to the wider world was too early to say, and it was reasonable to assume that as some East European countries embarked on the road to capitalism and democracy, so too would scholarship. Five years after, the enthusiasm of a yet another editor was limitless. In the midst of the transition, no scholar at work in the region needed much justification for pursuing research there - Eastern Europe spoke for itself and the field was booming, now boosted by the addition of native scholarship.[10] What, then, of the topics that drew most expert attention? By the late 1990s, Eastern Europe was not so much a roadmap for the world but rather a heterogenous geography of states. Their recent past had to be grasped in terms of "legacies" in order for their future to be anticipated: "fascism and communism", "myth and memory" or "modernity" were the main legacies that decided the prospects of creating "vibrant market economies" against the background of NATO enlargement.[11]

EU membership of the Visegrád Four in 2004 finally marked a turning point in the evolution of EEPSC. After more than a decade of "transitology" and legacy-research, scholars could now afford a cooler look at the region. Gone were the "heroic" 1990s, and with "democratization" and "privatization" firmily secured, what remained of politics was relocated to Brussels. Eastern Europe could thus be "defined by its internal characteristics rather than in relation to a global power constellation."[12] This was no mere normalization for there was still much to be explored, namely culture, low and high: socialism and Bauhaus, fascism and Jugendstil, anarchism and Surrealism. Small wonder that by 2009, the landscape of scholarship looked grim: "Equilibrium of sorts was reached, countries collapsed, states were reunited, wars were fought, populations were removed, new alliances were forged, economies progressed (or regressed!), but Eastern Europe has not become scholarship's most promising laboratory, not even *a* promising one."[13] Indeed, the editors that took over the journal in the late 2000s contemplated a marginal field, closed onto itself, and marginalized further by the "recycling [of] certain familiar themes." Over two decades of knowledge production in and about Eastern Europe seemingly removed the region from any engagement, comparative or otherwise, with the outer world.

Several factors explain this devolution. First, as the end of the Cold War dried up funding and plummeted the job market for area specialists, Eastern Europe attracted less talent.[14] Second, native scholars, for whom research funds were always scarce, exploited their comparative advantage of being better positioned to amass empirical material by adducing new evidence to buttress metropolitan textbooks. This dependent dialogue widened the field, but reinforced narrow reading patterns and led to the snowballing of traditional topics. Thirdly, the provincialization of Eastern Europe was propelled by the dismal state of the scholarship on state socialism, which regressed during the 1990s from narratives of modernization that addressed, often implicitly, the experience of other parts of the globe to the accumulation of facts for the sake of accumulating moral outrage. The end-result was memory politics.[15] Two solutions could break this downward spiral toward parochialism, at least in the 2000s. One path for the region to recover its wider significance was for scholars to celebrate its successful "regime change". Eastern Europe could then inform the foreign policy of the White House as it switched from Bush Jr. to Obama, and pose as an ethical lesson for rebuilding countries ravaged by the war on terror.[16] For the other path, located at the opposite end of the spectrum, the region could serve as a laboratory of the present provided scholars turn their attention to the global spillover of neoliberalism.[17] Indeed, asking how neoliberalism arrived in Eastern Europe offered a way out of the field's cul-de-sac and no other scholar has done more to advance this type of scholarship than Johanna Bockman.

Bockman's work is a textbook case of recovering Eastern Europe's status as a laboratory for the wider world. If neoliberalism found such a fertile ground in the region after 1989, this was because various Polish, Hungarian, Soviet and Czechoslovak economists have long been part of transnational professional networks forged in the US and Western Europe, and have willingly contributed their expertise of the command economies as well as their experience in running reform at home to a body of knowledge that crossed the Atlantic and reshaped the mainstream of the discipline. Neoliberalism thus rose to hegemony on the back of Eastern Europe, with "shock therapies" as the radical continuation of locally frustrated reforms during the 1970s and 1980s, rather than agendas formulated in Harvard or Chicago, only to then be imposed under the Washington Consensus. Eastern Europe thus became the terrain of a momentous ideological shift at the end of the twentieth century: following the collapse of state socialism, markets came to be identified exclusively with capitalism, capsizing a century-long tradition of thinking about market socialism.[18]

Bockman's more recent contributions take up this history of oblivion: if market socialism was a legitimate object of economic knowledge and policy-making from the marginalists down to Perestroika, was it not also a viable model for the Third World and an alternative route to globalization? Oblivion marks the history of globalization as well, at least as it pertains to the efforts of socialist and postcolonial states to craft a global economy in the second half of the twentieth century. Presiding over the United Nations Conference on Trade and Development (UNCTAD) between 1964 and 1969, Raùl Prebisch turned out to be less a theorist of dependency, import substitution and protectionism for infant industries and more of a market socialist. UNCTAD, and later on the New International Economic Order, gathered likeminded economists from across the developing word and promoted an agenda of integration in the world economy in terms of free trade and the unrestricted flow of capital and commodities, a "socialist globalization" as Bockman calls it.[19] Similarly, before it was highjacked by the World Bank in the 1980s, "structural adjustment" was a common topic of debate among market socialists, in Chile or Yugoslavia.[20] In short, neoliberalism's triumph across the globe obscured the simple truth that up to the final decades of the last century the market was a prerequisite for socialism for entire generations of economists.

The importance of Bockman's genealogy of market socialism for the field of Eastern European studies is overwhelming. For no matter how we may assess her often repetitive output, it did popularize several metaphors that play a key role in guiding the empirical forays of recent research - circulation, connection and integration – and restored the region's broader significance. Not only ideas, or economic knowledge circulated across the Iron Curtain, but people, goods, culture and even feelings such as "solidarity" took similar trips between East and South: Cuban fruits and Ethiopian coffee were appreciated in the GDR; socialist technology and expertise were highly valued in Syria and Iraq; Polish economists advised

Nehru; Bulgarian feminists debarked in Zambia; Vietnamese workers found themselves exploited in Czechoslovakia; East European architects, engineers, medical doctors, workers travelled far and wide and left their imprint on the Middle East, Africa and Latin America.[21] State socialism, in other words, was present globally in multiple ways - networking across continents, integrating against (and because of) the Cold War - an epoch of "frictions, fractures and fluidity".[22] What drives this research agenda?

Not surprisingly, here too oblivion is the main motive that justifies the global turn in the study of state socialism; a double neglect that first severed contemporary East European studies from the mainstream of twentieth century history and then reinforced the autistic practice of national history for each of the region's countries after 1989. To look for the global aspects of state socialism, therefore, is to reconnect with larger topics of research such as empire, decolonization, globalization, neoliberalism or the trajectory of democracy over the last century - to the better understanding of which Eastern European material is now deemed essential. In the hands of James Mark and his various collaborators, "global socialism" is a liberating research agenda that would ideally allow students of contemporary Eastern Europe to sit in panels convened beyond the reach of the Association for Slavic, East European, and Eurasian Studies, and address questions currently monopolized by historians of Western Europe or the US: "The idea of Western capitalism as the sole engine of globalization has left us with a distorted view of socialist and Third World states as inward-looking, isolated and cut off from global trends until the long transition to capitalism in the 1980s and 1990s."[23] Yet any such history-writing born out of neglect and eager to secure broader recognition is also one of restored agency, of state socialism actively shaping the world and working out alternative pathways to the present. What type of evidence should support such claims?

First, on a longer view that stretches back to Versailles, the history of Eastern Europe in the twentieth century can be plausibly read against the backdrop of successive waves of decolonization, down to the end of the Soviet Empire in 1991. This would make for diplomatic history - traditional and cultural alike - retracing the multiple connections that linked the East and the South, above and beyond Moscow's guidelines: not just non-alignment, but also the region's interest in UNCTAD and the New International Economic Order, as well as the transfer of expertise, people and loans to kindle postcolonial hopes for imitating the developmentalist model of socialism.[24] Second, and for all the importance of the "imagined solidarities" and their material ramifications between the socialist East and postcolonial South, it is the evolution of the world economy in the second half of the twentieth century that offers the main body of facts for rewriting the history of state socialism. This would be history recording seemingly opposing dynamics – the desire of Eastern European elites to integrate within global capitalism via trade, bilateral agreements and participation in international organizations and the parallel desire to craft an alternative to the same global capitalism together with the Global South with practically identical means.[25]

Finally, add to these two plots the story of democracy emerging in Southern Europe during the 1970s, Latin America and East Asia in the following decade and you get a different 1989: "From a global vantage point, '1989' appears less a revolutionary watershed than an important regional manifestation of changes that already had momentum."[26] In this view, the collapse of the Soviet Empire was the last stage of decolonization, inaugurating the unipolar epoch, and the last dike crumbling before the third wave of democratization, marking the end of history. Equally important, both the integration in the world economy and the "socialist alternative" failed, their fate sealed off during the debt crisis of the 1980s that saw the rise of neoliberalism, the "no alternative" policy-package ready to remake the economies of Eastern Europe. So much for the research agenda that allows for making the history of the region less parochial, and reads the revolutions of 1989 against the broader canvass of decolonization, democratization and neoliberalism. But this was no foretold story. While imperial disintegration seemed likely once its material basis begun to falter under the combined burden of high oil prices and mounting debt in the 1980s, the successful marriage between democracy and capitalism seemed less probable. As Mark and Rupprecht note: "more work could be done on the appeal of authoritarian transitions into the 'world market' in the 1980s; for instance, in Eastern Europe there were political elites who attempted to open up to new global forces whilst seeking to maintain the one-party state."[27] It is the growth of China over the past several decades, more so than laments over Putin's Russia or Orbán' Hungary, that grounds this call for further research. To approach it, we need a different grasp of socialist Eastern Europe's relationship with the global economy beginning with the 1970s.

II. We know a good deal about socialist Eastern Europe's integration in the world economy after the more or less autarchic boom of the first postwar decade: the expansion of trade, the thirst for technology, the reliance on cheap Soviet oil, and the sheer difficulty of securing a share of global markets in manufacture. We know far less about the region's economic relations with the former Third World, a scholarship that is likely to take off in the coming years in view of the recent interest for the history of developmentalist ideas and policies. Characteristically, with few exceptions, none of this knowledge is new. It was produced in large measure by contemporary observers, mostly associated with think-tanks and other institutions of regional expertise, and often for the benefit of US and West European authorities.[28] Brainard's early study - *Yugoslavia. An Introduction to the Yugoslav Economy for Foreign Businessmen* – is a case in point, a brochure written in 1974 as the large US banks prepared to finance foreign investment in Eastern Europe.

Brainard would not have been surprised by the literature I have reviewed thus far. Yugoslavia was "a socialist country with a communist government; yet it favors a non-aligned policy in world affairs. The economy operates like a free enterprise system – but without capitalists."[29] It was this peculiarity that made this Balkan country more open relative to its northern neighbors, and following a law legislating joint-ventures in 1967 (amended in 1971), Yugoslavia signaled its commitment to attract foreign capital: "more and more western firms are discovering that Yugoslavia's socialist institutions are not incompatible with foreign investment and western business practices. And what is more important, companies have found out that investing in Yugoslavia is attractive financially."[30] Forming joint-ventures with foreign capital was intended to replace the more common strategy among socialist states of license purchasing, the main channel of acquiring Western technology, and seemed, at least for the early 1970s, to start off on the right foot, 92 partnerships secured by 1973, foreign investment in excess of $145 million. What explained this inflow of capital to Yugoslavia was not so much the availability of raw materials and comparatively cheaper labor, necessary but not sufficient incentives together with tax exemptions and guarantees for profit repatriation, but rather the possibility of foreign capital to gain access to the Yugoslav domestic market and through it to the untapped markets of the socialist bloc and the non-alignment states.

The other socialist states in the region followed suit: they too welcomed the creation of joint-ventures, acquired licenses, signed bilateral trade agreements (BIT), opened their textile industries to lohn schemes and encouraged their more competitive companies to expand their operations beyond national borders, "red multinationals" propelling "red globalization".[31] Such developments, reinforced by growing trade in convertible currency and barter deals galore, do validate some of the claims about Eastern Europe's integration in the global economy, but it would be far-fetched to infer from this evidence that the region also became a market for foreign investment, which remained insignificant compared to other destinations such as Latin America or East Asia. What the region became a market for – an "uncommon" one as Chemical Bank called it – was syndicated loans and official credits. Indeed, during the 1970s, prudent Eastern European borrowers tapped the petrodollars recycling Euromarket precisely to finance the strategies mentioned above; the majority of the socialist states, however, borrowed to liberate their economies from balance of payments constraints, and boost investment at home.[32]

How did Eastern Europe become a market of sovereign borrowers? Naturally, the inflow of petrodollars in the offshore Euromarket following the first oil shock was a precondition, just as was the expansion of US, West European and Japanese banks, all of which built up networks of offices and subsidiaries across the planet.[33] But as Brainard explained, Eastern Europe was able to borrow at good margins simply because, for the banks, these countries had an excellent past record in meeting their hard currency debt obligations.[34] Comecon states were good prospective clients because their monopoly of foreign trade and planning allowed them to curb, if needed, domestic consumption, boost exports, cut imports and keep a tight grip on their balance of payments. Equally important, banks operated on the assumption that even in the unlikely case in which one or more East European countries would run into repayment difficulties, the Soviet Union would step in and arrange for their bail out, since default would undermine the entire bloc's creditworthiness. For all these reasons, totalitarianism was taken as a guarantee for sound lending by the majority of banks involved in Eastern Europe.[35] Brainard himself was more circumspect: "ultimately the question of creditworthiness boils down to the factors that determine how effectively a country transforms these borrowed resources into goods and services which may be exported, thus generating an income stream denominated in foreign currency."[36] Such opinions were rare among bankers, atypical even for those banks carrying less exposure to the region. Up to 1980, when Poland showed signs of repayment troubles, Eastern European socialist countries borrowed with remarkable ease, pitting banks against one another in competitive bids for advantageous loans.

Whether in Eastern Europe or Latin America, the 1970s was a decade of frantic lending, as Brainard recalled, in a rare moment of retrospective criticism:

> The only effective constraint on sovereign borrowing was the willingness of the banks to grant new credits. In this inflationary environment, country adjustments appeared more substantial than they really were; country export successes reflected in large part the inflationary stimulus to prices and demand in the importing countries. As a result, the ability of countries to manage their debt burdens in a less inflationary environment was overestimated – not only by the banks, but also by the IMF and the World Bank. Judgements tended to become self-validating: new loans confirmed a country's creditworthiness and this perception generated even more loans.[37]

Trade figures nevertheless mattered, at least in the rhetoric of advertisements and the banks' call for monitoring the hard currency earnings of socialist states. Ideally, lending to these states should have obeyed a logic of expanding trade between East and West, with imports upgrading the technological base of socialist industries and exports bringing in the cash needed for debt repayment. But this was hardly the case. As Brainard pointed out in a number of articles, Eastern European imports grew fourfold during the first half of the 1970s, but exports lagged seriously behind, creating a trade deficit of no less than $25 billion. The proverbial poor quality of the socialist goods was not the main cause behind the deficit; much more important was the drop in demand from hard currency countries combined with various protectionist policies of the core industrialized economies.[38] Alarming the situation was not: the Soviet Union was still committed to supply its satellites with oil below world market prices, and rising inflation in the West probably trimmed some of the debt accumulated by the socialist bloc, or at least helped keep it in check. By 1979, some Eastern European countries considered applying for membership with the IMF and the World Bank as alternative sources of capital, much like the Yugoslavs and Romanians had done, just in case the syndicated loan market would downgrade their creditworthiness. Brainard's Banker Trust, for instance, was already campaigning for lending to the East on a project-base case, stricter loans linked with concrete investment plans that could generate income from exports.[39]

Much has been written about the early 1980s debt crisis in Eastern Europe. Yet this literature is curiously blind to the role of the banks. This is understandable: bankers, unlike communist political leaders, were not loquacious, and generally left few archival traces. This makes our grasp of the crisis one-sided, either richly illustrated empirical examinations with the politics left out or political interventions couched in Cold War patois but innocent of facts.[40] More recently, and arguably under the influence of the literature on the debt crisis in Latin America, historians turned to exploring the consequences of the crisis for political change around 1989, democracy more suited to enforce austerity than totalitarianism.[41] How did Brainard understand the crisis and its impact on Eastern Europe in the 1980s? After Poland held a meeting with US banks in January 1979, informing of impending difficulties in paying interest while at the same time reassuring them of the government's commitment to tighten the budget, Brainard told the New York Times that this "marks the first time a communist government has embraced austerity – a purposeful cut in its planned rate of growth – for balance of payments reasons."[42] Brainard's judgement, informed as it was by the bankers' assumptions that guided lending to the socialist bloc throughout the 1970s, proved too optimistic.

Less than one year later, with Poland asking to refinance its maturities worth $7.5 billion and the government incapable to impose any austerity worthy of the name, Brainard looked to the IMF's stabilization program for Turkey as a possible blueprint.[43] Granted, IMF experts knew little about socialist economies, and Poland was not yet a member, but no other belt-tightening solution was available. What explains this deadlock? Following a trip to Poland in 1981 - the country not yet under martial law but technically in default - Brainard informed the IMF that all the bankers' assumptions were wrong: there was a "total lack of trust between the people and the government", a void of political authority; the economy caught in "inflationary overhang" due to wage growth, declining productivity and stable prices; black market activities were everywhere and a food crisis seemed imminent. Equally important, the so-called "the umbrella theory" – the alleged commitment of the Soviet Union to bail out its Eastern European satellites - was just a figment of the bankers' imagination.[44] And yet, Brainard assessment of a possible Polish default was not terribly worrying, at least not for the US banks: "the situation with regard to Polish loans was not so bad as to bring any banks down even if write-offs were necessary."[45] Poland, in other words, was neither Mexico nor Brazil. What, then, of the origins of the Polish debt crisis?

Called before the Senate Foreign Relations Committee in January 1982, Brainard explained that it all started with Edward Gierek's policies of the early 1970s. Gierek, it turned out, was not the totalitarian first secretary of the Polish United Workers Party able to keep domestic consumption and imports in check, but a "populist" in search of securing political support against the rise of Solidarność. Consequently, "he gave everyone what they wanted: higher wages for workers, higher prices for farmers, western technology for industry, and economic reform to top it off."[46] According to Brainard, throughout the 1970s, nobody had seen Gierek's true colors: commercial banks were happy to push their loans on Poland, banking on the country's rich energy reserves; Western European governments, on the other hand, saw the reformist in Gierek and supplied official credits to back their export companies. By 1981 Poland stood on roughly $28 billion of debt.

> The record of the past ten years suggests two major conclusions. One is that Gierek's populist policies led to a weakening of internal economic disciplines and an erosion of the government's ability to manage economic activity. […] The record shows that western governments, in particular those in western Europe, bear a major share of the responsibility for the uncontrolled expansion of Polish indebtedness in the period after 1975. Loans were offered in the name of Ostpolitik or export promotion with little or no consideration of Poland's ability to use these funds. When problems became serious in the late seventies, some of the governments made special deals or bent the rules governing export credits. The Carter administration bears a portion of this blame for its decisions made purely on political grounds to authorize substantial increases in CCC credits to Poland.[47]

Blaming Carter did not mean Brainard supported Reagan's initial view, articulated by Kissinger and popularized by the Wall Street Journal, of pushing Poland into default, thereby delivering a blow to the periphery of the "evil empire". In a position paper written for the White House, Brainard advised against the default scenario and suggested instead reform on the Turkish model: austerity followed by a resumption of credit, all leading to stabilization, modest growth and regained creditworthiness.[48] Nor was Brainard, unlike many of his colleagues in the international banking community, of the opinion that the implementation of these policies required Jaruzelski's iron fist. Political liberalization was indeed possible, especially in view of the many compromises the Polish government would have to strike with entrenched interest groups at home: workers, farmers, managers etc.

By the time Brainard penned his counsel to Reagan, the debt crisis ceased to be exclusively Polish, and spread out to affect other socialist countries of Eastern Europe: Romania, Hungary, and by 1983 Yugoslavia as well. As commercial banks withdrew their short-term credits in the wake of Poland's moratorium, and access to the syndicated loans market became ever more expensive due to higher risk in lending to the region, all these countries built up huge arrears, and save for Hungary, all were forced into rescheduling their debt.[49] The geopolitics of this crisis revealed something unexpected: mounting tensions between the US and the USSR following the Soviet intervention in Afghanistan showed the extent to which neither Eastern nor Western European and Japanese governments were willing to prop the Cold War rivalry: "In Japan and Western Europe, by contrast, there is an evident desire to insulate their economic relations with Eastern Europe and the Soviet Union from the current downswing in U.S.-Soviet relations. The reason is simply that the economic stakes are very substantial, while the expected political benefits of economic sanctions are doubted. Interdependence in trade and finance is a fact of life for these countries. The western countries depend on the East as a source of raw materials and as a market for their investment goods. Eastern Europe, in turn, looks to the West for essential imports and the credits to finance them."[50] According to Brainard, this mutual dependence was most conspicuous in the case of Poland where France was reported to have bypassed all customary consultations with OECD member states in extending long-term refinancing credits to Warsaw.

Poland, Romania and Yugoslavia rescheduled in a context in which, domino-like, most Latin American states also asked their creditors to roll over their debt. The Latin American debt crisis, however, was of a different magnitude. Here, unlike in Eastern Europe, the large US banks were heavily exposed, and a potential default jeopardized the stability of the global financial system. Could bankers really expect for the US administration to back up their claims in the future, as Reagan did in Mexico, Brazil, Argentina, Chile, Peru, Ecuador, Venezuela and Uruguay? Brainard doubted it.[51] The syndicated loan market for sovereign borrowers was bound to collapse sooner or later, as the conditions that supported its expansion in the early 1970s would themselves gradually disappear. For over a decade, Brainard claimed, "the international financial system facilitated the creation of debt" on a global scale, but the equally "global trading system has not facilitated the servicing of this debt."[52] By the mid-1980s, the consequences were plain: protectionism in the core, austerity on the periphery. Naturally, banks would still play a key role in overcoming the debt crisis, their portfolios remade to reflect new business practices, and so too would the indebted countries, once they renounced their commitment to public ownership and aversion to foreign investment.[53] If privatization, debt-to-equity swaps and foreign investment were the solutions envisaged for Latin America, what could be the prospects of Eastern European sovereign debtors?

Poland aside, Brainard saw no reason to worry.[54] The debt of communist governments was significantly smaller, while the exposure of US banks amounted to a petty 3.4% of all claims on the region (1.7% without Yugoslavia). Unlike Latin America, Eastern Europe posed no threat to the financial system of the planet. Default had to be avoided on purely commercial grounds: even before the Polish memorandum of 1981, bank lending to Eastern Europe slowed down, reversing the pattern of capital flows of the 1970s. Before the crisis, inflows outgrew outflows, borrowing remaining well above the rate of repayment; beginning with 1982, however, Eastern Europe turned into a region of net outflows of capital. Between January 1982 and June 1983, according to Brainard, the transfer of capital from the East to the West totaled $19 billion, payments which would have been seriously delayed or even cancelled in case of default. Irrespective of the amount of their debt, all East European states, Yugoslavia included, reacted the same way to the crisis: they all cut imports, boosted exports, and thus improved their aggregate current account balance. By the mid-1980s, with serious costs incurred to the living standard of their citizens and domestic investment slashed, but with their creditworthiness restored, most socialist states of the region returned to the syndicated loans market, and resumed borrowing. The exception was Romania, as creditworthy as its neighbors, but with a government committed to extricate the country from any credit relations with commercial banks and Western governments alike, all in the name of national sovereignty – delusions of legitimacy at the top underpinned by coercion and a policy of exports at all costs, all leading to the only classical revolution of 1989.[55]

Who was still willing to lend to Eastern European states after the crisis of the early 1980s? It is to this question that Brainard provided the sharpest answer, one curiously relegated to oblivion in all recent accounts of the supposed global entanglements of state socialism. For it was not difficult for an expert of Brainard's stature – reporting to Wall Street and Washington after trips to Warsaw and Belgrade in the 1980s – to see the larger picture, precisely the one we now, for lack of a better label, call "global". What of it? The great difference between the 1970s and the

1980s, Brainard maintained, was that new debt relocated away from the developing countries and started to accumulate in the US economy: "the way things are working now is that credit is created where production is weak, e.g. U.S. trade deficits, LDC debts, whereas creditor countries, such as Japan and Germany, are enjoying record export surpluses. Exactly the opposite is required for systemic stability; the creditor countries should run trade deficits so debtor countries can achieve the trade surpluses necessary to service their debts."[56] This structural instability, temporary papered over with petrodollars in the 1970s, changed course with the so-called "Volcker Shock" and Reagan's subsequent military spending and tax cuts, which drove up the country's trade deficit and accelerated foreign borrowing. The US thus became a net debtor: "the counterpart to this rising indebtedness was a growing positive net international asset position of Japan and Germany, the two principal surplus countries."[57] Brainard's observations need some unpacking.

The "Volcker Shock" – orchestrated by Paul Volcker, Chairman of the Federal Reserve – was an attack on inflation by way of higher short-term interest rates, which doubled between 1979 and late 1982 to reach 20%. This was an unprecedented imposition of financial austerity on the US economy, which contracted the money supply, reduced bank deposits (and lending) and pushed the country into recession, driving up unemployment and collapsing manufacturing output. Inflation was indeed cut back to 4%, with two immediate consequences for the indebted countries of world. *Primo*: the high interest rates, tax cuts, and an appreciating dollar attracted foreign capital to the US economy, initiating a "drought" of liquidity for developing countries accustomed to borrow on the syndicated loan market.[58] *Secundo*: the strong dollar of Reagan's first term facilitated the inflow of cheap foreign goods, but drowned exports thus triggering waves of protectionist lobby from industry and agriculture alike. Devaluing the dollar became a matter of international cooperation between the US government and the two export powerhouses, Japan and Germany. [59] For the second half of the 1980s, a stronger yen and mark chipped away Japan's and Germany's share of the world market, keeping both glued to whatever opportunities late socialist Eastern Europe still presented. This is the context of Brainard's remark:

> In search for capital the Soviet Union and Eastern Europe will target Germany, the primary European surplus country, whereas China will likely target Japan. Given the sharp appreciation of their respective currencies,

> Germany and Japan will find offers to new export markets hard to resist. The surplus capital to finance such exports is already at hand.[60]

To retain the region as a destination for German and Japanese exports, bank lending to Eastern Europe had to continue. Bulgaria's gross indebtedness to commercial banks grew by a staggering 275% between 1984 and 1987; East German debt doubled in the same span of time, reaching $14 billion at the end of 1987; Hungary, the region's most frantic borrower, piled up $17.7 billion in debt to commercial banks by the end of 1987; and even Czechoslovakia, traditionally a prudent borrower, increased its debt in the second half of the decade.[61] The trajectory of the three rescheduling countries – Poland, Romania and Yugoslavia – was different, both among themselves and with respect to their neighbors. Overall, however, by the end of the 1980s, Japan was Hungary's largest creditor, and second to West Germany as creditor for the region. Brainard intimated that trade was the motor of this renewed lending and concluded that, even in the absence of clear data to prove it, export to socialist countries made banks in these two "surplus countries", and to a lesser extent in the UK and France, view "the Eastern market as a safe region for the expansion of financial credits."[62] Having achieved their trade surpluses during the strong dollar of the first half of the 1980s by flooding the US market, Japan and West Germany, once faced with a devalued dollar after the Plaza Accord in 1985 but able to gauge Cold War tensions, looked to secure a share of Eastern Europe in a context of sharpening export competition.

Such was Lawrence J. Brainard's explanation for the ability of some Eastern European countries, alongside the Soviet Union and China, to borrow after the debt crisis of the early 1980s. To be sure, the empirical evidence marshalled to support this view was far from convincing, particularly in the case of Japan, where lending did not quite corelate with trade and other dynamics seemed at play, notably lending by Japanese life insurance and leasing companies, at least in Hungary and the GDR.[63] The overarching narrative, however, was plausible: Eastern Europe first became a market for syndicated loans in the 1970s, when borrowing was relatively cheap and offshore markets abundant in liquidity; and Eastern Europe remained a market for syndicated loans after its own debt crisis, when some lending was still available to oil Japanese and West German exports, both facing a devalued dollar in the world market but still sitting on trade surpluses. For Brainard, the lesson of this late development was straightforward: with the communist parties removed from power in 1989, and Eastern European economies collapsing under a mountain of debt, no amount of aid could secure the region's restructuring: "unless western politicians want to keep pumping public money into the East for the indefinite future, they must seek to create conditions in Eastern Europe under which foreign capital will thrive and prosper."[64]

III. What conditions might have facilitated the thriving of foreign capital depended on whom you asked. Brainard was naturally thinking about the creation of capital markets which could then underwrite structural reforms and channel investments rationally. This was different from the previous two decades of sovereign borrowing, which required no political reform and perpetuated the misallocation of resources.[65] Others, such as IMF experts, had a much more comprehensive view of these necessary conditions, which included privatization of state assets, liberalization of prices, and even debt relief, all combined to attract foreign capital. No different were the reform plans of national governments in the region. Yet any such thinking about the conditions that would make foreign capital prosper in Eastern Europe had to take into account the aspirations of the momentous change of 1989. What historical analogy, then, - embodying the experience of democracy and capitalism flourishing in conjunction - could serve as a roadmap for the trajectory of Eastern Europe after the collapse of state socialism? For Brainard himself, more important than any such blueprint was that Western governments avoid relying too much on the IMF and the World Bank: "The best way to find out what those conditions are is by working with the capitalists themselves. This is why western governments need to go beyond IMF and World Bank involvement. As vital as their role may be, neither the Fund or the Bank is comfortable in a close working arrangement with private companies. A second reason for seeking closer cooperation with private firms is to minimize the risk that public and private lending strategies work at cross purposes, with public monies bailing out private banks."[66] As befits a banker, Brainard's writings of the time display no discussion of politics, only an acknowledgement that foreign direct investment would be conditional on economic reform accompanying political change.

Ferreting out historical analogies was the bread and butter of the Washington punditry: foreign affairs strategists moving between state jobs, academia and think-tanks such as Michael Mandelbaum, then Senior Fellow at the Council on Foreign Relations. In June 1989, invited to report before the Subcommittee on Europe and the Middle East of the Committee on Foreign Affairs, Mandelbaum argued that: “In discussions of Western policies toward Eastern Europe, the idea of a new Marshall Plan for the region occasionally surfaces. During the 1970s, it is important to note, there was something like a Marshall Plan for Eastern Europe, especially for Poland and Hungary, in the form of large Western bank loans. The money was wasted because it was channeled into unproductive economic institutions and practices. Both countries were left with substantial external debts which have contributed to the economic crisis in which they find themselves today.”[67] Brainard might have agreed to the observation about money having been mismanaged but no banker in good faith would have dared call the transformation of Eastern Europe into a market for syndicated loans during the 1970s “something like a Marshall Plan.” This was a gross misrepresentation of the historical record: communist governments borrowed at spreads set on LIBOR, and consequently made their repayments on principal and interest at commercial rates. If the analogy was misguided it was because it served a different purpose, as Mandelbaum noted:

> If there is to be an effort for Eastern Europe anything like the one from which Western Europe benefitted in the late 1940s, however, it will have to be a cooperative venture involving all the members of the Western community, including Japan. The United States is not rich enough to pay for the reconstruction of the region itself. Moreover, a solution to Poland and Hungary’s debt problems would have to be a part of a global formula for reducing debt which in turn would require the active participation of the Western Europeans and the Japanese.[68]

Here, too, Brainard might have disagreed with the need for a “global formula for reducing debt”, but he would certainly support Mandelbaum’s suggestion for a cooperative venture between the US, Japan and Western Europe in shaping the future of Eastern Europe.[69] His analysis of the presence of West German and Japanese banks in the region during the second half of the 1980s already pointed in this direction: the two countries had to carry some of the burden for the transformation of Eastern Europe. Nor would have Brainard objected to Mandelbaum’s argument according to which - having squashed their “Marshall Plan” of the 1970s in unproductive investments - post-socialist governments could only hope for “normal economic relationships” with the West in general and West

Germany in particular, the traditional "source of capital" for the region. Would Bonn, then, favor the double transition in the region, free markets and democracy alike? Mandelbaum had his doubts: feeding the GDR loans throughout the 1980s impeded any desire for reform in the second German dictatorship.[70] But there was room for hope: once these Eastern European countries achieved their process of self-determination and junked their command economies, foreign capital was ready to bankroll the emergence of capitalism and democracy. What made this prognosis plausible, and endowed it with an air of levelheadedness, was private capital's reaction to the crackdown of Tiananmen Square in June 1989. The crushing of the pro-democracy protests, Brainard noted, turned Japanese capital away from China, and froze all international bank lending to the country, including new lines of credit from the World Bank and the Asian Development Bank.[71] In 1989, private capital was sensitive to democracy.

Note the underlining set of assumptions on which this view rested. First, communism collapsed in a world in which no new Marshall Plan was possible. Not the concessionary disbursement of funds but investments under the rules of profit-making would secure Eastern Europe's economic recovery. Second, communism also collapsed in a world in which there existed not one but three main sources of private capital - Japan, Western Europe and the US. The first two rose to such status as a consequence of the Marshall Plan and the Korean War, both setting the path for the emergence of Western Europe and Japan as manufacturing rivals to the US and structuring the trajectory of global capitalism in the second half of the twentieth century. Finally, private capital (bank loans and foreign investment), while notoriously indifferent to politics as long as domestic stability was assured, by authoritarian or any other means possible, was now regarded as the umpire of democratization. Recast by Mandelbaum as "something of a Marshall Plan", bank lending to Eastern Europe in the 1970s and 1980s closed this interpretative circle: it proved that totalitarian regimes operating command economies abused private capital. That totalitarianism and planning were also the reasons why banks pushed loans on the region in the first place were thus written out of the story. How accurate did all these assumptions turn out in the aftermath of the 1989 revolutions?

Debt relief applied selectively, mostly to Poland and Bulgaria, the latter unable to pay both principal and interest on its $11 billion debt in early 1990. This discrimination between the countries of the region angered Jeffrey Sachs, economic advisor to both the Polish and Yugoslav governments in 1990, and prompted him to pen the most memorable page of his otherwise anodyne memoir - *The End of Poverty* - worth quoting in extenso:

> Debt cancellation must reflect true social, economic, and political realities. Under those circumstances, a negotiated cancellation of debt can give new hope and new economic opportunities to the debtor country, and renewed creditworthiness. This is exactly what happened with Poland, which returned to the capital markets in the 1990s. Alas, Yugoslavia was not so fortunate. At the time that I was advising Poland, I was also asked to help Yugoslavia escape from a similar spiral of hyperinflation, excessive foreign debt, and socialist collapse. The last prime minister of federal Yugoslavia, Ante Markovic, launched a stabilization plan in January 1990 that I had helped to devise. That plan got off to a wonderful start and could actually have worked, but for Slobodan Milosevic's deliberate and disastrously successful moves to undermine the federal government and its economic program. Markovic needed bolstering in his struggle with Milosevic, who was at that point head of Serbia. Markovic appealed to the Western powers to postpone—not to forgive—Yugoslavia's debts. A postponement would have given financial breathing room and political prestige to Markovic, both of which would have strengthened the stabilization plan, whose success would have further strengthened him. Yet while Milosevic gained strength in his battle to bring down Yugoslavia, the first Bush administration, the European Union, and the IMF refused even the modest request to reschedule Yugoslavia's debts. This refusal reflected, in my opinion, the stupidity of having foreign policy and international economic policy divorced from each other. Although Milosevic, not the West, must be blamed for the collapse of Yugoslavia, there was no effort of any sophistication to help hold the country together.[72]

The divorce between "foreign policy" and "international economic policy" mirrored the recalibration of the marriage between empire and capital during the lending frenzy of the 1970s and the "lost decade" that ensued in the 1980s. Détente played a key role in kick-starting the expansion of credit into Eastern Europe, but once the region became a market of sovereign borrowers, profit margins and trade opportunities decided the inflow of loans, not great power politics. This logic was perpetuated into the early 1990s, when Western concessionary financial aid was trivial, and the great bulk of new money directed to the region came in the form of export credits and investment guarantees, non-concessionary finance disbursed on market terms and thus debt creating.[73] There was indeed no new Marshall Plan in post-1989 Eastern Europe and no strategy of the US empire to protect "the capital of others", as it once did in the 1950s with Japan and Western Europe.[74] Nor was there any need for the US empire to protect the non-debt creating capital of its rivals - foreign direct investment – much of it, not unlike syndicated loans of old, sensitive only to political stability, not to particular political regimes. Yet even such considerations were disputed among economists. One World Bank report examining the penetration of German FDI in Latin America during the 1980s emphasized two of its peculiar characteristics: the indifference to labor costs and to politics. Fourth in size after US, Japan and UK - by the end of the 1980s German FDI was mainly driven by the conquest of market share in the host country and the availability of public guarantees.[75]

Pushed out of the country by rising production costs due to a strong yen, Japanese companies anchored themselves in East Asia, and transformed China into the single largest market for Japanese FDI in the 1990s. By the end of 1994, out of the annual $80 billion FDI destined to developing countries, China seized $30 billion while Eastern Europe attacked little over $5 billion. Significantly, 65% of all Japanese FDI went to East Asia in that year, 40% of which to China alone.[76] This, too, was FDI driven by market share, infinitely more sensitive to labor costs and structured by intrafirm trade. US FDI fit largely the same pattern, relocating south of the border after the signing of NAFTA and targeting East Asia. In Eastern Europe and Central Asia, US FDI doubled between 1991 and 1993, reaching $1.7 billion, "slightly less than the value of the outward FDI stock in Malaysia", apparently a model democracy.[77] In this context, Eastern Europe' geographical proximity and Germany's "close links with some of the formerly centrally planned economies have made that region the preferred location for German FDI."[78] No wonder the US ambassador to Budapest could declare in 1995 that "I have often been asked why there isn't a new Marshall Plan to help Central and Eastern Europe. Well, there is - it is here - and it is called private foreign investment." [79]

From the vantage point of this piece of wisdom, we can now ask what was global about the history of Eastern Europe before and after 1989? Beginning with the 1970s, the global in Eastern Europe was a financial system overflooded with cheap dollars - banks (and governments) pushing their loans on credit thirsty countries; and one still willing to finance the debt spiral of some Eastern European countries in the late 1980s, when the emergence of new financial instruments and rising corporate demand for syndicated loans in Western Europe did not hinder Bulgaria or Hungary to keep on borrowing.[80] This entire history, plainly recorded by Brainard and visible in the pattern of FDI entering the region after 1989, was sidelined as early as the first months of 1990. During the last meeting of Comecon member states, assembled in Sofia in January 1990, the consensus reigning among the political elite newly catapulted to office by round-table and revolution was that the summit "signaled the start of the integration of Eastern Europe into the world financial system."[81] With no new Marshall Plan on the cards, one reporter noted, "both East and West seem intent on taking a business-as-usual approach to integrating the reforming countries."[82]

Less than ten years prior, Marshall Plan proposals seemed the only way of saving the livelihood of citizenries in Latin America, Africa and Eastern Europe from the follies of unfettered lending. Indicative of the mood was Maurice Lauré's "Rebalancing the World Economy: Marshall Plan or Depression?", a plan for overcoming the impending energy and debt crisis through a new investment boom in the developing countries, financed by concessionary expenditure equivalent to 1.3% of the aggregate GDPs of industrialized countries. Inventor of the value-added tax in the 1950s and president of Société Générale, Lauré shared his plan even with Nicolae Ceaușescu, hoping it will prove a lasting solution to the "harmonious economic development of developing countries."[83] Brainard himself was averse to any such grandiose design. Calls for a new Marshall Plan to resolve the debt crisis, he wrote, ignored that postwar Western Europe was able to use capital productively, lacking only the resources to do so. The problems of the debtor countries in the early 1980s were of a different caliber: "access to developed-country markets, improved terms of trade, reductions in real interest rates, and more rational domestic economic policies. None of these is likely to result from a new large-scale lending program for debtors."[84] With capital pouring in from East Asian investors, Reagan's America showed the way forward, as Brainard told *Time* in 1987, "by the end of this century, the US may have the most modern manufacturing sector in the world, but it won't own it."[85] Eastern Europe's *Nachzugsgefecht* at the end of the Cold War could only replicate this model. After the revolutions of 1989, Eastern Europeans, too, were finally free to produce what they did not own and consume what they did not produce.

Source: *Foreign Affairs*, Vol. 51, No. 4, 1973, A-7.

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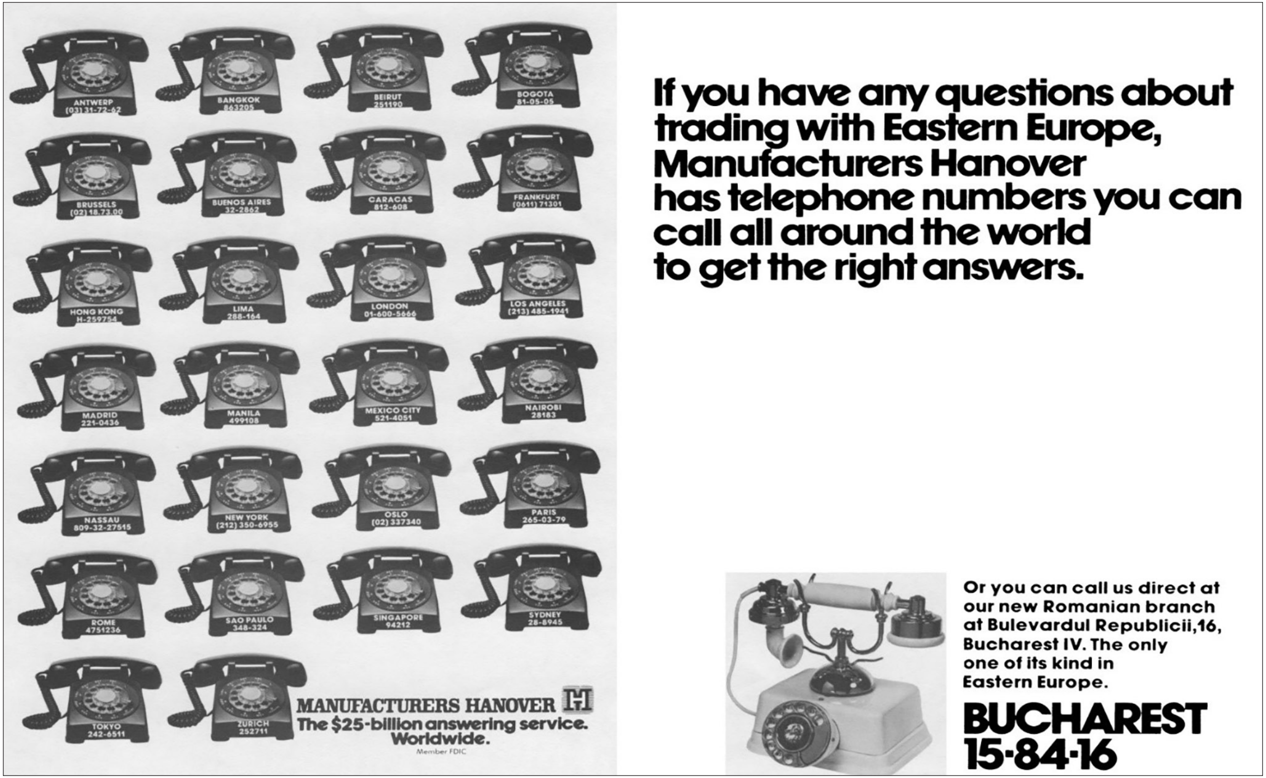
Source: *Foreign Affairs*, Vol. 51, No. 3, 1973, A-1.



Source: *Foreign Affairs*, Vol. 53, No. 1, 1974, A-10.

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39 Lawrence J. Brainard "Why Eastern Europe is Talking about the IMF", *Euromoney*, October 1979.

40 For the first, see Iliana Zloch-Christy, *Debt Problems of Eastern Europe* (Cambridge: Cambridge University press, 1987); for the second, see Stephen Kotkin, "The Kiss of Debt. The east Bloc Goes Borrowing", in Niall Ferguson et alli (eds.) *The Shock of the Global. The 1970s in Perspective* (Harvard: Harvard University Press, 2010).

41 This is the conclusion of an outstanding recent doctoral dissertation, Frederic Michael Bartel, *The Triumph of Broken Promises: Oil, Finance, and the End of the Cold War* (PhD Dissertation: Cornell University, 2017).

42 Quoted in Ann Crittenden, "Poland, in Bid for Loan, Will Let West's Banks Monitor Its Economy", *New York Times*, January 26 1979

43 IMF Archives, European Department Immediate Office Records, EURAI Country Files, Poland, Box 57 File, 2, p. 93.

44 IMF Archives, European Department Immediate Office Records, EURAI Country Files, Poland, Box 57, File 3, p. 24.

45 IBIDEM, p. 2.

46 IMF Archives, European Department Immediate Office Records, EURAI Country Files, Poland, Box 57, File 4, pp. 125-6.

47 IBIDEM. CCC credits were credits extended by the Commodity Credit Corporation, a US government agency that subsidized the export of American farm produce. For a similar reading of the Polish economy some seven years later, penned by another banker-cum-expert on the region, see Gabriel Eichler, "A Banker's Perspective on Poland's Debt Problems", in Paul Marer and Wlodzimierz Siwinski (eds.) *Creditworthiness and Reform in Poland. Western and Polish Perspectives* (Bloomington: Indiana University Press, 1988).

48 IMF Archives, European Department Immediate Office Records, EURAI Country Files, Poland, Box 58, File 1, p. 68 and p. 223.

49 On the power of banks to withhold and withdraw short-term credits, see Jerome Roos, *Why Not Default? The Political Economy of Sovereign Debt* (Princeton: Princeton University Press, 2019).

50 Lawrence Brainard, "Eastern Europe's Uncertain Future: The Outlook for East-West Trade and Finance", in *East European Economic Assessment. Part 2 – Regional Assessments. A Compendium of Papers Submitted to the Joint Economic Committee Congress of the United States, July 10 1981* (Washington: US Government Printing Office, 1981), 752.

51 Lawrence J. Brainard, "LDC Debt: A Threat to U.S. Business Prospects?", *Business Economics*, Vol. 22, 1987, pp. 19-22

52 Lawrence Brainard, "Soviet International Financial Policy: Traditional Formulas or New Innovations?", in *Gorbachev's Economic Plans. Volume 1. Study Papers Submitted to the Joint Economic Committee Congress of the United States, November 23, 1987* (Washington: US Government Printing Office, 1987), 104-105.

53 Lawrence Brainard, "Current Illusions about International Debt Crisis", *The World Economy*, Vol. 8, No. 1, 1985, 1-9.

54 Lawrence Brainard, "Trade and Payments Problems in Eastern Europe: The Debt Crisis Forces Policy Changes", *East European Economies: Slow Growth in the 1980's. Volume 2. Foreign Trade and International Finance, Selected Papers Submitted to the Joint Economic Committee Congress of the United*

States, March 28, 1986 (Washington: US Government Printing Office, 1986), 186-191.

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57 IBIDEM, 104.

58 I follow the analysis in Jeffry A. Frieden, *Global Capitalism: It's Fall and Rise in the Twentieth Century* (New York: Norton, 2007), 379-382.

59 Robert Brenner, "The World Economy at the Turn of the Millennium toward Boom or Crisis?" *Review of International Political Economy*, Vol. 8, No. 1, 2001, 6-44.

60 Lawrence Brainard, "Trade, Debt, and National Security", in *Bank Lending to Warsaw Pact Nations, Hearing before the Subcommittee on International Finance, Trade and Monetary Policy of the Committee on Banking, Finance and Urban Affairs. House of Representatives, September 22 1988* (Washington: US Government Printing Office, 1988), 222.

61 I took the data from *PlanEcon Report*, Vol. IV, No. 24-25, June 17, 1988.

62 Lawrence Brainard, "Overview of East Europe's Debt: The Evolution of Creditworthiness in the 1980s", *Business Economics*, Vol. 25, No. 4, 1990, 14.

63 Lawrence Brainard, "Finance and Debt in East-West Relations. Policy Challenges in an Era of Change", in *To Examine Small Business Trade Opportunities with the Soviet Union and Eastern Europe, Hearing before the Committee on Small Business United States Senate, March 23 1990* (Washington: US Government Printing Office, 1990), 247-298.

64 IBIDEM, 297.

65 Lawrence Brainard, "Reform in Eastern Europe: Creating a Capital Market", *Economic Review*, January/February, 1991, 49-58.

66 Lawrence Brainard, "Finance and Debt in East-West Relations. Policy Challenges in an Era of Change", in *To Examine Small Business Trade Opportunities with the Soviet Union and Eastern Europe, Hearing before the Committee on Small Business United States Senate, March 23 1990 (Washington: US Government Printing Office*, 1990), 298.

67 *Developments in Eastern Europe, June 1989. Hearing Before the Subcommittee on Europe and the Middle East of the Committee on Foreign Affairs, House of Representatives, One Hundred First Congress, First Session, June 27 1989* (Washington: U.S. Government Printing Office, 1989), 29. For an assessment of Mandelbaum's intellectual output over the recent decades,

see Perry Anderson, *American Foreign Policy and Its Thinkers* (London: Verso, 2015).

68 IBIDEM.

69 For Brainard's take on the early US plan to reduce debt, see Lawrence Brainard, "Managing the International Debt Crisis: The Future of the Baker Plan", *Contemporary Economic Policy*, Vol. 5, No. 3, 1987, 66-75.

70 Ironically, if there was a situation after 1989 to which the Marshall Plan analogy applied, that was East Germany after reunification. There, welfare payments by the federal government, near parity wages pushed for by trade-unions in the West and covering for the Treuhandanstalt's losses made for arguably the single largest investment after the 1950s in Europe. As Klein and Pettis note "Despite these substantial costs, reunification has largely been a success. Thanks in part to ongoing transfers from the rest of the country, living standards in the former East Germany have almost completely converged to levels in the West, most notably in terms of life expectancy. The remaining gap in incomes between East and West Germany is trivial compared to the gaps between northern and southern Italy, northern and southern England, or the former Confederacy and the rest of the United States. Unemployment has plunged. Manufacturing output in the East has more than doubled since the early 1990s. Lower living costs have even attracted artists and others to migrate from the West to some cities in the East.", Matthew C. Klein and Michael Pettis, *Trade Wars are Class Wars. How Rising Inequality Distorts the Global Economy and Threatens International Peace* (New Heaven: Yale University Press, 2020), 145.

71 Lawrence Brainard, "Finance and Debt in East-West Relations. Policy Challenges in an Era of Change", in *To Examine Small Business Trade Opportunities with the Soviet Union and Eastern Europe, Hearing before the Committee on Small Business United States Senate, March 23 1990 (Washington: US Government Printing Office*, 1990), 298.

72 Jeffrey D. Sachs, *The End of Poverty. Economic Possibilities for Our Time. With a Forward by Bono* (New York: Penguin Press, 2005), 127.

73 See the analysis of Judit Kiss, "Debt Management in Eastern Europe", *Eastern European Economics*, Vol. 32, No. 3, 1994, 60.

74 The expression belongs to Robert Brenner, "What Is, and What Is Not, Imperialism?", *Historical Materialism*, Vol. 14, No. 4, 2006, 86.

75 *Financial Flows to Developing Countries. Quarterly Review, The World Bank, Debt and International Division,* September, 1990, 16-17.

76 *Financial Flows to Developing Countries. Quarterly Review, The World Bank, Debt and International Division,* November, 1994, 9-16.

77 IBIDEM, 20.

78 IBIDEM.

79 Quoted in Peter Gowan, "Neoliberal Theory and Practice for Eastern Europe", *New Left Review*, 213, September/October, 1995, 10.

80 For some of those new financial instruments, see Lawrence Brainard, "The Decision-making process. A changing role for country-risk analysis", in Ronald Solberg (ed.) *Country Risk Analysis. A Handbook* (London: Routledge, 1992), 276-279. Rising demand from West European corporations on the syndicated market is documented in *Bank for International Settlements*, 59th Annual Report, 1st of April 1988 – 31st of March 1989, Basle, 12th June 1989, p. 119.

81 "Paying the Market Price", *Euromoney*, February, 1990, 80.

82 IBIDEM.

83 Arhivele Naționale ale României, CC al PCR, Secția Economică, 9/1981, p. 1.

84 Lawrence J. Brainard, "More Lending to the Third World? A Banker's View", in Richard E. Feinberg and Valeriana Kallab (eds.) *Uncertain Future: Commercial Banks and the Third World* (New Brunswick: Transaction Books, 1984), 40.

85 "For Sale: America", *Time*, September 14, 1987, 53. To service these East Asian investors, Brainard's Bankers Trust moved to the increasingly sophisticated financial markets of South Korean and Taiwan, Lawrence Brainard, "Capital Markets in Korean and Taiwan: Emerging Opportunities for Foreign Banks", *Journal for Asian Economics*, Vol. 1, No. 1, 1990, 173-177. It is worth pointing out that Brainard's analysis was paralleled by heterodox economists such as Andrew Glyn. Tight budgets, Glyn noted, combined with an aversion to public spending across post-socialist Eastern Europe melted workers' wage sacrifices into an economic slump. This was in marked contrast to the reconstruction of postwar Western Europe, notably West Germany where price liberalization, fiscal and monetary austerity combined with low real wages to transform the German economy into an export "miracle", its goods in high demand in Southeast Asia and Europe as well: "With neither a sophisticated and experienced private capitalist sector not high and expanding levels of external demand, it is most unlikely that the countries of Eastern Europe can follow a West German-style trajectory out of their current slump.", Andrew Glyn, "Wasted Sacrifices: Real Wages and Reconstruction in Eastern Europe", in Ha-Joon Chang and Peter Nolan (eds.) *The Transformation of the Communist Economies. Against the Mainstream* (London: St. Marin Press, 1995), 133.