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**AMERICAN AND GERMAN CULTURAL
POLICIES IN EASTERN EUROPE:
ASSESSING DEVELOPMENTS IN THE 1990s**
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FOREWORD

Shortly after the expansion of NATO to Poland, Hungary and Czech Republic in 1998, the American Institute for Contemporary German Studies invited experts from Europe and the United States to discuss American and German cultural policies in Central and Eastern Europe. Under the title, “Reaching Out to Eastern Europe in the 1990s: Assessing American and German Cultural Policies,” a one-day workshop on September 25, 1998, undertook a comparative assessment of the engagement of both countries in a region that has made great strides in “moving westward” after the fall of communism.

After the events of 1989-91, Germany and the United States sponsored numerous initiatives designed for the transition to a civic society. Major American efforts concerned funding democratic parties, building a free press and fostering academic exchanges, whereas German policies focused on the promotion of German language and culture and pursued collaboration in social, legal, organizational, and political areas. Most government-led initiatives occurred in the early 1990s. Since the mid-1990s, the American side has ostensibly cut back. This has led to a sense of disappointment in Central and Eastern Europe. As American activities were often perceived in the region in a balance to those by the immediate neighbor, the newly united Germany, this withdrawal has caused widespread criticism. Thanks to the board funding agenda of George Soros, devoted social, economical, cultural, and academic networks have taken hold and are contributing to the building of civic infrastructures in the region.

The following papers are intended to provide a short overview of some of the relevant issues. Two governmental officials, Helmut Hoffmann from the Auswärtiges Amt, Bonn, and Paul Smith from USIA, outline the German and American activities in the 1990s. Hoffmann illuminates the crucial role of the Goethe Institute for Germany’s eastern cultural policy. Smith concentrates on the various programs of USIA. These presentations are followed by a response from Tibor Frank who, as the director of the Institute for English and American Studies at the Eötvös Loránd University in Budapest, is particularly critical of the virtual withdrawal of the American side from serious cultural programs, handing over “the ways and means of cultural influence to the private sphere which may only end up in ‘McDonaldization.’”

Kim Lane Schepple, who teaches law, political science and sociology at the University of Pennsylvania, having just completed a four-year stint at Central European University in Budapest, provides unusual and poignant insight into the Soros empire, quoting George Soros, the great financier: “Just write that the former Soviet Empire is now called the Soros Empire.” Janine Wedel of George Washington University gives a similarly bold assessment of the different approaches of American and European aid projects in Eastern Europe after the end of the Cold War, based on her successful book, *Collision and Collusion; The Strange Case of Western Aid to Eastern Europe, 1989–1998*.

When the discussion expanded on the impression that the American government is abandoning its social and cultural engagement in Eastern Europe, Paul Smith interjected a more positive note about the role of its agency. The German representative took issue with the notion that cultural policies represented just another way of recreating an eastern sphere of influence. Hoffmann claimed that the model for German policies in the region was the American democratization agenda for Germany after World War II.

In an earlier workshop at AICGS, “Foreign Affairs and Cultural Policies: American and German Strategies after the Cold War,” American and German experts had provided a first comparison of the cultural policies in Eastern Europe (April 28, 1995). The 1998 workshop allowed a more focused overview of the developments in the 1990s.

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GERMANY'S FOREIGN CULTURAL POLICY IN EASTERN EUROPE: A CONTRIBUTION TO A EUROPE WHOLE AND FREE

Helmut Hoffmann

The challenge which presented itself with the emergence of the new democracies in Eastern Europe and on the territory of the former Soviet Union was perceived early on in Germany, notwithstanding the fact that with its reunification, Germany had to confront a challenge of enormous proportions of its own. It would have been quite impossible for the West and in particular for Germany not to respond to the far-reaching expectations of the new governments and new elite in Eastern Europe to assist them in stabilizing the process of reform and transformation towards democracy, open and civil societies, the rule of law and the emergence of market economies. When I use the term "Eastern Europe," this is – for short hand reasons – meant to include also Russia and the newly independent States on the territory of the former Soviet Union).

For Germany, there were two key motives in play. One, that Germany situated in the center of Europe with a strong foreign trade orientation, has clearly a considerable interest in the emergence of stable, democratic and market-economy oriented neighbors to its East. Germany has a strong interest not to remain the eastern outpost of the West but rather to move into a position, where it is surrounded by cooperative and friendly neighbors. It is in that vein that Germany has actively been promoting the integration of Eastern European countries into the European structures, notably NATO and the European Union.

But self-interest in a narrow sense only partly explains why the German government engaged itself so heavily in its cooperation with the emerging new Eastern Europe since the early 1990s. What mattered probably more was the fact that it could build on a widespread sentiment among the German population that after Eastern Europe had found its freedom, Germany had an **historical responsibility** to make its assistance available to the people in Eastern Europe, given the destructive role Germany had played some fifty years earlier in that region and which had contributed much to the fact that our Eastern European neighbors had endured Soviet rule with all its implications for half a century. It was widely felt in Germany that the reconciliation Germany had managed to achieve with our western neighbors had at long last become feasible also with the East and that this required a strong, active and enduring commitment on our part. Many believed that foreign cultural policy could and should play an important role in this endeavor.

PRINCIPLES OF GERMAN FOREIGN CULTURAL POLICY

Since the early 1970s, when in Willy Brandt's government Ralf Dahrendorf coined the notion of "*erweiterter Kulturbegriff*" ("broad notion of culture") the whole concept of "foreign cultural policy" has been at the center of quite some debate in Germany. As a result, there has emerged a broad consensus on a number of key elements, which one needs to take note of in order to fully understand the way in which we have been conducting our foreign cultural policy relations with Eastern Europe. I would name the following features:

1. Foreign cultural policy is seen as an integral part of our overall foreign policy. Often it is referred to as the "third pillar" of Germany's foreign policy, with the political sphere being the first, and foreign economic and trade

policy being the “second pillar.” It is for this reason that foreign cultural policy is in the domain of the foreign ministry (One has to add, however, that the Foreign Office disposes only about one third of the overall foreign cultural budget on the federal government level. There are some ten other ministries, which are also in one way or another active in this field, that creates, of course, problems of policy coordination).

2. The actual **operators** in our foreign cultural policy are not the federal government ministries, but a broad variety of independent organizations and institutions, of which the Goethe-Institute, the German Academic Exchange Service (DAAD) and Deutsche Welle are probably the best known abroad. This goes back to the Weimar Republic, when the main institutions in this field were founded. The system of independent institutions, which are funded by the federal government but which at the same time pay much attention to maintain their independence is widely seen as a corner stone of our foreign cultural policy machinery. To these institutions one has to add as additional players the sixteen federal states and innumerable municipalities, which also conduct foreign cultural policy activities. While the role of the federal government is restricted to defining the broad objectives and guidelines for the activities of the independent institutions and organizations, it has only a very limited influence – if at all – on what the federal states and municipalities are doing. As a matter of fact, it often does not know what their activities are.

3. We base our “foreign cultural policy” on a broad notion of “culture,” which is not confined to the more traditional concept encompassing art, literature, language, theater, dance et cetera in the sense of “the good, the true and the beautiful.” In our broad concept, foreign cultural policy also includes general social or societal issues, such as the environment, gender issues or industrial relations, to name a few examples. It is for this reason that there are many institutions engaged in our foreign cultural policy, which with their respective activities do not always easily fit into a narrowly confined picture of “cultural exchange” programs.

4. We do not see foreign cultural policy as a means of unilaterally exporting German culture, ideas and models abroad, but rather as a two-way street of intercultural exchange and dialogue in partnership. Now, this is of course an objective espoused nearly by everybody in foreign cultural relations today. But we do take some – I believe justified – pride in the fact that the spirit of openness, the obvious lack of narrow self interest and the often self-critical approach of many of the German foreign cultural policy activities have found remarkable recognition in many countries.

5. At the same time, we do not want to hide our hope that our foreign cultural activities will make a contribution towards generating positive interest in our country abroad and, if you will, a generally favorable image of Germany abroad. This has been a particular concern to us after the reunification of Germany, when for historical reasons the question of the future course of Germany was of a special and understandable interest to many in the world.

In this perspective we regard it as an important and legitimate objective for our foreign cultural policy to present to our partners in the world the Federal Republic of Germany as it is today in its diversity. We try to do this in a multifaceted, realistic and also self-critical way. It is our hope that this will help to foster confidence and mutual understanding. We are much aware of the fact that for us the building of bridges with our neighbors is a matter of particular importance.

THE AGENDA FOR EASTERN EUROPE

What did all of this mean when it came to reaching out to Eastern Europe in the 1990s? There were surely many reasons why the postwar Eastern European system collapsed in the late 1980s. In our context I would underline two major factors which were complementary and contradictory at the same time. On the one hand there had developed a growing sense in Eastern Europe of the **common European** cultural heritage, which had been torn apart in the “Age of Extremes” of Stalinism and Fascism and the ensuing Cold War. On the other hand there was clearly also a re-emergence of a sense of national identity in Eastern Europe, which was often bordering on old style nationalism. In our analysis of the situation it was clear that the re-establishment of cultural ties in the broadest possible sense between East and West would be of greatest importance to the forces of democratic reform and openness in Eastern Europe in their efforts to stabilize their advances. At the same time this seemed to be the best way to counter the tide of nationalism which appeared to rise again and which had been so much the root of Europe’s predicament in the first half of the century. In Germany, which over centuries had had a close and mutually enriching cultural relationship with Eastern Europe, it was therefore immediately felt that engagement on a substantial scale would be called for. Given the magnitude of the challenge and in view of our generally pro-European stance, it was also felt from the start that our own efforts would be part and parcel of the overall European cultural policy vis-à-vis Eastern Europe.

While there were of course no simple fixes and ready-made recipes at hand, it nevertheless turned out that the foreign cultural policy approach and institutional set-up which had evolved in that field by that time proved quite well adapted to meet the challenge. Within a very short time, Eastern Europe and the states on the territory of the former Soviet Union became a major regional focal point of German foreign cultural policy. In this effort we could also build on many ties which had developed between the former GDR and Eastern Europe, namely in the field of the teaching of German.

It is of course entirely impossible to present within a few minutes a full picture of all the programs and activities which have been devised and conducted. In fact, I am afraid there are probably very few people (if there is anyone at all, for that matter) who would be aware and know of all the activities going on at present. I can therefore only try to highlight some key programs and projects that are entirely or at least partly within the realm of the cultural foreign policy of the Foreign Office. And to confound matters even more, there exist a number of assistance programs for Eastern Europe, which are run by the economic and foreign trade department of the Foreign Office, which have certainly economic dimensions to them but which at the same time are not always easy to separate from foreign cultural policy programs proper:

Since 1992 the Foreign Office negotiated and concluded some twenty-two new Agreements on Cultural Cooperation defining the framework of our future bilateral foreign cultural policy relationship with the respective partner

countries. In the cases, where these agreements replaced older ones, the German government made a point to reduce the role of government in cultural exchange activities so as to give maximum room for direct and decentralized cooperation between cultural institutions and organizations, something which had not been much liked by the earlier East European governments. An important concern for our side also was to agree on clear provisions governing the status of the cultural personnel serving abroad (which, unfortunately, does not mean that problems would not arise in practice when it comes to, for example, the granting of visas or other matters of this nature).

In our sector policies particular emphasis was placed on assisting the reform process in the field of **education and vocational training** through exchange measures, advisory services and measures of training and further training. The number of DAAD-scholarships for students from East European countries coming to Germany and for German students going to East European Countries rose between 1989 and 1995 by a factor of four, with Russia and Poland taking the lead. To illustrate this with a figure: In 1996 the DAAD supported the exchange of some 14,373 university members in East European-German exchange programs. Of these, 11,010 were from Eastern Europe and 3,663 from Germany. A similar development, if less marked however, took place with respect to the exchange programs for lecturers and researchers run by the Alexander von Humboldt-Stiftung and the Deutsche Forschungsgemeinschaft. By now there exist some 1,600 cooperation projects between East European and German universities, out of which approximately a quarter deals specifically with university reform questions. Many universities, training colleges and libraries received substantial donations in the form of scientific literature and technical equipment.

SUPPORT FOR THE GERMAN LANGUAGE

With the dramatic decline in the public interest in the Russian language in many Eastern European countries as a direct result of the Soviet retreat, the question of the **teaching of foreign languages** became an important area. In view of what must be called a near explosion in the demand for the teaching of German as a foreign language in the early 1990s, assistance measures in this field were also high on our agenda. In nearly all East European countries, German now holds a firm position as second foreign language behind English, with German being particularly popular in vocational training establishments in states geographically close to German speaking countries.

In order to meet the enormous demand, Germany temporarily assigned some 550 teachers and thirty language advisors to schools and teacher training colleges in Eastern Europe to ease the acute shortage of local teachers of German. Furthermore, some 110 lecturers of German language and literature were made available on the university level. The Goethe-Institute established sixteen sites for language training and offered local education authorities assistance with respect to the writing of modern syllabuses and textbooks; commercial language schools were advised on how to improve their teaching methods.

Another feature of this assistance was helping universities and technical training colleges establish entire study courses – conducted in German – in law, economics, social science, and engineering. I should mention here that our assistance in the field of language could build much on the very active language policy the former GDR had conducted. There

are thousands of people in the former socialist camp from Russia to Mongolia to Vietnam, who speak fluent German as a result of this.

It is our hope that through our assistance measures, we can contribute to the maintenance of linguistic pluralism and multiculturalism in Europe. Particularly in Eastern Europe, where German for centuries was a *lingua franca*, the German language can play a useful role as a regional means of communication, and this even more so with a view to the imminent enlargement of the European Union.

In the context of our language assistance program I would also mention our assistance to the German minorities in Eastern Europe, which number about three million people. For decades the respective governments had more or less ignored or even denied their existence. It is one of the striking and positive features of the entirely changed situation that the new governments have not only acknowledged their responsibility to include the German minorities in their respective assistance programs for national minorities, but that they also were quite open to cooperating with the German government in devising our assistance measures.

While the Ministry of the Interior has been running social and economic assistance programs, the Foreign Office has concentrated primarily on meeting the demand in the field of the teaching of German. Fourteen of the sixteen Goethe-Institutes, which are at present working in Eastern Europe, were established only within the last decade. They are engaged in a wide variety of cultural activities. They serve as a venue of discussion for a broad spectrum of cultural and societal topics. In this and with their presentations of art, literature, films, videos, theater and so on they provide their audience with an opportunity to define their cultural identity in comparing and contrasting their own experience with trends in contemporary western developments. With their libraries, which were supplemented with some thirty newly established "reading rooms" attached mostly to university libraries throughout Eastern Europe, they offer reference books, German literature and computer based information retrieval systems (I should add that some of the reading rooms in Russia are joint Franco-German undertakings).

CULTURAL EXCHANGE AND COOPERATION

A field, in which our Ministry of Youth Affairs is the main actor with the Foreign Office playing only a subsidiary role, is the area of youth exchange. Major programs were developed there, particularly with Poland and the Czech Republic. Again, there are also some Franco-German activities involved.

Assistance is also provided to the print and electronic media. Journalists are invited for training courses and technical equipment is made available to newspapers, radio and TV-stations. Since 1992 Deutsche Welle, in addition to its traditional radio programs in various East European languages, has started TV broadcasts in German and English, which can also be received in many parts of Eastern Europe.

A uniquely German feature in the field of foreign cultural policy is what we call the "political foundations" and their activities. These are foundations close to the political parties in Germany, like the Konrad Adenauer or Friedrich Ebert Foundations. They have established offices in many East European capitals where they organize seminars and discussion groups on a broad variety of topics such as parliamentary democracy, human rights, social policy, market economy, gender

questions, and security policy. While their activities are funded by the federal government, they retain autonomy over what they are doing. There is also a large number of private German foundations active in similar ways, like the Volkswagen Foundation or the Robert Bosch Foundation, which rely on funds from private sources.

I would also draw attention to programs which help introduce Eastern European artists and authors to audiences in Germany by providing funds and facilities for exhibitions, reading tours, translation, and publication programs. In light of the present severe shortage of funds in Eastern European cultural budgets such programs are of particular importance to Eastern European artists and authors.

Finally, I should briefly mention the EU programs for cultural cooperation, which are substantially co-funded by the German government. With programs such as *Tempus* assisting the reform process of universities, *Sokrates* for exchange programs or *Raphael* for the protection of the cultural heritage much has been done in Eastern Europe in recent years.

FINANCIAL OBLIGATIONS

With this, I conclude my brief overview of measures and activities falling into the realm of the foreign cultural policy of the Foreign Office. But before I finish I should like to briefly present a picture of what all of this means in budgetary terms, again with the proviso that I confine myself to the activities which are funded by the Foreign Office's foreign cultural policy budget.

In 1988 the Foreign Office's overall budget for foreign cultural policy was about DM 892 million. Out of this sum, only forty million were set aside for Eastern Europe, which is about 4.5 percent. By 1993 the picture had changed quite significantly: Out of an overall budget of DM 1.25 billion, 195 million were spent on programs in Eastern Europe (15.6 percent). The latest figures available are for 1996: Out of 1.2 billion, 203 million went to Eastern Europe (17 percent). It is important to note that the increases in the allocation for Eastern Europe were not financed by cuts in the expenses for the other regions in the world, but rather by relatively substantial increases in the overall budget for foreign cultural policy as a whole. As a result of the budgetary problems starting in 1994 the growth pattern of the first years has practically ended; in fact, there has been a slight contraction. As things look now, we can only expect nominal zero-growth budgets for the next years to come, which means, of course, that in real terms, given the rather sharp rise in inflation in some Eastern European countries, there will be a certain decline in activities.

In a policy review undertaken early this year, the Foreign Office concluded that its programs in Eastern Europe were performing well and that there were no grounds for any major policy changes. Looking ahead, there is no doubt in my mind that the German government will continue to attach high priority to Eastern Europe in its foreign cultural policy. This will be the case whatever the outcome of this Sunday's elections may be, since this policy has enjoyed broad support from all political quarters in Germany. This does not exclude, of course, that there may be some sectoral adjustments.

The rationale behind this sense of priority provides a suitable summary and conclusion for my comments today: there is a widely shared hope in Germany that with our activities in the field of foreign cultural policy we can now, at the end of this century of conflict and antagonism, make a significant contribution to the establishment of a lasting European order of peace and cooperation. We have engaged ourselves very substantially in this regard. Germany has made by far the biggest

single contribution to the **overall** assistance measures for Eastern Europe. We see our efforts in this as part of a broader western endeavor. Given the situation in Eastern Europe today, it is clear that there still remains much to do to achieve the objective of a “Europe whole and free.”

THE USIA APPROACH: INVESTING IN THE NEXT GENERATION

Paul R. Smith

THE SUPPORT FOR EASTERN EUROPEAN DEMOCRACY

Since 1989, the former communist countries of Central and Eastern Europe have been an important focus of assistance for both Germany and the United States. President George Bush responded to the fall of the Berlin Wall and the unanticipated collapse of communist systems in the region by committing the United States to support these countries' transitions to democracy and market economies. The Clinton administration has continued that undertaking. A special budget for U.S. humanitarian, economic and political assistance to the area was established by Congress under the Support for Eastern European Democracy (SEED) Act of 1989 with an initial appropriation support of \$1.69 billion. SEED appropriations through FY 1998 have totaled approximately \$4,374 billion. Country-specific assistance strategies for the region vary in focus depending on specific need but build on common region-wide strategic goals: social stabilization, economic restructuring and democratic transition. The SEED Act called for the President to name a "Coordinator within the Department of State" to establish assistance priorities and allocate SEED funding to the variety of agencies involved in the overall effort. The U.S. Agency for International Development (USAID) is the lead implementing agency for the SEED program, and all SEED funding for projects carried out by other U.S. government agencies is channeled through USAID. Other agencies direct projects in their area of expertise, for example, the Department of Treasury in the area of financial sector assistance; the Department of Commerce in development of trade and investment; the Environmental Protection Agency in environmental protection; and the Department of Labor in labor market transition.

Phases of Assistance

U.S. assistance to Eastern Europe has evolved in several phases. During the very earliest months, priority was placed on providing humanitarian aid in the area of food, medicine and immediate services. Understanding that the development of a market economy and a strong private sector through support for privatization, development of a market economy and a strong private sector through support restructuring, the development of small- and medium-sized businesses and legal reform. Enterprise Funds were established as non-profit corporations to promote the development of small- and medium-sized companies through equity investments, loans and grants. Initial work in new constitutions and electoral laws. As the wave of first-time elections passed, U.S. assistance was broadly diversified to include programs to help rebuild state and governmental institutions – particularly parliaments, judiciaries and local governments – as well as to develop or strengthen non-government organizations and institutions such as independent media, human rights groups and civic education organizations. As some of the initial efforts have taken hold, during the past three or four years emphasis in the U.S. effort has shifted to the non-government sector and the support of institutions involved in the development of civil society, particularly grass-roots advocacy groups seeking to affect government social policy.

The Role of the United States Information Agency (USIA)

USIA's efforts in Eastern Europe represent four decades of experience in academic and professional exchanges and it has been upon this foundation that USIA has built its assistance effort in the region. Since 1990, in addition to programs undertaken in Eastern Europe through its normal appropriation, USIA has received more than \$110 million from the SEED Act to conduct exchange and reform assistance activities.

While democratic and economic reform efforts in the regions must by necessity deal with today's leadership in dealing with today's problems, USIA programs traditionally focus on the next-generation leaders by providing opportunities to experience the American system of education, by introducing them to American society, by equipping them with practical experiences, and new ideas from which to draw in their won professional lives, and by building sustainable linkages with their American counterparts. Fundamental to USIA educational exchange programs in Eastern Europe is that they deal with people, not governments and bureaucracies, and that the restricted, centralized selection process that characterized the Soviet era has been replaced with country-wide, merit-based competitions.

Educational Reform

Educational institutions have always been a traditional USIA partner, and supporting educational reform efforts in Eastern Europe emerged early as a USIA priority, particularly within the area of higher education. By providing grants to American and East European universities, USIA has supported projects in university curriculum development in the social sciences, the English language, American Studies and teacher of education. Grants are awarded of up to \$250,000 for a three-year period. Since 1991, USIA has supported linkages between thirty-nine American universities and institutions in Eastern Europe. One current grant supports a linkage between the State University of New York at Albany and Sofia University to develop a program in Women's Studies in Bulgaria. Another linkage between the University of Nebraska and Eötvös Lorand University in Budapest supports the development of course studies in the field of environment management. Ohio State University and Warsaw University have been working together for a number of years in the area of public policy education and the University of Iowa is working with a consortium of Czech universities in the area of teacher of education.

Civic Education

In supporting educational reform at the primary and secondary educational levels in Eastern Europe, USIA has placed heavy emphasis on the area of citizenship in a democratic society. Beginning first in Hungary and Poland in 1990, USIA has supported efforts throughout Eastern Europe in the areas of curricula and textbook development and teacher education. The Prague Civitas Conference (CIVITAS 95) held in June 1995, was a major international gathering of civic educators from the U.S., Europe and former Soviet Union to exchange ideas about civic education and to establish linkages that have evolved into a network of individuals and organizations working to improve civic education throughout the region. Annual follow-up conferences have been organized and a permanent Civitas office has been established in Strasbourg to help to remote and coordinate the international civic educational effort. Since 1996 USIA and the Council of Europe have been partners with Civitas in a major civic education effort in Bosnia, and the European Union and USIA are working with Civitas on a \$1.5 million project in Ukraine. The results of our earlier efforts in Poland and Hungary are very encouraging.

The Warsaw Center for Citizenship Education, which was a partner in our 1990 effort, is now working with the University of Iowa and the open Society Institute in Sofia to develop civic education materials for Bulgarian schools. A 1990 project between Syracuse university and the Hungarian institute of Educational Research in Budapest began with a small USIA grant and has obtained funding from a variety of sources to work with teachers in Romania and Slovakia.

Following are short summaries of the major USIA program activities in Eastern Europe:

Fulbright Program

The Fulbright-Hays Act of 1946 has as its purpose “to enable the government of the United States to increase mutual understanding between the people of the United States and the people of other countries.” It does this through grants to U.S. citizens and nationals of other countries for university teaching, advanced research, and graduate study. Applications are submitted to the Fulbright Commission or U.S. Embassy in a given country and selection is based on academic excellence. Bilateral Fulbright Commissions currently exist in Hungary, Poland, Romania, Bulgaria, Slovakia, and the Czech Republic. Funding for this program is provided by direct appropriation to USIA by Congress and, in the case of bilateral commissions, through contributions from the partner country.

In fiscal year 1997, 314 Fulbright scholars and students (153 Americans and 161 Europeans) were exchanged between the United States and the countries of Eastern Europe. Grants were awarded for a variety of fields including law, economics, American Studies and literature, arts and humanities, social sciences, hard sciences, communication, education, and engineering.

Fulbright Teacher Exchange Program

This program provides academic year exchange opportunities for secondary school educators. Exchanges are generally reciprocal and focus on social science fields, curriculum reform, English teaching, and foreign languages. During the 1997 – 1998 academic year, a total of thirty-two secondary school teachers were exchanged between U.S. and East European schools.

Ron Brown Fellowship Program

This SEED-funded program provides scholarships for one to two years of graduate study at American universities, plus professional internships of up to six months, to qualified young professionals in the areas of business administration, economics, law, public administration, and public policy. U.S. Embassies and Fulbright Commissions in Eastern Europe recruit and select the grantees through open merit-based competitions.

International Visitor Program

The International Visitor (IV) Program provides opportunities for established or potential foreign leaders in government, politics, media, education, labor relations, the arts, and other key fields to confer with their American

professional counterparts and to experience U.S. society first hand. Visitors participate in individualized programs or group projects for a period of three to four weeks. Participants are nominated by American Embassies. In 1997, over 300 visitors from Eastern Europe participated in this program.

Speakers and Professionals-in-Residence

USIA recruits American distinguished scholars and professional to consult with East European counterparts and provide advice in their areas of expertise. Generally, speaker's programs last one to two weeks and professionals-in-residence remain for one to two months. In 1997, USIA sent fifty-four speakers and professional-in-residence to Eastern Europe in a variety of fields including voter education, integration of ethnic minorities university administration, museum and arts administration, publishing and media professionalism.

English Teaching

USIA's English teaching program effort is active throughout Eastern Europe and stresses the training of teachers of English at pedagogical institutes, in-service training and classroom materials development. American English Training fellows are honest for a year at East European universities where they teach regular classes, conduct teacher training workshops and assist in curriculum development. An adjunct to this effort is the support of American Studies in Eastern Europe and the formation of American Studies association.

Democracy Commissions

USIA established "Democracy Commissions" in U.S. Embassies throughout Eastern Europe in order to provide small grant support to local non-government organizations engaged in building the social and intellectual foundations of democracy, democratic resolution of common problems, and the institutionalization of open, pluralistic political processes. The program is designed to give our embassies maximum flexibility to identify projects where a small infusion of funds (up to \$24,000) can make a difference. In most cases grants are issued to the petitioning NGO within a matter of days after approval of the proposal by the Commission. 1998 funding for Democracy Commissions in Eastern Europe totaled \$2,050,000.

IMPACTING THE VERNACULAR: CONFLICTING INTERNATIONAL CULTURAL POLICIES IN EAST-CENTRAL EUROPE

Tibor Frank

In a recent article on U.S. cultural policies in Eastern Europe I argued that it was a political mistake to downscale the activities of USIS in the former Soviet Bloc countries almost immediately upon the ending of the Cold War.¹ Instead of helping basic American values to travel to and settle in these parts of the world, President Clinton's first administration was misguided to consider culture no longer to be politics.

By the time USIS (and the budget behind it) was shortsightedly withdrawn from East-Central Europe, major European countries such as Britain, France, Germany, and Italy visibly stepped up their efforts to exert their own cultural influence in the region. In Budapest, the British Council moved out of the British Embassy building and established itself evidently on its own. The Institut Française built a splendid modern headquarters on the Danube while the Goethe-Institut moved to the most dignified and cultured quarter of the city, next to Budapest Opera. Apart from the visible elevation, all of these institutes started to make a dedicated effort to attract various parts of the Hungarian intellectual and political élite, students and professors, readers and movie fans, cultural snobs and young learners of the leading languages of Europe, lovers of travel and of regional or ethnic food, into their magnetic circles.

Contrary to the scope and span of their pre-1989 activities, these cultural institutions now came of age and started to offer a variety of regular and interesting programs on their own national culture and language, with great emphasis on the relationship between the culture in their own country and in Hungary.

THE ORIGINS OF CULTURAL REPRESENTATION

The idea of cultural representation of a nation in other countries goes back to the late nineteenth century. A host of national research institutions had been established for example in Rome after Pope Leo XIII opened the secret Vatican archives for research in 1880. Soon there was a series of institutes set up in Rome to represent Prussian, Austrian, French, Belgian, Dutch, Spanish, British, American, and Hungarian national scholarship as well as a few private institutions.² One of the very first national cultural organizations, the Alliance Française was also founded in France as early as 1883, the Società Dantesca Italiana in Italy in 1888. Private initiatives in the United States extended the Johns Hopkins University to Bologna, Italy and established the Robert College in Istanbul, Turkey in the 1870s.

However, it was World War I that really expedited the spread of efforts to use culture as a means of political influence. We should remember this to understand the role of cultural representation in international efforts to exert political influence while avoiding armed conflict. Losers as well as winners of the Great War suddenly started to think in terms of cultural influence and propaganda. In France, the modest Bureau des écoles was transformed in 1920 into the Service des oeuvres with more ambitious projects and responsibilities. Most major European countries created national organizations to take care of their international cultural relations: Italy and Spain in 1926, Germany in 1933, Britain (and Japan) in 1934, Switzerland in 1939.³ At the crossnational level, the League of Nations brought about the Institut international de coopération intellectuelle in Paris in 1925 and the Institut international du cinématographe éducatif in Rome in 1928.⁴

Among the losers, the Hungarian government provided a remarkable example when establishing a series of Collegia Hungarica in the 1920s under the ambitious cultural leadership of Count Kuno Klebelsberg.⁵ His vision and main ambition was to build up and represent the notion of a Hungarian cultural superiority in a region that was partitioned by the Peace Treaty of Trianon in 1920. These institutions in Vienna, Berlin (founded in 1916) and Rome made a conscious effort to create a favorable foreign image of Hungary and train young Hungarian scholars in the best tradition of western scholarship. Klebelsberg's Collegia had an extremely strong historical bent and were closely related to Austrian and German institutions of the same type. Additional institutes were also planned in Constantinople and Paris but failed to materialize. Prime Minister Count István Bethlen supported Klebelsberg's initiatives when he pointed out the dangers of a "one-sided German cultural orientation" in 1930.⁶ Similarly, Klebelsberg argued that "there is nothing more dangerous for the national and intellectual sovereignty than the dominating influence of one single foreign culture. . ."⁷

With World War II coming to a close, the role of culture as a means of non-violent conflict resolution gained even more credence. The United Nations brought about UNESCO as its cultural agency in 1946 in Paris and most East European countries established their respective institutes for cultural relations. More importantly, the United States came out of its isolationist stance in 1945 and legislated the Fulbright Act in 1946, created the International Educational Exchange Service (IEES) in 1948 and the United States Information Agency in 1953.⁸ In (Western) Germany, the Goethe-Institut was established in 1952, parallel with DAAD, the Deutscher Akademischer Austauschdienst.

We should remember that what surrounds us in terms of cultural establishments and the system of crossnational cultural institutions is a product and legacy of the post-World War II era, just as in the world of international political and financial institutions such as the UN and its specialized agencies, as well as the World Bank and the International Monetary Fund. Well over half a century after the War it is time to rethink the system of cultural institutions and influences, its political implications and potentials.

MODELS OF CULTURAL INFLUENCE

By focusing (and perhaps focusing too narrowly) on English as a second language and supporting local initiatives at the various levels of TEFL, the British Council has been representing one of several possible models of cultural influence: language as politics. The British Council was founded in 1934 explicitly for "the promotion of a wider knowledge of Britain and the English language abroad and the development of closer cultural relations between Britain and other countries."⁹ More recently, the Council learned from the success of American Studies as a discipline and a popular field of interest and initiated along very similar lines British Studies programs at various universities with emphasis on multiculturalism, history, gender studies and the like. The British Council in Budapest is also very clever in supporting a host of local incentives on spot, in schools, colleges, theaters, museums, galleries, reaching out for a wide variety of audiences instead of inviting the select few to semi-clandestine film-series and subsequent receptions as in the old days of the Cold War. Unfortunately, the

old British Council library is also gone with the formal receptions: most of the carefully built up collection on British history, literature, culture, and the arts was brutally wiped out after 1989 and replaced mainly by practical language learning aids.

The French model is built on what may be labeled as shared, mainly contemporary, culture. The Institut Française preserved its earlier popularity and added significantly to it by hosting a variety of Hungarian cultural and artistic events, some with, others without specifically French relations. The Institut plays a unique and pioneering role among the foreign cultural centers by providing a chance for Hungarians to show their talent, even if there is no or very little French dimension involved: it is often in the Institut that a Hungarian author, artist or scholar is first introduced or given a special opportunity to perform. They are particularly good at, and appreciated for, fostering contemporary artistic and scholarly relations. They set out to address diverse audiences: a series on the makers and shapers of Franco-Hungarian scholarly relations over the last half a century attracted academic people while they do remember fans of popular culture when it comes to musical programs or the visual arts.

The French have realized how strong the American competition has become: in a 1998 interview M. Jean-Luc Soulé, director of the Institut Française in Budapest, pointed to, not without apprehension, the visible presence of American mass culture in the realm of film, commerce and food (“MacDonaldization”) and argued “how important it is for the Hungarians to preserve their special national cultural values and to try and express them and keep them alive.” He added that the Italians and the Portuguese achieved considerable success in this field.¹⁰

The Istituto Italiano di Cultura occasionally also addresses the traditionally popular, “bi-national” agenda of Italo-Hungarian historical relations, such as Hungarian participation in the Risorgimento or the long exile of Hungarian revolutionary leader Lajos Kossuth’s in late nineteenth century Italy. But under an able new director, reputable Italian author Giorgio Pressburger of Hungarian origin and a double identity, it has just started to show what a difference proper leadership and individual incentive may make and how good ideas such as a writing course may rejuvenate an institute which has not been recognized as particularly effective until recently. The Italian model demonstrates how vital the role of personal leadership can become.

There is something that most of these cultural representations have shared in the past and still seem to cope with today: they focus primarily on the capitol cities. In East Central Europe where much of high culture has been traditionally centering around the capitol cities this is partly understandable but more intense efforts should be made to reach out for the bulk of the population in rural East Central Europe.

THE GOETHE-INSTITUT

The Goethe-Institut is currently among the most successful champions of cultural representation in East-Central Europe. It offers to this region (formerly often at war with Germany) a peaceful and benevolent slogan as its rationale (*Mit der Welt im Dialog*—In Dialogue with the World). This comes through an amazing variety of literary, photo, music, and film programs and shows while it has also built up a far reaching network including movie theaters, museums, music halls, colleges and lecture venues, cafes including the city hall of Budapest. While the core of the regular monthly program is

offered in the rooms of the Institut itself (with simultaneous translation if necessary), the penetration of the Goethe-Institut into the cultural life of Budapest is truly amazing. The library of the Institut also houses a considerable German database that includes the Bertelsmann, Brockhaus and Fischer encyclopedias, recent complete years of the *Frankfurter Allgemeine Zeitung* and *Die Zeit*, and a series of atlases, directories and other computerized data collections. Mercedes-Benz, Siemens Nixdorf, Lufthansa, Opel Di-Fer are among the key sponsors of some of the programs. The Goethe-Institut recognizes German language teaching as one of its primary goals in Central and South-Eastern Europe as well as in the former Soviet Union.¹¹

The success of German and the Goethe-Institut in Hungary should not come as a surprise. The Germans have had a very long period of time to understand that (1) to “sell” their own country it is important to understand, and enter into, the culture of the host country and (2) the success of contemporary cultural presence is dependent upon the ability to build on the long tradition of intercultural cooperation.

HUNGARY AND THE GERMAN CULTURAL TRADITION

Both as a language and a culture, German was a natural for Hungarians through the eighteenth and nineteenth centuries and, in fact, up to the dissolution of the Austro-Hungarian Monarchy in 1918. The *lingua franca* of the Habsburg Empire, German was used at home, taught at school, spoken on the street, needed in the army.¹² The average “Hungarian” middle-class person was typically German (“Schwab”) or Jewish by origin, and for him it was German culture and civilization that connected Hungary and the Austro-Hungarian Monarchy with Europe and the rest of the World. Middle-class sitting rooms in Austria, Hungary, Bohemia, Galicia, and Croatia typically boasted of the complete work of Goethe and Schiller, the poetry of Heine and Lenau, the plays of Grillparzer and Schnitzler.¹³

Not only was German literature, German translations read throughout these areas: German was the language of the entire culture. When Baron József Eötvös, a reputable man of letters and minister of education, visited his daughter in the mid-1860s in a castle in Eastern Hungary, he noted: “What contrasts! I cross Szeged and Makó, then visit my daughter to find Kaulbach on the wall, Goethe on the bookshelf and Beethoven on the piano.”¹⁴

Throughout the entire Austro-Hungarian Monarchy and beyond, Hungarians looked to Germany to import modern theories and establish modern practices. Efforts to study and imitate what was German were natural. German was then the international language of science and literature: in the first eighteen years of the Nobel prize, between 1901 and 1918, there were seven German Nobel Laureates in Chemistry, six in Physics, four (and one Austro-Hungarian) in Medicine, and four in Literature.¹⁵ Scholars and scientists read the *Beiträge*, the *Mitteilungen* or the *Jahrbücher* of their special field of research or practice, published at some respectable German university town such as Giessen, Jena or Greifswald. The grand tour of a young intellectual, artist or professional would unmistakably lead the budding scholar to Göttingen, Heidelberg and, increasingly, Berlin. Artists typically went to Munich to study with Karl von Piloty.¹⁶ In order to benefit from the obvious advantages of the German school system, the theory and practice of German teacher training was carefully studied and introduced in Hungary.¹⁷

Right after the Austro-Hungarian Compromise of 1867, the composer and piano virtuoso Franz Liszt, more at home in Weimar, Germany and Rome, Italy than anywhere in his native Hungary, settled down in what was Pest, then a small, German-speaking, provincial city. From his wide international musical network he hand-picked and invited the first professors of musicology, violin, cello, and other subjects, and thus founded the Hungarian Music Academy in the very best musical tradition of Europe. The language of teaching was often German: it was this language in which Hans Koessler, a native of Bavaria taught composition and Xavér Ferenc Szabó orchestration in the country's top music institution. Yet, though he was conservative in his own music and a follower of Brahms, Professor Koessler allowed his students in his *Wahlheimat* a great measure of freedom to write their own, modern, Hungarian music. They included Béla Bartók, Zoltán Kodály, Ernő (Ernst von) Dohnányi, Leo Weiner, Imre (Emerich) Kálmán, Albert Szirmai and several other well-known composers.¹⁸

When German composer Johannes Brahms performed his works in Pest (later Budapest), he soon saw that the best music critics wrote in the German papers that the head of the leading chamber group was German-Hungarian Jenő Huber (Hubay), the cellist of the quartet was the Prague-born David Popper (who left his distinguished Vienna concertmaster position for Budapest), that the second violinist was the Viennese Victor Ritter von Herzfeld, and that the viola player was an Austrian of peasant origin, József Waldbauer.¹⁹

Ironically, it was the Moravian-Jewish Gustav Mahler who, as director of the Royal Hungarian Opera between 1889 and 1892, first demanded that singers use the Hungarian language instead of the generally accepted German.²⁰ Yet Mahler, and also several other celebrated leading conductors in Budapest such as Hans Richter or Arthur Nikisch, spoke German only.

The Hungarian middle-classes often read local papers published in German, which were available everywhere in the Monarchy until its dissolution and even beyond. Founded in 1854, the authoritative Pester Lloyd of Budapest, for example, continued as one of the most appreciated and well-read papers of the Budapest middle-class until almost the end of World War II (1944, recently resurrected in 1994). German in language but committed to Hungarian culture,²¹ this part of the press helped bridge the gap between the two cultures. In much of the eighteenth and nineteenth centuries, German novels and poetry, written and published in Hungary, were just as integral a part of the Greater-German [*Gesamtdeutsch*] literature as anything written in Königsberg or Prague.²² The Jewish population of the Empire/Monarchy, and particularly its educated urban middle-class, embraced first and foremost German as a new, common language and contributed to making the Austrian realm a part, and not just an outskirt, of German civilization.²³ For socially aspiring Jewish families, German was the language of education and upward mobility.

The German cultural tradition in Hungary and in several parts of the former Austro-Hungarian Monarchy is an asset on which it is easy, or easier, to build contemporary German cultural influence. Also, Hungary in some form has been an ally of Germany or a Germany continuously since 1879. Geographically, Germany among the western powers is closest to East-Central Europe. The Germans speak and understand the cultural vernaculars of a significant part of this region. Cultural influence in any particular region is much more natural and successful if built on a tradition of early origin.

U.S.: CIVILIZATIONAL SUPREMACY OR AMERICAN VALUES?

The conclusion of the Clinton administration that the U.S. government should no longer be involved in spreading American culture and values in East-Central Europe was wrong after 1992. What seemed to be so important during most of the Cold War period, the U.S. has abandoned its position in the cultural scene of the region handing it over, as it were, to the major European powers. As I have provided my comments on this unfortunate move elsewhere (ADE Bulletin, Spring 1999), I would like to sum up what I consider the potential cultural agenda of the U. S. in East-Central Europe.

One of the very first steps to make would be a redefinition of governmental responsibilities in the world of international culture in this “post-modern” age after the Cold War. This is, of course, not just a duty for the American government, but in the U.S. there has been a traditional uneasiness as to the role of the state in shaping matters of culture. Now that technological advancement has so profoundly changed access to culture and cultural products world wide, one may argue that the time of national cultures may have come to an end and culture is well on its way towards globalization. While cultural production increasingly goes towards transnationalism or globalism, the legacy of national cultures should be preserved in their original national frameworks, linguistic and otherwise. The problem now is not the promotion, but the saving of local cultural identities in their traditional national or ethnic framework. The fostering of cultural pluralism, the balancing of cultural supremacies is only possible by strengthening local cultural traditions.

The presence of American culture in the East-Central European scene can only be effective if the U.S. government does not completely hand over the ways and means of cultural influence to the private sphere which may only end up in “MacDonaldization.” Individual businesses and multicultural corporations cannot be expected to take national responsibilities. Instead, the U.S. as a nation should make a concerted effort to promote the transfer of real cultural values in East-Central Europe where they might coexist with, and influence, local qualities. American values such as work ethics, loyal citizenship, good services, psychological culture, self-help, tolerance, and other elements of social and individual behavior need the support of the U.S. government to reach and influence the troubled regions of East-Central Europe. American values seem to be more valuable assets than what the U.S. government may think: they are important and durable commodities which should be some of the most marketable cultural export articles of the United States.

THE SOROS EMPIRE

Kim Lane Scheppele

George Soros once remarked to a journalist who was writing yet another profile of him: “Just write that the former Soviet Empire is now called the Soros Empire.”²⁴

As with much humor, the truth behind the joke is at least as interesting as the absurdity on the face of it. George Soros, one of the wealthiest men in the world, has in fact embarked on a fearsomely ambitious program to turn the former people’s republics in the former Soviet Empire into places that, as he often says, no one would feel the need to leave. He has tried to be the alchemist who can turn closed societies into open ones. He is a man who has spent more than \$1.5 billion of his own money in the last decade to make a difference in places where the average official monthly salary ranges from about \$100 to about \$400/month. \$1.5 billion goes a long way in such places.

When the stories of all of these so-called “post-Soviet transitions” are written in the end, I imagine that the effect of Soros on these newly democratizing polities, marketizing economies and opening societies will be even better documented as truly vast. My guess from working near the Soros network for five years (as a visiting lecturer, consultant and independent contractor) and deep inside it for two of those years (as the chair of a department at the Soros-funded Central European University) is that the influence of the Soros Network exceeds the influence of all bilateral efforts of states outside working with states inside the former soviet region. In some policy domains where touchy politics, unorganized constituencies or creeping anti-intellectualism make it hard for governments in the region or international organizations to act, Soros has certainly made by far the largest impact.

To exercise this influence, Soros has created a structure of foundations and programs that stretches across the region, unifying in imperial manner under a set of larger priorities a set of local self-governing entities who are bound to the center for support. And he has not been bound by diplomatic protocol, approvals of the governments in the places where he gives or a public need for consistency, reliability or justifiability of his aims. His fortune enables him to do nearly whatever he wants without constraint. He is the Emperor of the Soros Empire and the elaborate structure he has built enables his goals to be widely and vigorously pursued. Demonstrating the aptness of the imperial metaphor while simultaneously praising the vision Soros has is one of my central aims here.

In this short paper, I hope to give you some idea of why I think all this is true – how Soros’ vision, priorities and initiatives have been able to accomplish wonders and how the world would be a much different and worse place without him. But I also hope to show something about the limits of empire – in other words, how the fact that the Soros Network is run in an imperial rather than a democratic style has undercut some of the positive changes the organization has accomplished in the region. I will start by saying something about the structure and function of the major pieces of the Soros Empire. Then I will go on to discuss the major programs that Soros has supported over the last decade since the “refolution.”²⁵ Finally, I will describe the problems within the network that hold it back from achieving what it might, precisely because the logic of imperial organization is the logic that works against the values his programs display. And while there are now foundation and network initiatives in the U.S., South Africa, Haiti, Burma, and Mongolia, I will focus on the largest part of the network which operates in the countries of Central and Eastern Europe (CEE) and the former Soviet Union (fSU).

THE SOROS NETWORK: INSTITUTIONAL STRUCTURES

The Soros Network, as the organization is called in its own internal self-references, consists of foundations and network programs, along with a series of short-term initiatives.

Foundations are country-specific; there is one Soros foundation for each country in the former soviet world, with the exception of Belarus, where the Lukashenko government seized the assets and closed the foundation in 1997. The foundation in Tajikistan has been open and closed during the civil war there, and the foundation in Croatia was briefly closed in 1997 when the director and chief accountant of the foundation there were indicted and convicted for tax fraud. (Soros claimed that this was political persecution rather than actual lawbreaking on the foundation's part.) But usually, Soros foundations are tenacious, even in the face of political criticism, which is frequent and frequently heated. There are 24 national foundations in the former soviet world alone.

In most countries the national foundation is called either the Soros Foundation or the Open Society Institute, but sometimes a different name is used. For example the Stefan Batory Foundation in Poland or the International Renaissance Foundation in Ukraine are the Soros foundations in those countries. (Sometimes, too, the name Open Society Institute does not denote a national foundation – as is the case in Budapest and New York, where that name is used to mark Soros organizational centers that extend their programs beyond national borders.) Each national foundation supports programs only in the country where the foundation resides. The operating language used in the national foundations is the language of the country in which the foundation is based, though within the Soros network, where English is the common language, the top leaders of each local organization generally speak quite good English as well.

National foundations are typically directed by someone with long-standing connections to Soros himself, though sometimes a newcomer impresses him and can be given great responsibility very quickly. The governing or advisory boards of the national foundations are usually composed of visible former dissident intellectuals, often people of a social-democratic or liberal political persuasion, often people who are involved not only in intellectual life but political life as well. National foundations generally set their own funding priorities and programs, so often a program that exists in one country under the Soros rubric will not exist in the same form in another country. The national foundations are encouraged to work together with the network programs (about which, more soon), but they do not have to.

In recent years, the national foundations have been given several strong signals about their future from Soros, which they acknowledge as their likely fate mostly because they lack the power to challenge him. The national foundations are usually totally dependent upon Soros for their support and they therefore pay close attention to his every word. The first strong signal that Soros has sent recently is that he plans to phase out his financial support for the national foundations, starting soon into the new millenium. If the foundations want to survive, they will have to get money from elsewhere and he has encouraged them to start to broaden their financial base of support. The second is connected to this: the foundations will have to start cost-sharing on the programs they already run in order to get Soros to give them money even at this point. The first sort of cost-sharing that most foundations have developed is cost-sharing with the network programs also supported

by Soros. But even this cost-sharing strategy is enough for Soros for now and he continues his funding for the national foundations. (He uses the metaphor in recent public speeches that if one of his organizations is used to looking in one of his pockets for funding, it will now have to start figuring out how to get to the other pockets as well.) The third strong signal is that Soros runs hot and cold on the foundations – one year praising them as the true basis of the network and the next year lambasting them for not cooperating enough with other parts of the network. At the annual “Jamboree” which brings leaders of all the Soros network organizations and program together in Budapest at the end of June, Soros gives an annual speech which provides his current thinking on what he is and is not willing to pay for and what he wants to encourage and discourage in the Network’s priorities for the year. Everyone listens closely to this. 1997 and 1998 were good years for the foundations, though their future is in doubt.

Network programs are the other major link in the Soros chain across Eastern Europe. They house initiatives that cut across national boundaries and pertain to a common theme. Network programs are run out of the Open Society Institutes (OSI) in either New York or Budapest. For example, the Budapest OSI provides the home for the Constitutional and Legal Policy Institute (COLPI), the Higher Education Support Program (HESP), the Institute for Educational Policy, the Library Program, the Local Government and Public Service Program, the Media Program, the Publishing Center, the Roma Participation Program and the Open Society Archives (formerly the Radio Free Europe archives). The New York OSI office provides a home to the Arts and Culture Program, the East-East Programs, the Internet Program, the Scholarship Program, the Science Journals Donation Program and the Women’s Program, among others. Each of these network programs sponsors activities in thematic areas, often in conjunction with the local foundations. The language of operation for the network programs is English, given that the staffs of these programs almost always come from multiple countries and people’s first languages are not all the same.

The network programs, like the foundations, have been given mixed signals in recent years. Originally, the network programs were ways of bypassing reluctant national foundations to ensure that certain substantive areas were covered in every country in the region. If a national foundation did not want to do anything for the disadvantaged Roma (Gypsy) population or did not want to get involved in legal reform, the network program would work on those issues in that country anyway. But recently, Soros decided that the network programs should go into a country only if the national foundation invited them in and supported their work. This has created a great deal of tension within the organization to have the relationship between the foundations and the network programs changed so radically almost overnight. The change occurred in Soros’ speech to the Jamboree in 1997 when he singled out a network program head for blistering criticism, pointing out the ways in which the specific network program in question had done things in particular countries that were embarrassments for the national foundations. This had to stop, Soros said. His remedy? **All** network programs had to operate with national foundation consent in every initiative, starting immediately.

Network programs are subject to radical increase and decreases in their funding, depending on Soros’ sense of what he wants to emphasize in a given year. (For example, the Constitutional and Legal Policy Institute’s funding increased tenfold in a single year when a new director came on board in 1995, and then was cut back radically when that director left in 1997.) Sometimes network programs are closed, and opened again under a different name with new leadership. (This

happened with the Institute for Local Government and Public Service, which was closed in 1996 and reopened in 1997 as the Local Government and Public Service Reform Initiative under new management with a different mandate.) The unpredictable environment in which the network programs operate shows no sign of stabilizing.

In addition to the national foundations and network programs, there are also short-term initiatives that cut across this structure. They are usually one-shot special grants or loans. For example, Soros gave \$50 million to build a water and gas system in Sarajevo at the height of the Bosnian war. And he gave two \$25 million loans to the government of Macedonia to enable it to survive the Greek boycott that resulted from disputes over Macedonia's name and national symbols. And he gave a loan estimated in the hundreds of millions of dollars to bail out the Russian government when it needed to pay back wages to state workers in 1997. These were all one-shot decisions (but big shots!) to meet special demands in the region.

SPECIFIC PROGRAMS

With this structure, Soros and his organizations carry out hugely ambitious program in CEE/fSU region. Among his initiatives are:

- The creation of the International Science Foundation. This initiative gave \$125 million in grants to more than 30,000 Russian scientists between 1992-1996 in effort to save Russian science when state funding collapsed.
- The support of Internet development programs. Programs for Internet development exist in almost every country in the region under Soros auspices. The two largest are the Russian Internet project, which directs about \$100 million to the development of thirty-three Internet centers in universities across Russia, and the C3 Center in Budapest, which is a model demonstration center for state-of-the-art computer communications.
- Publishing and library support programs. Countries in CEE/fSU faced a simultaneous publishing and library crisis due to the collapse in state funding. Publishers, especially journal but also book publishers, could not afford to publish at affordable prices anymore and libraries could not afford to buy the books and journals on offer. The Soros network gave \$3 million each year in Russia alone to buy half the print runs of major literary journals, and then donated these copies to libraries all over the country. In addition, with the "Pushkin Project" in Russia, 3,500 provincial libraries will each be given 1,000 books annually, starting in 1998. Similar but smaller programs were sponsored by Soros foundations elsewhere. Wherever you go in the former soviet world, the leading liberal periodicals are supported by Soros and book grants are being given out to help cash-strapped libraries. In addition, Soros started a network program in translation, which provides subsidies for translation of books from West European languages into East European languages, and also created the Central European University Press which publishes many books translated from East European languages into English.

- Central European University. CEU was started in 1991 as a graduate university with campuses in Prague and Budapest. While later the Prague campus was closed and a new campus was organized in Warsaw, CEU represents the only commitment that Soros has made indefinitely into the future. He has invested nearly \$300 million so far and has promised at least \$12 million/year for the next ten years. In the 1998-1999 academic year, CEU had nearly 800 international students in twelve departments getting MA and PhD degrees with an international faculty, all paid for by Soros. Soros has also given large amounts to support the new American University of Bulgaria as well as the new European University of St. Petersburg, and there are persistent rumors that he plans to open a new university in Warsaw.
- New textbooks programs. Soros foundations in a number of countries have sponsored the creation of new textbooks for the public schools. In Russia alone, more than 200 textbooks and manuals for education at all levels have been supported with assistance from the Soros foundation there, and 25 new textbooks, approved by the education ministry and written by Russian authors were offered for adoption to Russian primary schools at discounted rates. (Here, the Soros foundations typically offer to schools competing textbooks for the same courses so that schools and teachers have some choice.)
- Scholarship programs. Every year, in addition to the nearly 800 scholarships Soros gives to students at his Central European University, Soros supports hundreds of other students each year for higher degrees in England and the US on special exchange programs and through supplemental grants.
- Soros professorships. Through the Civic Education Project, which gets substantial support from Soros as well as from American government sources, and through the creation of a set of Soros professorships paid for exclusively by him, Soros has been paying for teachers educated in the West, often originally from the East, to go and teach at the university level across the CEE/fSU region. Soros also has a program to supplement the salaries of professors in regions where the wages are nearly nonexistent for such work.
- Health care programs. Soros has also funded some innovative health care initiatives, from a \$6 million program to combat drug-resistant tuberculosis in Russian prisons to a \$200,000 grant to a Romanian hospital in Cluj to make a mother-and-baby friendly delivery room.
- Military retraining programs. Soros has given \$3 in Russia to enable military officers let go as a result of the downsizing of the army to be retrained for civilian jobs.
- Arts programs. Nineteen Soros Centers for the Contemporary Arts operate throughout the region to support local artists and museums. Emerging filmmakers are also supported through grants and prizes, with special emphasis placed on the encouragement of documentary filmmaking.
- East-East Exchanges. The East-East program sponsors exchanges of scholars and ideas across the region to increase the distribution of new knowledge about how to deal with transition.
- Legal consulting. Through COLPI, the Soros network provides legal advice and consulting to countries who wish to work with foreign legal experts.

- Women’s programs. The newest network program focuses on women’s issues, and is explicitly concerned with the development of new gender studies programs in the region and with encouraging anti-discrimination efforts in health care and education, among other areas.
- Research support. Through the Research Support Scheme, the Soros network provides individual grants to scholars for carrying out research projects. Thousands of such grants are given out annually.
- Summer university programs. Starting at the CEU with about two dozen different summer courses, the Soros network is now encouraging the development of new summer educational programs around the region. About 300 such summer schools are planned for summer 1999.

These are just some of the major initiatives that the Soros network has undertaken in the CEE/fSU region in the last decade. Though exact numbers are hard to come by, many sources estimate that Soros spends about \$350-400 million each year in this region alone, mostly to encourage educational and cultural activities in the region. In travelling around the region, it is hard to find liberal intellectuals who have **not** been supported by Soros at one point or another. And since the transitions in that part of the world are primarily “top down” rather than “bottom up” affairs, where intellectuals have a disproportionate role in the development of the new institutions in the region, support for liberal intellectuals translates quickly into support for the reform efforts in other institutional environments as well.

THE LOGICS OF EMPIRE

As we saw at the start, even Soros himself jokingly refers to his activities as the “Soros Empire.” Let’s take Soros’ imperial metaphor seriously. What is imperial about what he is doing?

Though empires vary a great deal in the way they are structured and the goals that they pursue, two common elements unite them.

I. Empires cover vast multi-ethnic territories and are run from the center, though the most successful empires have also learned to adapt their methods to use local governing bodies with their native rulers and values to carry out policies. (Think of the management styles of the British and the Ottomans.) But empires are not democratically run, however locally sensitive they may be.

Soros, too, has a vast multi-ethnic territory over which he presides from the center in New York (with a secondary center in Budapest, his original home town). Like wise emperors, Soros adjusts his methods of carrying out his plans to the specifics of the place, using local leaders to carry out the policies and programs and local values to inform the selection of policies that will be enacted in that place. Not all policies are set at the center in the Soros empire, but the priorities and most importantly the money clearly flow from there.

To his great credit, Soros travels frequently around the region, talking to people, getting a sense of problems, reformulating his priorities as he goes. He is not an isolated emperor, but he does have the final say over every program and

initiative, no matter how small, in his empire. He consults but ultimately he decides. Democratic values are limited to asking for advice and input, but his subjects have no decision-making power to oppose to his. All they can do is quit or be fired if they disagree.

This produces the paradoxical situation that, while the Soros Empire encourages democratic reform through its cultural initiatives, the internal workings of the organization are far from democratic. Soros controls the money; the money is what allows the organization to work; no one can tell Soros how to spend his money; therefore only Soros can make key decisions. Whatever anyone else decides can always be undone by Soros. And he uses the power often enough that everyone knows that he is paying attention to even small things that occur in the Network.

Now in saying all of this, I also want to make clear that I agree with his priorities, think he has done astonishingly important work, have admired his bold style and, were I able to be in his place, I hope I would have the courage to support the same efforts. But agreement in principle is not democracy by process. And the Soros network has a democracy deficit that makes the European Union look positively town meeting-like!

II. Emperors have to obey no law but their own. It is one of the great advances of democratic societies that they try to bring their own leaders under the rule of law. Emperors have no such constraint. Being the source of all law, emperors cannot be constrained by it.

The Soros network also preaches rule of law values in the post-soviet world. But within the Soros empire, there is no rule of law in play. At a very simple level, this means that people work without contracts, or the terms of written contracts of employment are fundamentally violated on a regular basis. There is no equal treatment of people equally situated in the organization (the very different pay scales within the network for Americans, West Europeans and East Europeans even working in the same office doing the same job is one element of this). There is no security of expectation in anything within the network. Things change suddenly, without warning, and everyone simply has to adjust.

The virtue of and rationale for this is that Soros likes to remain flexible – to redirect his funds and priorities quickly if the need arises. As a result of his dedication to keeping his organizations ready to respond at a moment's notice, he has been able to take advantage of many opportunities that otherwise would have been missed. What happens to the people **within** the organization when he does this is often not a pretty sight, however.

Democracy and the rule of law, then, are values that the Soros network preaches but does not practice. Instead, the network operates in a more imperial fashion, without democratic processes or the security of expectations that the rule of law brings for those who actually work there. Let me give some examples that I personally witnessed from my time in the Soros network.

At Central European University, there once were three campuses – in Budapest, Prague and Warsaw. Budapest has always been by far the biggest and Prague by far the most problematic because of difficult relations between Soros and the then-ruling Vaclav Klaus. But one day, asbestos was discovered in the building that the city of Prague had given to CEU

for use as a classroom building and dormitory. The potential health effects were substantial; the costs of removal enormous. What to do?

Instead of having a set of meetings with people on the Prague campus to encourage a decision to be made by those affected, the then rector (president) of CEU acted quickly. Since the Budapest campus had extra room, why not move everyone to Hungary? Never mind that people in Prague had families, second jobs, lives and languages that connected them to the place. The decision was made quickly to move; trucks pulled up to the Prague campus only a few days later to take away the furniture and the other property of the university; faculty and students were expected to move over the weekend – and classes began on the following week in Budapest.

Substantial numbers of faculty and staff quit, but most of the students made the move (their livelihood depending entirely on the stipends they were promised for the year). Where was the democratic process? Where was the security of expectation that the school year would end in the city and country where it began? The closure of CEU Prague was a dramatic example, but just one of the way in which the Soros network operates. Many people's lives were seriously and badly affected by the changes.

In the Budapest nerve center of the Soros network, individuals working there are accustomed to being fired while they still have active contracts. Hardly anyone sues because the contracts are written in such a way that one cannot tell which jurisdiction would be the proper site in which to sue! In addition, pay stops and starts for no apparent reason and with no warnings. People are promised jobs, move there, and settle in only to discover that the job they moved there for no longer exists or that the person who offered them the job was not authorized to do so and the job offer isn't recognized by the organization. Or people start working without a contract and later discover that no contract is forthcoming. By the time a contract arrives, it sometimes has terms much less desirable than the person was told she would have. But by then, she is impoverished because she has been working for months without pay. And so she usually signs the worse contract in desperation because she knows it is the only contract she will be offered. By this time she does not even have enough money to move home again so she is caught in a bind.

In at least two cases that occurred while I was working there, people were offered jobs as directors of Soros network programs only to find an ugly surprise waiting for them when they left their other jobs for these prestigious ones. When they arrived, they discovered that Soros (or someone high up in the organization) decided to hire someone else to act as their boss, turning a director's position into a deputy director's position overnight without consultation or warning. But by that time, it was too late for them to return to their old jobs.

Employment contracts, wherever possible, are written to avoid local taxes. It is perfectly legal, but often creates problems for the employees. I headed a department at CEU where our faculty were paid variously through contracts based in the U.S., in Switzerland or in Hungary, depending on where the tax burdens for the Soros network would be lowest. But the fact that Soros pays the fewest taxes on people that he can get away with doesn't mean that the employees are exempt from paying taxes. People in the network are constantly finding that they have tax obligations that they might one day get caught up in, and they are ill-prepared to handle this without the expert counsel that Soros himself has. The employees, in other words, are not helped with the personal legal fallout of corporate decisions to pay them in places where they may not

be familiar with the local tax laws. In addition, most employees do not have pensions, or international-standard health care, or social security payments made to their home countries. And sometimes employees' terms of employment are changed unilaterally in a very negative way at contract renewal time. The salary that used to be paid in a stable currency like the dollar suddenly is switched to an unstable one, like the ruble. Or the "international" contract that contains provisions like a housing and travel allowance and local tax exemption is suddenly switched to a "local" contract, where housing and travel allowances vanish and one suddenly finds all of one's world-wide income in a 50 percent tax bracket.

Promises are made, then broken without warning. While I was a department chair, the fellowships of three of our students were cut without notice while they were in the middle of their degrees. I supported them out of my own pocket until I could find them jobs to sustain themselves. Oh yes, and my own salary was not paid either, so I paid them from the regular salary I still got from my American university rather than the salary I was supposed to be getting from the CEU.

Programs are cancelled without consultation with those running them. Programs are moved from one city to another without concern for those who have to move with them. Programs are started, then stopped, without warning to those who were counting on applying. Criteria are changed to apply to Soros programs; someone eligible one year is deemed ineligible the next. In some cases (like the program that I ran) eligibility criteria were reversed. In my own program (not with my decision), a qualification someone **had** to have to be admitted in the first year became a qualification that they were deemed ineligible for having in the third year of our program. People who waited to apply found themselves deemed ineligible, without warning. Decisions are often arbitrary, unexplained and incomprehensible, even to those who have to carry them out.

Being part of the Soros Empire is, however, an astonishing experience. Because of the vision, boldness and ability of George Soros to pay for thoughtful programs that have a huge impact on the cultural life of Eastern Europe, working in the Soros empire allows one to do something important and valuable in these changes. But because the Soros network is run like an Empire, it has the perils and pitfalls of all undemocratic, anti-rule-of-law organizations. For all the substantial amount of good that Soros has done in the former-soviet world – and he has done a huge amount of good, in my view – he has also created an organization that often reproduces precisely the pathologies of the soviet system that he wanted so much to undermine.

**REACHING THROUGH THE OPENED DOOR:
A COMPARISON OF AMERICAN AND EUROPEAN APPROACHES
TO ASSISTING CENTRAL AND EASTERN EUROPE**

Janine R. Wedel

Following the collapse of the communist East Bloc in 1989, western nations, agencies, and individuals expressed their commitment to helping Central and Eastern Europe develop market and democratic institutions. The European Union (EU) established PHARE, the largest aid program to the region. PHARE focused on Poland and Hungary, the first nations in the region to dismiss their communist leaders in fall 1989. Other nations of the Soviet Bloc, whose governments subsequently collapsed that same fall, later joined the list of recipients.²⁶ The Group of Seven (G-7) countries (Canada, France, Japan, United Kingdom, Germany, Italy, and the United States) convened meetings to organize multilateral activities. The Group of Twenty-Four (G-24),²⁷ a larger body that included the nations of the G-7 and most of Western Europe, was established in 1989 to coordinate assistance to Central and Eastern Europe. The G-24 was chaired by the Commission of the European Communities in Brussels, which was given an unprecedented role in coordinating international assistance.²⁸

In the United States, legislation was enacted on the very heels of communism's collapse. In the last days of November 1989, the U.S. Congress rushed through the so-called SEED (Support for East European Democracy) legislative package.²⁹ Championing the two nations that had led the revolutions, SEED authorized nearly \$1 billion to "promote political democracy and economic pluralism in Poland and Hungary by assisting those nations during a critical period of transition."³⁰ Other nations of the region were added later. In addition, President George Bush established "Enterprise Funds," a Citizens' Democracy Corps, and other initiatives to promote the private sector and make American know-how available to the region.

Western development agencies were similarly galvanized into action. They reoriented resources and diverted personnel from the "Third World" nations of Africa, Asia, and Latin America to the "Second World" of Central and Eastern Europe, and later the former Soviet Union. In the aid community, the Second World was considered to be where the action was. By the end of 1992, the twilight of the aid push to the former Communist Bloc, the G-24 countries had committed \$48.5 billion in aid (including export credits, loans, and rescheduled debt), of which \$18.1 billion was grants, to help the nations of the region.³¹ Meanwhile, following the collapse of the Soviet Union at the end of 1991, aid was gearing up farther east. By the close of 1992, the G-7 countries had committed \$81 billion,³² of which \$16.8 billion was grant aid, to the former Soviet Union.³³ The now independent states of Russia and Ukraine were to receive the lion's share of western aid to the ex-superpower.

BUILDING THE AID MACHINE

Western packages combined multinational aid (mostly loans from the international financial institutions, notably the International Monetary Fund [IMF] and the World Bank) and bilateral assistance (often supplied by an array of “private” providers, such as consulting firms and nongovernmental organizations [NGOs]). The idea that the aid effort to Central and Eastern Europe, and later Russia and Ukraine, was unique – and not akin to Third World efforts – prompted western donors to reorganize their aid efforts and management institutions to suit the gravity and import of their task. All manner of western governmental agencies scrambled to take part in the action: in the United States alone, some thirty-five federal agencies, including the Departments of Energy and Labor and the Environmental Protection Agency as well as the United States Agency for International Development (USAID), got involved in the aid effort.³⁴

Aid operations to the Second World differed from those to other regions in the role played by foreign policy officials and agencies, higher visibility in the press, the interest taken by legislative bodies, and the considerable political sensitivity surrounding them. USAID official Steve Dean characterized the sentiment at the time: “I don’t think the agency [USAID] has done anything like this [before]. Communism doesn’t fall every ten years. I don’t think you could compare it with anything else [in Latin America, Africa, et cetera] – not with the scope in this region.”³⁵

With large sums appropriated and pressure built up to disburse them and to show results, donors cranked up their aid machines quickly. Aid programs in the areas that donors established as priorities – generally economic reforms such as the privatization of state-owned industries or private-sector development, as well as areas given less attention such as public administration, health, or local governance – were to be coordinated at meetings attended by representatives of the G-24.

The high profile of the aid effort led the United States to appoint a special Department of State “coordinator” who was primarily responsible for policy formation and coordination, while USAID created the Bureau for Europe and the New Independent States to manage its programs. The Assistance Coordination Group, chaired by the State Department, managed assistance to Central and Eastern Europe, while the Office of the Coordinator for U.S. Assistance to the New Independent States (appointed under the Freedom Support Act of 1992) handled assistance to the former Soviet Union provided by a number of agencies. In the United Kingdom, aid to the region was supervised primarily by the Foreign and Commonwealth Office, responsible for Foreign Affairs, rather than by the Overseas Development Agency (ODA). In Germany, the Ministry for the Economy (Bundesministerium für Wirtschaft) handled aid to the former Communist Bloc, not the traditional Third World aid arm, the Ministry for Economic Cooperation (Ministerium für Wirtschaftliche Zusammenarbeit).

Most aid work, whether funded by the United States, the EU, the United Kingdom, or Germany, was contracted to consulting firms and other providers. On their own, donor agencies generally lacked the resources to carry out aid agendas. Civil servants administered aid projects: they issued calls for proposals and evaluated them, organized competitive bidding, and managed task orders and projects. Any firm could compete, and the donors ostensibly followed fair and transparent selection procedures. In practice, however, those consultants and NGOs that had won previous contracts and/or put considerable effort into learning a contracting system and developing contacts were those most likely to be successful

in contract competitions. In the United States, a cadre of “Beltway Bandits,” Washington-based firms or firms with Washington offices, were experienced at winning USAID contracts. Successful competitors, especially at the beginning of the aid effort, tended to have worked in Latin America, Asia, or Africa. Later on, those who had worked in Central Europe were advantaged in winning contracts farther east. In 1992, Andrew Rasbash, economic adviser to PHARE in Poland, observed that “everyone wants to be involved in Poland. . . . If they get their foot in the door here, then they can go to Ukraine.”³⁶

Heading the award lists tended to be accounting firms, notably the “Big Six” – Deloitte & Touche, Coopers & Lybrand, KPMG Peat Marwick, Arthur Andersen, Ernst and Young, and Price Waterhouse. The Big Six, with track records in the Third World, appear to have been designated by the major donors as the most suitable agents of Central and Eastern European “transition.” These firms received contracts from USAID, the EU, the British Know How Fund, the World Bank, and the European Bank for Reconstruction and Development (EBRD). They cornered a large portion of USAID contracts to Central and Eastern Europe and the former Soviet Union.³⁷

With many jumbo “umbrella” and “omnibus” contracts, the Big Six had much more substantial and all-encompassing portfolios in Central and Eastern Europe than in the Third World, at least partly because the scope of work in the former was conceived of as much broader than in the latter. Donors retained the Big Six for a variety of tasks, from auditing, privatizing, and setting up stock exchanges, to writing tax and environmental legislation, to activities that could hardly have been further afield of these tasks, such as assessing the changing position of women under “transition.”

The pressure to spend money quickly may have played a large role in the choice of contractors. An aid program’s “success” was often evaluated simply in terms of having spent money. As one U.S. congressional staff member put it, “AID is supposed to move the money. That’s what managers in Washington look at, that’s what Congress looks at.”³⁸ Ambassador Richard L Morningstar, U.S. assistance coordinator to the former Soviet Union, has recounted that the pressure to get money out the door . . . that’s why we favored large contractors which met with some success. Programs in that part of the world are not a lot different from R&D [research and development] in a business because no one has done it before. Time was not given by virtue of political necessity, and so the program got skewed toward big contractors and large technical assistance programs. . . . At a time when there’s pressure to get money out quickly and there’s a lot of money, it’s a lot less risky than giving contracts to small contractors.³⁹

The climate of urgency led donors to attempt to build some flexibility into the aid machine by changing or circumventing standard foreign-aid procedures. For example, competition could be waived by USAID’s assistant administrator under “notwithstanding authority,” an exception introduced especially for use in Central and Eastern Europe at the inception of the aid effort.⁴⁰ Notwithstanding authority was invoked in contracts awarded for USAID’s linchpin privatization program in Central Europe, as well as in its privatization and economic restructuring package for the former Soviet Union.⁴¹ Moreover, some USAID awards were approved for “foreign policy” – that is, national security reasons – a justification that career procurement officer Stanley R. Nevin said, to his knowledge, had not before been used in USAID.⁴²

Aid donors generally established funding ceilings, under which contracting decisions could be made without competition. EU rules stated that all projects above 50,000 ECU (European Currency Unit) – the common currency used in Europe – had to be competed in all fifteen member states. Likewise, competition for British Know How Fund awards above 50,000 pounds was obligatory.⁴³

Thus, within a matter of months after the revolutions of 1989, donors had at their fingertips new agencies, procedures, and mechanisms to facilitate aid efforts in the Second World.

A MARSHALL PLAN OF ADVICE

Despite talk of a new “Marshall Plan” for reviving the economies of the former Communist Bloc, few Western policymakers had advocated a serious commitment on the order of tens of billions of dollars in capital assistance.⁴⁴ In the United States, for example, this magnitude of capital investment never hit the budget agenda, although some politicians and pundits called for such an investment. “We didn’t do a Marshall Plan,” a catch phrase of later years, was an acknowledgement that a comprehensive aid package for Central and Eastern Europe (implying strategic planning, commitment of high-level officials, and above all, massive capital assistance) was not made available. As early as May 1990, the United States had ruled out a modern-day Marshall Plan for reviving the economies of the former Communist bloc.⁴⁵

Still, there remained a huge disconnect between western plans and what Central and Eastern Europeans believed was possible. Minister Witold Trzeciakowski, Poland’s aid coordinator from 1989 to 1990, recalls that, when he called in 1989 for a \$10 billion “Marshall Plan” for the former Eastern Bloc, he envisioned not only aid in large amounts, but also an aid package largely of grants, as in the Marshall Plan, not primarily of technical assistance and loans.⁴⁶ Although the Marshall Plan had consisted of nearly 90 percent grant aid – largely capital assistance to rebuild war-damaged infrastructures and industries – as of the beginning of 1992, western aid to the former Eastern Bloc offered little more than 10 percent in grants.⁴⁷ Most aid to the region was in the form of export credits, loans, and debt relief. Technical assistance through advisers who provided expertise and training made up the bulk of grant aid. American technical experts had played key roles in the Marshall Plan, but as part of targeted, strategic assistance that accompanied massive capital investment.⁴⁸ It was not until 1993, Trzeciakowski says, that it finally became clear to him that a new Marshall Plan would not be forthcoming.⁴⁹

Because few people in the region, including officials, had anticipated that the assistance would take the form it did, an even wider gulf was created between Marshall Plan rhetoric and the aid that was sent. Discussions about aid occurred in a highly charged political climate where the main actors were only beginning to confront the enormous task of converting social aspirations into reality. Even the highly educated and well-traveled elite had little knowledge of western assistance goals, institutions, and results in the Third World.

The recognition on the part of western officials of the limits of assistance (a “Marshall Plan of advice” or a “Mini Marshall Plan”), as western officials sometimes referred to it among themselves, did not seem to affect the expectations of billions of dollars in aid in the East. As Poland’s chief coordinator of foreign assistance, Jacek Saryusz-Wolski, explained in 1991, at the height of the country’s frustration with aid efforts: “When people in Poland hear that billions of dollars come

to Eastern Europe, they expect that Poland gets one-half or one-third of that money. . . . Very often people ask us what happened to it.”⁵⁰ In 1992, Polish President Lech Walesa articulated the growing resentment when he spoke at the European Parliamentary Forum in Strasbourg, charging that “it is you, the West, who have made good business on the Polish revolution. . . . The West was supposed to help us in arranging the economy on new principles, but in fact it largely confined its efforts to draining our domestic markets.”⁵¹ Similarly, Hungary’s chief aid coordinator, Bela Kadar, commented that “the public learns from official statements that the Western world has transferred resources on the order of \$40 billion to \$70 billion so far to promote transition in the post-communist countries. One has to ask, where have all these billions gone?”⁵²

Where indeed? There was a considerable gap between donors’ allocations and actual disbursements in the region. In 1992, only an estimated 11 percent of the committed monies had actually been disbursed.⁵³ Not only was there a wide gap between the loose rhetoric about a Marshall Plan and the donors’ actual promises, but another chasm yawned between the donors’ promises and their deliveries.

Assistance to Central and Eastern Europe bore little resemblance to postwar aid in still other ways: The Marshall Plan, which entailed strategic and targeted assistance and commitment of high-level officials, was directed by the United States as the world’s only economic superpower at the time. The aid effort to the Second World, on the other hand, involved many donor nations that dispensed limited funds among many recipient targets and projects. The nature of the aid efforts coming from Western Europe and the United States were necessarily different, reflecting differences in their politics and cultures, their ties to recipient nations, and their strategic agendas. Each donor nation dispersed resources among myriad constituent groups, each of which laid claim to a piece of the pie.

With regard to U.S. assistance alone, the State Department was given only a nominal “oversight and coordination” role. The SEED legislation of 1989, which made possible U.S. aid to Central Europe, established some twenty-five priority areas and called upon the expertise of up to thirty-five federal agencies, all with their own agendas. Similarly, the Freedom Support Act of 1989, which authorized U.S. assistance to the former Soviet Union, engaged nineteen agencies.⁵⁴ The legislation did not consider how the expertise of all these agencies was to be coordinated, and there were few guidelines for managing the process. The structure of U.S. coordination to the former Soviet Union was so convoluted that Congress asked the General Accounting Office (GAO), the body charged by Congress with investigating how appropriated monies are spent, to investigate. GAO’s subsequent report was titled “Former Soviet Union: U.S. Bilateral Program Lacks Effective Coordination.”⁵⁵ Also less than optimal was the lack of coordination among the various donors, which carried out diverse and often overlapping aid programs. As Ambassador Robert L. Hutchings, special adviser for East European Assistance, Department of State, acknowledged in congressional testimony, “There is too much duplication and competition among donors, and too little coordination of activities so that we can make the best and most effective use of our collective resources.”⁵⁶ Bilateral donors tended to operate in isolation from one another and often, in priority areas, to compete for projects.⁵⁷ The very structure of bilateral aid lacked incentives to encourage working cooperation or the sharing of pertinent information in the interest of the recipient nation. An evaluation of a British Know How Fund employment project in Hungary described a duplication of effort that was far from unique:

The project was successful in its immediate objectives. However, unknown to the British, at the same time, the Hungarians were receiving Canadian assistance with World Bank funding to establish a wider network of Job Clubs. . . .With the benefit of hindsight this may not have been the best use of scarce resources from both donor and recipient.⁵⁸

But some donor officials argued that time and money were often wasted by requiring recipient governments to correspond with a wide variety of agencies, each with its own procedures, criteria, and information flows. Reducing project duplication, for example, would have required each specific to review other donors' projects before issuing a call to potential contractors for proposals. With individual strategic and political goals, capabilities, and time frames, it often was not in the self-interest of bilateral donors to coordinate assistance.

Nevertheless, "aid coordination" was a popular topic of discussion, and many meetings, including those of the G-24 – charged with the daunting task of coordinating all the programs – were devoted to this purpose. Meetings among G-24 officials at high political levels bore few concrete results in coordinating specific projects, because the officials present often were not at the working level and not well enough versed in actual conditions and projects. As Alan Mayhew, the former head of the EU's PHARE program, summed it up, "The G-24 coordination process never coordinated."⁵⁹ Through invocations that would continue for the duration of the aid effort, officials called for "better coordination" and critics decried the "lack of coordination." The Institute for East-West Studies, which conducted several studies of aid to the region, concluded that "emphasis should not be on increasing financial commitments but rather on improving disbursement procedures of the donors and the absorptive capacity of recipients."⁶⁰

To rectify problems of coordination (or at least to appear to be doing so), donors widely discussed and even set up some "databases" and "clearinghouses." One clearinghouse that received a lot of attention was set up by the Organization for Economic Cooperation and Development (OECD). The *OECD Register*, an online database of technical assistance to Central and Eastern Europe, was located at OECD headquarters in Paris. Established for use by donors and recipients in coordinating aid projects, the information contained in the *Register* ostensibly provided "an overview of assistance being given in relation to needs and priority areas, with a view to identifying duplication, overlap, mismatches and gaps."⁶¹ But no database or technology, no matter how sophisticated, could overcome the fundamental reality that programs were set up to serve the strategic and cultural agendas of individual donors. Technical mechanisms could not provide incentives to solve problems that were fundamentally political.

However, there were cases in which multiple donors funded "demonstration" projects, often high-profile ones. Some donor officials suggested that coordination among donors could occur when donors worked together, even sharing costs, on specific large and complex projects.⁶² But only in cases in which multiple donors saw **individual** benefits in coordinating projects did aid coordination occur.

Just as important as impediments to coordination, neither the organization of the aid effort itself, nor the pressure to spend quickly, were generally conducive to innovating, to incorporating recipient input, or to dealing effectively with the societies of the region. Despite new mechanisms, institutions, and programs created amid the excitement of the aid effort to the Second World, the nuts and bolts employed in much of the effort were similar to those employed in the Third World.

This was partly due to long-established regulations and procedures, designed to minimize misuse of funds, that could not be bypassed or could be skirted only with the special authorities or high-level political interventions described earlier. As the EU's Alan Mayhew reported, to reduce corruption, the PHARE program was "set up in the African style . . . where you have a delegation in country that has to carry out all sorts of checks, so it becomes bureaucratically very heavy."⁶³

Further, although donors perceived the Second World as unique, they had little real understanding of it, and little organizational capacity to deliver new programs. Following forty years of Cold War foreign aid, during which capitalist and communist countries aided the Third World in an attempt to buy loyalties, the aid programs most available were those that had been implemented in the Third World. Almost by default, donors set many of them into motion. Many were ill-matched to recipient needs and stifled innovation.

For example, USAID, with its panoply of preexisting, standardized rules and congressionally mandated regulations, discouraged risk taking and allowed little flexibility.⁶⁴ There was pressure to put a well-crafted square peg into the latest round hole in the manner of "We have this program in Honduras. We can implement it in Hungary." Civil servants who had handled Cold War aid were given Second World assignments, in which, they strongly suspected, their careers would benefit more by filling bureaucratic mandates and maximizing spending than by developing programs tailored to recipient needs. Almost any bureaucrat, no matter how removed from the setting or lacking in host-country expertise, could perform adequately simply by adhering to the guidelines.

Standard contracting procedures also worked against aid flexibility. Under a long-developing body of regulations, contracting procedures could be numbingly complex and time consuming. Administered from Brussels, PHARE, was constrained by regulations designed to ensure fairness that often worked against effectiveness. The mandated "geographical balance" among its fifteen member states sometimes meant not hiring the consultants with the most expertise. This point was not lost on the recipients. As a Polish newspaper reported in 1994: "In the post-war years everyone knew what the Marshall Plan was. Today in Central and Eastern Europe it is common knowledge that there are strings attached to the money coming from Brussels."⁶⁵ As so the donors' bureaucracies, largely designed for operation elsewhere, rattled and clanked into Central Europe, and later into Russia and Ukraine. There they encountered, and colluded and collided with, societies that functioned in some fundamentally different ways from their own. A high-level donor official characterized the challenge as such: "The bureaucracy puts all sorts of obstacles in the way to prevent you from reaching your political objectives and then criticizes you for failing to meet them."⁶⁶

DILEMMAS OF AID RELATIONSHIPS

One of the most critical aspect of aid-program structure was the extent to which it incorporated recipient input (and from whom it drew this input). The EU tended to treat the nations of Central Europe more as potential partners than did the United States. This difference in attitude was evident in the way control was exercised and recipient input structured. U.S.

assistance maximized Washington's control over aid to Central Europe, with planning and management authority in the United States, rather than with U.S. personnel overseas. Important decisions (as well as many less important ones) were made at home, rather than in the field. At first, USAID field representatives had no signature authority to disburse funds and served only as advisers to the U.S. ambassador in the recipient country and reporters to Washington. Because USAID staff in the region generally had little authority (a clause in some consultants' contracts stipulated that any agreements made with USAID representatives overseas were not legally binding), decision-making was often delayed.

And information did not always flow well from Washington. USAID officials in the field sometimes learned about contracts signed in Washington only when contractors arrived on assignment. As USAID's Budapest representative remarked in 1991, "I get surprised every day [when] people on contract for USAID call and I don't know anything about it."⁶⁷ Following congressional direction that authority be delegated to the field ("in order to avoid planning and contracting in Washington for specific activities without the concurrence of the people in the field who have more intimate knowledge of the particular country"), Washington-based management changed somewhat in early 1993,⁶⁸ although field representatives still lacked the authority of their Third-World counterparts.

Throughout the aid effort, Central European recipients pointed out that they had little or no input into aid decisions, and often were not consulted in advance or even informed of decisions. Officials in Warsaw, Budapest and Prague complained that their concerns were ignored despite the presence of American-government aid bureaus in these cities and numerous fact-finding missions from the West.⁶⁹ Polish officials responsible for aid coordination were unable to obtain reliable information about how much U.S. money was being spent on particular projects, although the local USAID office was just a few blocks away. In 1992 GAO looked into U.S. aid to Poland and Hungary, the major recipients of U.S. aid to the region at the time. GAO reported that, in Hungary, many assistance transactions, including those of the United States, occurred without the knowledge of the Hungarian government's assistance coordination unit.⁷⁰

As late as 1994, speaking before a Polish parliamentary commission, Minister Jacek Saryusz-Wolski, aid coordinator of Poland reported:

The principle of distribution of [American aid money] is such that we, as an agency, are simply informed about what they are doing with that money. At the most, we can protest, or object to a particular type of activity that we don't like. But the Americans do what they like, and we must accept that, at the most voicing our veto.⁷¹

In contrast to U.S. aid, EU assistance to Central and Eastern Europe was structured to compel input from recipients, as well as from in-country representatives. Many of the EU's PHARE programs were administered through Program Management Units (PMUs), which were set up either inside the government ministries or in parallel with them.⁷² Although EU representatives typically were assigned as advisers to PMUs, the PMUs were staffed and directed by recipients, who naturally had access to local contacts. EU representatives sometimes worked alongside their local counterparts, shared office complexes for several years, and developed collegial relationships. Some high-level EU representatives were keenly aware that their host officials were to be treated as equals. One such official remarked that "One day he [the host official] may well be **my** boss [in the EU structure]."

Responding at least in part to recipients' requests and political considerations, the EU began to supply more capital assistance to finance trans-European network projects, in the form of railway lines, roads, and border infrastructure, following a Copenhagen summit in June 1993.⁷³ As one EU official explained, "Investment finance is more visible to the public. That's one of the reasons we're going into it...[Investment] can be "seen and touched."⁷⁴ In the mid-1990s, as U.S. assistance to Central Europe was winding down, the EU's PHARE program continued to evolve. PHARE began to support projects to support pending EU members in the EU's "pre-accession strategy." PHARE became a major component of this strategy, "designed to help them [selected Central and Eastern European countries] align their political, economic and legal systems with those of the European Union."⁷⁵

In a similar spirit of partnership, the German government appears to have provided some effective decentralized aid. Germany, which shares borders with Poland and the Czech Republic and also is active in Hungary, took advantage of its proximity, knowledge of the region, and issues of mutual interest to develop links and projects in an attempt to achieve influence in Central Europe. Much of Germany's aid to central Europe went directly to the regions. In this model, aid flowed from one *land* (region) to another *land* with an emphasis on cross-border initiatives, especially between Germany and Poland. The point of departure, the delivery mechanisms, and the targets were all decentralized.⁷⁶ This *land to land* approach has earned a reputation for facilitating cross-border cooperation in commercial and cultural exchange in many areas⁷⁷ and also has been employed further east.

However, such partnerships were generally more difficult further east. The EU was much less partnership-oriented in its TACIS (technical assistance for the Commonwealth of Independent States, or CIS) program than in PHARE assistance. Because Russia, unlike some Central European nations, was not a pending EU member, the EU was not driven by the necessity to harmonize laws with Russia. Although PHARE was composed both of technical assistance and investment, TACIS was confined almost entirely to technical assistance, as the acronym indicates.⁷⁸ Further, TACIS, which was centered in Brussels, entailed much less delegation to its in-country representatives than PHARE. (TACIS had a coordinating unit in all NIS countries, but with delegations only in Russia, Ukraine, Georgia, and Kazakhstan.⁷⁹) Although there was to be increasing decentralization away from Brussels, Michael B. Humphreys, Counselor for the European Commission Delegation in Ukraine, explained that the TACIS countries should first prove themselves: Brussels, he said, has "less confidence in the ability of [TACIS] countries" [to manage their own programs] than it did in the PHARE countries.⁸⁰

The EU and most other donors operated in standard (Third World) fashion in that they structured aid through government-to-government relations. By contrast, the target of U.S. assistance was almost exclusively the "private" sector. This allowed the United States to develop some "innovative ways of delivering assistance," as Ambassador Robert L. Hutchings of the Department of State rightly stated in congressional testimony.⁸¹

However, such a radical avoidance of government clearly also resulted in problems. Supporting "private" actors was a way of bypassing recipient governments that were seen as suspect and full of holdover communist bureaucrats. Government-to-government links were intentionally weak. A 1992 letter from the Department of State to GAO stated, "We have also designed our programs to deliver assistance primarily to the private sector rather than to the government. Indeed, we have intentionally avoided government-to-government aid agreements, which contrasts with the EC PHARE program

approach.” As GAO concluded, the fundamental drawback of this approach was that the U.S. assistance program “lacked coordination in working with the host governments.”⁸² The weakness of government-to-government links sometimes resulted in a lack of mechanisms to establish aid priorities and instruments. This made it difficult for aid coordinators in the recipient countries to anticipate and coordinate aid projects.⁸³ Thus, in the case of U.S. assistance to Central Europe, neither government was systematically involved, communication channels were often unclear, and consultation on the recipient side was weak. This meant that U.S. economic aid to Central Europe was not set up for optimal access to recipient governments or to local contacts.⁸⁴

By contrast, there also were cases in which aid contractors, with *carte blanche* from the donor, colluded with selected recipient elites, bypassed aid regulations, and were subject to little or no donor oversight. For example, U.S. aid to Russia delegated its economic aid portfolio to a private entity – the Harvard Institute for International Development (HIID) – which worked exclusively with a specific circle of “reformers” in (and out) of government.⁸⁵ Both extremes – of avoiding government contacts, as in the U.S. economic aid strategy to Central Europe, and of working with only one group in the government, as in the U.S. economic aid strategy to Russia – had problematic outcomes. Whatever the results, the tension between policies that regarded Central and Eastern Europeans as potential First World partners (and usually allowed for more recipient input and flexibility in programming) and the practice of aid as usual (bureaucratic procedure and precedent) became a standard feature of aid efforts.

Thus, despite talk of resurrecting a First World model through a “Marshall Plan,” donors, in a hurry and with restricted and scattered resources, largely implemented a Third World model. Neither model was informed by sociological, political, or economic insights of nearly a half century or more of communism from Berlin to Vladivostok. But these legacies would be a key ingredient shaping perceptions and relations between East and West and, ultimately, aid outcomes.

ENDNOTES

- ¹ Tibor Frank, "The Politics of Culture: American Studies in East-Central Europe," ADE Bulletin [Association of Departments of English], spring 1999, based on a lecture at the MLA Convention in Toronto, December 30, 1997. My earlier articles on Americanization in Hungarian include "Az amerikai kultúra értékei és bírálói" [Values and Critics of American Culture], Társadalmi Szemle, Vol. L (1995), No. 7, pp. 28-29, "Amerikanizálódunk?" [Are We Being Americanized?], Magyarország, Vol. I, No. 8, May 1, 1997, p. 3.
- ² Rezső Vári, Történeti intézetek Rómában [Historical Institutes in Rome] (Budapest: Magyar Tudományos Akadémia, 1916)
- ³ Louis Dollot, Les relations culturelles internationales (Paris: Presses Universitaires de France, 1964), p.8.
- ⁴ Ibid.
- ⁵ Tamás T. Kiss, Allami művelődéspolitiká az 1920-as években [State Cultural Policies in the 1920s] (MMI-Mikszáth Kiadó, 1998), pp. 58-64.
- ⁶ Gróf Bethlen István beszédei és írásai (Budapest, 1933), Vol. II, p. 293. Cp. Tamás T. Kiss, Allami művelődéspolitiká, p. 62, note 84.
- ⁷ Count Kuno Klebelsberg in Pesti Napló, January 27, 1929. Cp. Tamás T. Kiss, Allami művelődéspolitiká, p. 62, note 84.
- ⁸ Louis Dollot, op. cit., pp. 64-65.
- ⁹ Britain 1981. An official handbook (London: Central Office of Information, 1981), p. 71.
- ¹⁰ Interview with M. Jean-Luc Soulé, Director of the Institut Française in Hungary, July 8, 1998 as part of "The Image of Hungary" project of the Hungarian Academy of Sciences, directed by Tibor Frank, Elemér Hankiss and Attila Pók.
- ¹¹ Goethe-Institut, Förderung der deutschen Sprache (München, 1997)
- ¹² István Deák, Beyond Nationalism: A Social and Political History of the Habsburg Officer Corps, 1848-1918 (New York-Oxford: Oxford University Press, 1990), pp. 83, 89, 99-102.
- ¹³ Cf. Gyula Illyés, Magyarok. Naplójegyzetek [Hungarians. Notes for a Diary], 3rd ed. (Budapest: Nyugat, n.d. [1938]), Vol. II, p. 239.
- ¹⁴ István Sötér, Eötvös József [József Eötvös] 2nd rev. ed. (Budapest: Akadémiai Kiadó, 1967), p. 314
- ¹⁵ The World Almanac and Book of Facts 1994 (Mahwah, N.J.: Funk & Wagnalls, 1993), pp. 300-302.
- ¹⁶ Károly Lyka, Magyar művészetlet Münchenben [Life of Hungarian Artists in Munich] (2nd ed., Budapest: Corvina, 1982), László Balogh, Die ungarische Facette der Münchner Schule (Mainburg: Pinsker-Verlag, 1988)
- ¹⁷ Baron József Eötvös to Mór Kleinmann, Buda, July 20, 1869, #12039, Theodore von Kármán Papers, California Institute of Technology Archives, File 142.10, Pasadena, CA; Untitled memoirs of Theodore von

Kármán of his File 141.6, pp. 1-2. Cf. István Sötér, Eötvös József (2. ed., Budapest: Akadémiai Kiadó, 1967); Miklós Mann, Trefort Agoston élete és működése [The Life and Work of Agoston Trefort] (Budapest: Akadémiai Kiadó, 1982).

¹⁸ Tibor Frank, “Liszt, Brahms, Mahler: Music in Late 19th Century Budapest,” in György Ránki ed., Hungary and European Civilization, Indiana Studies on Hungary, 3 (Budapest: Akadémiai Kiadó, 1989), pp. 346-347.

¹⁹ Antal Molnár, Eretnek gondolatok a muzsikáról [Heretic Thoughts on Music] (Budapest: Gondolat, 1976), pp. 27-28; cf. Károly Goldmark, Emlékek életemből [Memories of My Life] (Budapest: Zeneműkiadó, 1980), pp. 74-83.

²⁰ Tibor Gedeon-Miklós Máthé, Gustav Mahler (Budapest: Zeneműkiadó, 1965), pp. 103-105; Gustav Mahler, Briefe, 1879-1911 (Berlin-Wien-Leipzig: Zsolnay, 1924), pp. 115-116.

²¹ József Kiss, “Petöfi in der deutschsprachigen Presse Ungarns vor der Märzrevolution,” in Studien zur Geschichte der deutsch-ungarischen literarischen Beziehungen (Berlin, 1969), pp. 275-297.

²² László Tarnói, “Deutsch-ungarische Parallelen, Kontakte und Kontraste,” in Parallelen, Kontakte, Kontraste (Budapest: ELTE Germanisztikai Intézet, 1998), pp. 201-294; Ulrik R. Monsberger, A hazai német naptárirodalom története 1821-ig [The History of German Calendar Literature in Hungary up to 1821] (Budapest, 1931).

²³ György Szalai, “A hazai zsidóság magyarosodása 1849-ig” [The Magyarization of the Hungarian Jewry to 1849], Világosság 15 (1974), pp. 216-223; Róza Osztern, Zsidó újságírók és szépírók a magyarországi német nyelvű időszaki sajtóban, a ‘Pester Lloyd’ megalapításáig, 1854-ig [Jewish Journalists and Authors in the German Press of Hungary, up to the establishment of the Pester Lloyd in 1854] (Budapest, 1930).

²⁴ The Guardian, 21 January 1994, p. 14.

²⁵ “Refolution” is the term used by Timothy Garten Ash to describe the blend of revolution and reform that characterized the changes of 1989 and 1991.

²⁶ PHARE’s name, which means “lighthouse” in French, reflects the EU’s initial focus on Poland and Hungary. After the first year of operation the PHARE program broadened its target to include other countries in the region, but the old acronym was retained.

²⁷ The countries of the G-24 are Canada, the United States, Japan, Australia, New Zealand, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.

²⁸ For further details on this issue, see Stephen Haggard and Andrew Moravcsik, “The Political Economy of Financial Assistance to Eastern Europe, 1989-1991,” in Robert O. Keohane, Joseph S. Nye, and Stanley Hoffman, eds., *After the Cold War: International Institutions and State Strategies in Europe, 1989-1991*, Cambridge, MA: Harvard University Press, 1993, pp. 247, 258-261.

²⁹ Public Law 101-179, *Support for East European Democracy (SEED) Act of 1989*, November 28, 1989.

³⁰ Public Law 101-179, *Support for East European Democracy (SEED) Act of 1989*, November 28, 1989. For authorization and allocation amounts, see U.S. General Accounting Office, *Eastern Europe: Donor Assistance and Reform Efforts*, November 1990, pp. 14-15.

³¹ By the end of 1992, the United States had committed \$4.6 billion, followed by Germany (\$3.6 billion) the EC Commission (\$3.2 billion), and Canada (\$1.6 billion). These figures, which are based on the April 1993 G-24 Scoreboard, cover the period from January 1990 through December 1992 (U.S. Department of State, *SEED Act Implementation Report: Fiscal Year 1993*, Washington, D.C.: U.S. Department of State, January 1994, Pp. 278 and 279).

³² European Commission, "G-24 Assistance Commitments: Assistance by Sector," Brussels, Belgium: European Commission, January 1990-December 1992.

³³ The U.S. Department of State reported \$3.5 billion in cumulative obligations to Russia and \$868 million in obligations to Ukraine as of March 31, 1996 (*U.S. Government Assistance to and Cooperative Activities with the New Independent States of the Former Soviet Union, October 1995-March 1996*, Prepared by the Office of Richard L. Morningstar, Coordinator of U.S. Assistance to the NIS). By 1997, Ukraine was the third largest recipient of U.S. assistance anywhere in the world.

³⁴ U.S. General Accounting Office, *Eastern Europe: Status of U.S. Assistance*, Washington, D.C., General Accounting Office, February 26, 1991, Appendix 1.

³⁵ Interview of October 31, 1996, with Steve Dean, division chief, Contracts Division for Eastern Europe and the New Independent States of USAID's procurement office.

³⁶ Interview with Andrew Rasbash, January 29, 1992.

³⁷ Interview of October 31, 1996 with Steve Dean, division chief, Contracts Division for Eastern Europe and the New Independent States of USAID's procurement office.

³⁸ Several donor officials also emphasized this point at the Working Conference co-organized by the author in April 1995 and co-sponsored by the Woodrow Wilson International Center for Scholars and the Friedrich Ebert Stiftung. See report of the Conference by John Harper and Janine R. Wedel, *Western Aid to Central and Eastern Europe: What We are Doing Right, What We are Doing Wrong, and How We can Do it Better*, East European Studies Occasional Paper: The Woodrow Wilson International Center for Scholars, no. 41, September 1995, p. 24.

³⁹ Interview with Richard L. Morningstar, September 30, 1996.

⁴⁰ Interview with U.S. procurement officer Steve Dean, January 7, 1998.

⁴¹ Interview with U.S. procurement officer Steve Dean, January 7, 1998; interview with U.S. procurement officer William Penoyar, January 16, 1998.

⁴² Interview with Stanley R. Nevin, August 24, 1996.

⁴³ EU guidelines, and interview with British Know How Fund official Charlotte Seymour-Smith, December 8, 1995.

⁴⁴ The sum appropriated under the Marshall Plan, \$13.3 billion over four years in sixteen countries (U.S. Department of State, Public Affairs, Office of the Historian, "The Marshall Plan: Origins and Implementation," June 1982, p. 30), is equal to approximately 87.5 billion in 1997 dollars (Elizabeth Neuffer, "Marshall Plan Legacy Thrives Abroad," *Boston Globe*, June 3, 1997, p. A-8).

⁴⁵ Officials who acknowledged this in public include U.S. deputy secretary of state Lawrence Eagleburger and U.S. Secretary of Commerce Robert Mosbacher at a meeting of Western leaders. (Reported by Mary Brasier in "Clash Over Aid for Eastern Europe," *Guardian*, May 24, 1990.)

⁴⁶ Interview with Witold Trzeciakowski, May 10, 1997.

⁴⁷ Figures on the Marshall Plan were provided by David Patterson, deputy historian, Department of State Public Affairs, Office of the Historian (conversations of May 8 and May 12, 1997). Figures on aid to the former Eastern Bloc were cited in a study by Polish economist Krzysztof Ners (William Drozdiak, "E. Europeans Say West Fails in Aid Pledges," *Washington Post*, June 17, 1992, p. A33).

⁴⁸ See James B. Silberman and Charles Weiss, Jr., *A History of the Technical Assistance Programs of the Marshall Plan and Successor Agencies, 1948-1961*, Washington, D.C.: World Bank Industrial Policy Group, November 1992.

⁴⁹ Interview with Witold Trzeciakowski, May 10, 1997.

⁵⁰ Cited in Janine R. Wedel, "Beware Western Governments Bearing Gifts," *Wall Street Journal Europe*, January 14, 1992.

⁵¹ Reported by Blaine Harden, "Poles Sour on Capitalism," *Washington Post*, February 5, 1992, p. A1.

⁵² Bela Kadar, "Where Have all the Dollars Gone?" *Transition: The Newsletter about Reforming Economies*. Transition Economics Division Policy Research Department, World Bank, vol. 4, no. 5, June 1993, p. 5.

⁵³ This figure represents average disbursement rates for nine G-24 countries and the EU for total committed assistance to Central and Eastern Europe (Raymond Barre, William H. Luers, Anthony Solomon and Krzysztof J. Ners, *Moving Beyond Assistance*, New York: Institute for East West Studies, June 1992).

⁵⁴ *Former Soviet Union: U.S. Bilateral Program Lacks Effective Coordination*, Washington, D.C.: U.S. General Accounting Office, February 1995, p. 5.

⁵⁵ *Former Soviet Union: U.S. Bilateral Program Lacks Effective Coordination*, Washington, D.C., U.S. General Accounting Office, February 1995.

⁵⁶ Robert L. Hutchings, "Statement of Ambassador Robert L. Hutchings, Special Adviser for East European Assistance, Department of State, before the Subcommittee on Foreign Operations, House Committee on Appropriations," April 19, 1993, p. 4.

⁵⁷ Several participants emphasized this point at the Working Conference co-organized by the author in April 1995 and co-sponsored by the Woodrow Wilson International Center for Scholars and the Friedrich Ebert Stiftung. See report of the Conference by John Harper and Janine R. Wedel, *Western Aid to Central and Eastern Europe: What We are Doing Right, What We are Doing Wrong, and How We can Do it Better*, East European Studies Occasional Paper: The Woodrow Wilson International Center for Scholars, no. 41, September 1995, p. 24.

⁵⁸ Kirsty Hughes, Philip Taylor, and Ian Christie, "Evaluation of Technical Assistance to Hungary, Policy Studies Institute (PSI), published by the Department for Education and Employment as Research Series no. 70; excerpts republished in C. M. Hann, *The Skeleton at the Feast: Contributions to East European Anthropology*, Canterbury, United Kingdom: University of Kent at Canterbury, Centre for Social Anthropology and Computing, 1995, p. 228.

⁵⁹ Interview with Alan Mayhew, May 15, 1996.

⁶⁰ *Annual Report 1992-93*, New York, NY: Institute for East West Studies, p. 23.

⁶¹ *CCET Register Statistics*, published by the Centre for Co-operation with Economies in Transition, Paris, France: OECD, June 1994.

⁶² See John Harper and Janine R. Wedel, *Western Aid to Central and Eastern Europe: What We are Doing Right, What We are Doing Wrong, and How We can Do it Better*, East European Studies Occasional Paper: The Woodrow Wilson International Center for Scholars, no. 41, September 1995, pp. 24-25.

Some donor representatives offered the view that there were relatively few projects worth funding (for example, interview with Witold Radwanski, deputy director of the EBRD in Warsaw, April 6, 1994). But once a project got under way and the structure was settled, there were sometimes opportunities for coordination and division of tasks among donors.

⁶³ Interview with Alan Mayhew, May 15, 1996.

⁶⁴ Participants at the working conference of April 1995 addressed organizational barriers to flexibility and risk taking and generally agreed that, “Although successful aid programs require informed risk taking and flexibility, administrative and evaluation procedures tended to discourage, rather than encourage, risk taking” (John Harper and Janine R. Wedel, *Western Aid to Central and Eastern Europe: What We are Doing Right, What We are Doing Wrong, and How We can Do it Better*, East European Studies Occasional Paper: The Woodrow Wilson International Center for Scholars, no. 41, September 1995, p. 24).

⁶⁵ “Wspolczesny Plan Marshalla?,” *Nowa Europa*, April 4, 1994.

⁶⁶ John Harper and Janine R. Wedel, *Western Aid to Central and Eastern Europe: What We are Doing Right, What We are Doing Wrong, and How We can Do it Better*, East European Studies Occasional Paper: The Woodrow Wilson International Center for Scholars, no. 41, September 1995, p. 24.

⁶⁷ Confirming these findings, the GAO reported that “a U.S. official in Poland told us that decisionmakers in Washington did not seek advice on projects from in-country staff, even though these staff members have first-hand knowledge of the country’s conditions and monitor U.S. assistance efforts. In some cases, decisionmakers in Washington have ignored recommended actions from in-country staff.” (*Poland and Hungary: Economic Transition and U.S. Assistance*, Washington, D.C.: U.S. General Accounting Office, May 1992, pp. 33-34.)

⁶⁸ House of Representatives, *Foreign Operation, Export Financing, and Related Programs Appropriations Bill*, report 102-585, June 18, 1992, pp. 34-36.

⁶⁹ General Accounting Office, *Poland and Hungary: Economic Transition and U.S. Assistance*, Washington, D.C.: U.S. General Accounting Office, May 1992, p. 34; Janine R. Wedel, “Beware Western Governments Sending Gifts,” *Wall Street Journal Europe*, January 14, 1992.

⁷⁰ General Accounting Office, *Poland and Hungary: Economic Transition and U.S. Assistance*, Washington, D.C.: U.S. General Accounting Office, May 1992, p. 34.

⁷¹ *Biuletyn z Posiedzenia Komisji do Spraw Układu Europejskiego, nr 7*, Warsaw, Poland: Kancelaria Sejmu, Biuro Informacyjne, nr. 311/II kad., February 16, 1994, p. 15.

⁷² For further discussion of recipient input, see Janine R. Wedel, “U.S. Aid to Central and Eastern Europe, 1990-1994: An Analysis of Aid Models and Responses,” *East-Central European Economies in Transition*, John P. Hardt and Richard F. Kaufman, eds. for the Joint Economic Committee Congress of the United States, New York, N.Y.: M.E. Sharpe, Inc., 1995, pp. 299-335.

⁷³ Interviews with Klaus Schmidt and Andrew Rasbash of the EU Delegation in Poland, April 7, 1994, and April 22, 1994, respectively; and interviews with John Kjaer and Pierre Mirel of the PHARE program in Brussels, May 4, 1994. In addition, the “Conclusions of the Presidency” document, Copenhagen June 21-22, 1993, Brussels, European Union, p. 14 states: “Part of the resources under the PHARE programme may be used for major infrastructural improvements.” A report released by the PHARE information office states that: “At the Copenhagen Council it was decided to allow the allocation of up to 15 percent of the total Phare budget to co-finance major infrastructure developments with international financial institutions. The first project was an ECU 30 million contribution to a railway development programme in Poland.” (*What is Phare?*, Brussels, Belgium: European Commission, Phare Information Office, May 1994, p. 11.)

- ⁷⁴ Interview with Klaus Schmidt of the EU Delegation in Poland, April 7, 1994.
- ⁷⁵ *The Phare Programme Annual Report 1995*, Brussels, Belgium: the European Union, September 25, 1997, p. 7.
- ⁷⁶ Interviews with Thomas Koch, Margitta Wulker, and Matthias Moller, representatives of the Bundesministerium fur Wirtschaft, March 30, 1994; and with Bernd von Muenchow-Pohl, German government representative in Poland, April 11, 1994.
- ⁷⁷ Sources include conversations of June 8, 1998 with members of Parliament of the German *land* of Hesse who are involved in exchanges and initiatives with certain areas in the east.
- ⁷⁸ One exception was a small-business program with a little money for investment in a cross-border initiative to link Ukraine with PHARE countries. Interview with Michael B. Humphreys, Counselor, European Commission Delegation in Ukraine, August 22, 1995.
- ⁷⁹ Interview with Michael B. Humphreys, Counselor, European Commission Delegation in Ukraine, August 22, 1995.
- ⁸⁰ Interview with Michael B. Humphreys, August 22, 1995.
- ⁸¹ Robert L. Hutchings, "Statement of Ambassador Robert L. Hutchings, Special Adviser for East European Assistance, Department of State, before the Subcommittee on Foreign Operations, House Committee on Appropriations," April 19, 1993, p. 3.
- ⁸² General Accounting Office, *Poland and Hungary: Economic Transition and U.S. Assistance*, Washington, D.C.: U.S. General Accounting Office, May 1992, p. 34; pp. 31-36. This approach changed very little and was reiterated by the State Department Coordinator of U.S. Assistance to the NIS. (See these strategy papers for Russia and the former Soviet Union: U.S. Department of State, *United States Assistance and Economic Cooperation Strategy for the Newly Independent States*, Approved January 14, 1994 by the Coordinator of U.S. Assistance to the New Independent States, Washington, D.C.; and U.S. Department of State, *United States Assistance and Economic Cooperation Strategy for Russia*, Approved May 19, 1994 by the Coordinator of U.S. Assistance to the New Independent States, Washington, D.C.)
- ⁸³ Interviews with Agnes Nadhazy and Kornel Kovats of the Hungarian Ministry of International Economic Relations (April 27, 1994); and Pawel Samecki, Director of the Bureau for Foreign Assistance, Polish Council of Ministers (July 26, 1994).
- ⁸⁴ For elaboration on this point, see Janine R. Wedel, *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe 1989-1998*, New York, N.Y.: St. Martin's Press, 1998, Chapter 2: "Consultants for Capitalism."
- ⁸⁵ For analysis of U.S. economic aid to Russia, see Janine R. Wedel, *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe 1989-1998*, New York, N.Y.: St. Martin's Press, 1998, Chapter 4: "A Few Good Reformers: The Chubais Clan, Harvard, and 'Economic' Aid.