

ARTICLE

Going West: Socialist flexibility in the long 1970s†, ‡

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Abstract

This article analyses some of the transformations in economic vocabularies, practices, and institutions that accompanied the turn towards high value-added and technology-driven industrialization in late socialist Romania. It investigates the challenges posed by increasing integration of the country's commodity production into the world market in the 1960–70s and assesses the measures adopted by its economic executives as a response to these challenges: the reorganization of production; the reconfiguration of planning mechanisms; and the strategies of keeping labour cheap. This article shows that planners behind the Iron Curtain wrestled with similar problems to their Western counterparts. It demonstrates that the solutions of the socialist economic executives not only mirrored, imitated, and translated Western managerial ideologies and practices but also represented creative local responses to the challenges of the world market. I argue this constellation of solutions constituted a fully fledged form of 'socialist flexibility'. Analysing how these flexible solutions paralleled the neoliberal deregulation in the capitalist core helps us question the analytical separation between centrally planned and market economies and the still powerful narrative of 1989 as a historical fracture.

In the 1970s, the grim spectre of overproduction and the consequences of two successive oil crises loomed large over economies in the capitalist core. Facing intense labour conflict at home and increasing competitive pressure from East-Asian industries, companies from Western Europe and the USA initiated a reterritorialization of their production chains. A New International Division of Labour stemmed from the structural changes that pushed Western companies to cut costs by relocating production outside the capitalist core, while reorganizing it at home.¹ Within these productive arrangements, increasingly deregulated capital flows were accompanied by the spatial redistribution of the labour process, deskilling, and the loss of labour's negotiating power. These processes can be read, in David Harvey's language, as the 'spatial fixes' on which the transition to neoliberalism rested.²

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¹Folker Fröbel, Jürgen Heinrichs, and Otto Kreye, *The New International Division of Labour: Structural Unemployment in Industrialised Countries and Industrialisation in Developing Countries* (Cambridge: Cambridge University Press, 1980), 1–47; Greig Charnock and Guido Starosta, eds., *The New International Division of Labour: Global Transformation and Uneven Development* (London: Palgrave Macmillan, 2016), 1–22.

²David Harvey, *The New Imperialism* (Oxford: Oxford University Press, 2003), 43–4.

David Harvey introduced the notion of ‘spatial fix’ to refer to the ways in which territorial reorganization, physical relocation, and geographical expansion are used as temporary buffers against a capital overaccumulation crisis.³ Relocating manufacturing or service capacities, expanding supply networks, investing in infrastructural projects, or penetrating new markets are all outlets through which excess capital, excess labour, and excess commodities that cannot be absorbed in a particular place and time are momentarily swallowed elsewhere. When workers lack jobs, commodities lack demand, and money lacks investment opportunities, surplus can be absorbed either by investing in long-term projects that would pay off in the future (what Harvey called ‘temporal deferral’) or by finding new markets, resources, and opportunities overseas (‘geographical displacement’).⁴

Whenever Western companies relocated manufacturing, the productive pockets left in their trail combined different mechanisms of capital accumulation and visions of development. They connected qualitatively different forms of labour, quantified them, and integrated them into circuits of valorization. Whereas by now we have a well-rounded picture of how the Global South has been historically constituted as a reservoir of natural resources and cheap labour between the twin logics of empire and capital, Western economic relations with socialist East-Central Europe have remained comparatively underattended and undertheorized. We know little so far about how these ‘spatial fixes’ worked in the region, and about what they meant for the organization of the socialist economies as their commodity production was increasingly integrated into the global capitalist dynamics of the 1970s.

Drawing on the Romanian case, this article sheds light on the uncomfortable encounter between two modes of managing the economy and social life: capitalism, in its painful confrontation with the ‘exhaustion of Fordism’,⁵ and state socialism, faced with ‘the exhaustion of Stalinist industrialization’.⁶ It investigates the legislative and operational changes that stood behind the Romanian executives’ efforts to upgrade the country’s export profile, shift from basic commodities to high value-added manufacturing, attract foreign investments, and create East-West expert networks. On the ground, ‘going West’ required new measures for the reorganization of production, for the reconfiguration of planning and price mechanisms, and for keeping labour cheap. I argue that this constellation of measures can be read as a fully fledged form of ‘socialist flexibility’. By focusing on Romania, this article moves the spotlight on an unlikely place, which for a long time remained outside any serious conversation about flexibility and capital accumulation. The reasons for the omission of East-Central Europe from the history of the global turn to flexibility are manifold. First, it is still taken for granted that central planning represented the antithesis of market-driven flexible production. Second, the principle of universal employment in state socialism seems to make any conversation about flexibility irrelevant. And third, because it is widely agreed that at a time when the break of the postwar social contract made industrial peace impossible in the capitalist core, Eastern and Central Europe continued to be organized along Fordist principles, with labour control firmly placed in the hands of the socialist state.⁷

The Romanian case, on which this article builds its argument, allows for two theoretical moves. On the one hand, this article calls into question the scholarly practice of separating the analysis of late socialist regimes from the critique of neoliberalism. It suggests that the well-established historical chronologies and conceptual vocabularies upon which this separation is predicated need substantial reassessment. On the other hand, by expanding the conversation about flexibility in production beyond the capitalist core and beyond the Global South, it opens a space in which we

³Harvey, *The New Imperialism*, 115.

⁴Harvey, *The New Imperialism*, 64.

⁵Alain Lipietz, ‘The World Crisis: The Globalisation of the General Crisis of Fordism’, *IDS Bulletin* 16, no. 2 (1985): 6–11.

⁶Besnik Pula, *Globalization Under and After Socialism: The Evolution of Transnational Capital in Central and Eastern Europe* (Stanford: Stanford University Press, 2018), 3.

⁷Alina-Sandra Cucu, ‘For A New Global Labour History: A View from Eastern Europe’, *Historein* 19, no. 1 (2020). <https://doi.org/10.12681/historein.19421>.

can challenge terms like ‘Fordism’ and ‘flexible production’ from those corners of the world that had to respond to neoliberal transformations in the capitalist core within their own ideological parameters and accumulation mechanisms.

For its first theoretical move, bringing together the analysis of late socialism with the critique of neoliberalism, this article joins recent scholarship that goes against the ‘before and after 1989’ logic in the history of Eastern and Central Europe.⁸ This scholarship comes as a corrective to decades of academic and policy literature that flattened out state socialism into a one-dimensional experience.⁹ Against the orthodoxy that ‘[p]ostsocialist transformations and intensification of globalization happened simultaneously’,¹⁰ Besnik Pula shows that the overall structure of Eastern European national economies, as well as ‘the transnational integration of their key industries, was a process whose development was laid out during institutional reforms these states undertook in the 1970s and 1980s, as they attempted to gain access to, and better integrate with, Western trade, finance, and production’,¹¹ This process threw a longer arch over several historical periods, having one foot in the ‘exhaustion of Stalinist industrialization’ mentioned above, and one in the 1990s, when it continued to shape the former socialist countries’ capacity to respond to the neoliberal ‘market fundamentalism’.¹² Seen from this perspective, the socialist 1970s represented more than a weak attempt at reforming dysfunctional economic mechanisms, more than a desperate attempt to bow in front of the market rationality, and more than a flight out of an imaginary autarky.¹³

As Johanna Bockmann shows in her analysis of the ‘left-wing roots of neoliberalism’, the dialogue between socialist economists and their Western counterparts was eased by the fact that pure competitive markets and perfectly planned economies are mathematically identical; hence, neo-classical models offered a common foundation for East-West cooperation.¹⁴ But within the common foundation highlighted by Bockmann, influxes of capital, technology, and managerial ideologies had to be absorbed locally. As this article will show using the Romanian case, ‘going West’, came with new pressures of integrating the practical experience of socialist economic executives with their Western counterparts. This article proposes thus a shift of focus from intellectual debates to praxis and offers a glimpse into those ordinary spaces where imperfectly planned industrial units joined a world market that was far from its ‘pure’ competition model. It maps an uncertain terrain, where price mechanisms were messy, debates of rescaling economic decision-making were haunted by anxieties of losing political control, and understandings of

⁸Johanna Bockman, *Markets in the Name of Socialism: The Left-Wing Origins of Neoliberalism* (Stanford, CA: Stanford University Press, 2011), 189 and passim; Besnik Pula, *Globalization Under and After Socialism*, 1–7; Oscar Sanchez-Sibony, *Red Globalization: The Political Economy of the Soviet Cold War from Stalin to Khrushchev* (New York: Cambridge University Press, 2014), 3–9; James Mark and Péter Apor, ‘Socialism Goes Global: Decolonization and the Making of a New Culture of Internationalism in Socialist Hungary, 1956–1989’, *The Journal of Modern History* 87, no. 4 (2015): 852–91; James Mark, Artemy M. Kalinovsky and Steffi Marunged, eds., *Alternative Encounters. Eastern Europe and the Postcolonial World* (Indiana: Indiana University Press, 2018), 1–32; James Mark and Paul Betts, Introduction, in James Mark and Paul Betts, eds., *Socialism Goes Global: The Soviet Union and Eastern Europe in the Age of Decolonisation* (Oxford: Oxford University Press, 2022), 1–24; James Mark, Bogdan C. Iacob, Tobias Rupprecht, Ljubica Spaskovska, 1989: *A Global History of Eastern Europe* (Cambridge: Cambridge University Press, 2019), 1–24; Cornel Ban, *Ruling Ideas: How Global Neoliberalism Goes Local* (New York: Oxford University Press, 2016), 116–32; Cornel Ban, *Dependență și dezvoltare. Economia politică a capitalismului românesc* [Dependency and Development. The Political Economy of Romanian Capitalism] (Cluj-Napoca: Tact, 2014), 17–8; József Böröcz, ‘Dual Dependency and Property Vacuum: Social Change on the State Socialist Semiperiphery’, *Theory and Society* 21, no. 1 (1992): 77–104.

⁹Bockman, *Markets*, 189; Pula, *Globalization*, 1–7; Sanchez-Sibony, *Red Globalization*, 3–9; Ban, *Ruling Ideas*, 116–8.

¹⁰Nina Bandelj, *From Communists to Foreign Capitalists: The Social Foundations of Foreign Direct Investment in Postsocialist Europe* (Princeton, NJ: Princeton University Press, 2008), 57.

¹¹Pula, *Globalization*, 7.

¹²Joseph E. Stiglitz, *Globalization and its Discontents* (New York: Norton, 2002), 35; Peter Gowan, ‘Neo-Liberal Theory and Practice for Eastern Europe’, *New Left Review* 1, no. 213 (1995): 3–60.

¹³Sanchez-Sibony, *Red Globalization*.

¹⁴Bockmann, *Markets*.

'utility' were shaped by fears of workers' unrest. Both the possibility for and the limits of an East-West dialogue in the post-Bretton Woods era were established in this realm.

For its second move, questioning the global nature of the 1970s neoliberal transition, this article draws upon recent insights from historical anthropology, where the overly simplified assumptions of the transition from Fordism to flexible production have been increasingly questioned.¹⁵ By emphasizing the uneven and combined nature of Fordism right in the capitalist core, George Baca has convincingly challenged its unambiguous use as a clear-cut conceptual and historical reference point for understanding later transformations, and drew attention to the political dangers of a nostalgic illusion about its humanistic nature.¹⁶ Patrick Neveling went so far as showing that, in many parts of the world, the 1970s should be read not as a fracture between two modes of regulation but as a period of global consolidation. He argues that specific productive arrangements – like special economic zones – which have been usually equated with flexibility and the emergence of a global precariat are not a neoliberal invention; they took root as early as the late 1940s, were strengthened in the 1970s, and have since exploded in the Global South.¹⁷

Along the same lines, the Romanian story also complicates the classical narrative of the 1970s as a historical fracture that created radically new productive arrangements in a world threatened by oil and food crises and made fragile by the demise of Keynesianism. This article starts from a simple factual observation: efforts to introduce forms of flexibility in the Romanian planned economy could be observed as early as the mid-1960s, thus paralleling and sometimes preceding the neoliberal deregulation in the capitalist core. Bringing these processes together, into a global frame, requires that this article adopts a fully historicized notion of 'flexibility'. In this particular case, flexibility was born in the encounter between world encircling capitalist dynamics and the shifting logics of socialist accumulation. Eschewing the trope of socialism as capitalism's failed 'Other' allows for novel historical accounts about the region's globalization in the 1970s, and about how countries in the socialist bloc negotiated their position in the unstable geopolitical context of the Cold War.¹⁸ Within this analytic space, block concepts like 'neoliberalism', 'state socialism', or 'postsocialism' can be historicized as transnational encounters between different logics of accumulation, scaled political rationalities, and managerial cultures.

This article proceeds as follows: the first section sketches the contours of Romania's early socialist industrialization in the 1950s. The second section traces the country's transition to an increasingly capital intensive, technology driven, and export-oriented production after the mid-1960s. The third section moves on to investigate the pressures of flexibilization on the Romanian industry, highlighting the government's attempts to enhance financial responsibility at the industrial unit level. The fourth section explores 'the social world of socialist flexibility', investigating the ways in which a centrally planned economy relied on long-term patterns of social reproduction to maintain labour costs low. This article ends with a reassessment of the transition to neoliberalism from an Eastern European corner and proposes an alternative, more nuanced counternarrative of the 1970s in the capitalist core and beyond.

¹⁵David Harvey, *The Condition of Postmodernity: An Enquiry into the Origins of Cultural Change* (London: Wiley-Blackwell, 1991), 141–88.

¹⁶George Baca, 'Legends of Fordism: Between Myth, History, and Foregone Conclusions,' in *The Retreat of the Social: the Rise and Rise of Reductionism*, ed. B. Kapferer (New York and Oxford: Berghahn Books, 2005), 31–46.

¹⁷Patrick Neveling, 'The Global Spread of Export Processing Zones and the 1970s as a Decade of Consolidation', in *Changes in Social Regulation: State, Economy, and Social Protagonists Since the 1970s*, eds. K. Andersen and S. Muller (New York, Oxford: Berghahn Books, 2017), 23–40; Patrick Neveling, 'Structural Contingencies and Untimely Coincidences in the Making of Neoliberal India: The Kandla Free Trade Zone, 1965–91', *Contributions to Indian Sociology* 48, no. 17 (2014): 17–43.

¹⁸Jeffrey A. Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (New York: Norton, 2006), 414–34.

Dispossession, austerity, and hidden reserves of productivity after the Second World War

Bringing factories, banks, infrastructure, labour, and land under state control was the immediate task of the new economic executives after the Romanian Workers' Party came to power in 1947. As in most Eastern European nations, the Soviet-backed communist government proceeded to the nationalization of factories and of the financial system (1948), to the collectivization of land (1948–62), and to the implementation of central economic planning (one-year plans in 1949 and 1950, and the first five-year plan in 1951–55).

The collectivization of land was a longer and messier process than the nationalization of factories. It involved convincing the peasants to give up their land, negotiating the often-explosive emotions that accompanied expropriation, pushing for the disintegration of village hierarchies, and ultimately, brutally curbing resistance in the countryside.¹⁹ Although the slow pace of collectivization can be read as a political failure, it nevertheless allowed the state to use resources from the still private agricultural sector to subsidize state industry and squeeze the countryside through price scissors, high taxes, compulsory deliveries, and confiscation of liquidities. In the process, the rural was constituted into a systemic *other*, which would provide cheap food, raw materials, and labour to the cities and would subsidize industrial development throughout the socialist period.²⁰

The first years of socialist industrialization were marked by chronic scarcity of capital, aggravated by the burden of heavy war reparations and disadvantageous trade relations with the Soviet Union. On the shop floor, the Romanian Workers' Party had only one means to increase productivity: to make workers work more, faster, and (rarely) better. The advance of piece-rate remuneration was frantic. It was accompanied by an entire constellation of laws, decrees, and regulations designed to further the commodification of labour and to establish a regulatory frame that allowed for fully centralized control over social security and consumption, both fundamental for keeping labour costs low. This legislative assemblage drew both on the interwar history of using labour regulation against the intensification of class conflict and on the increased state control over prices and wages during the Second World War.²¹

Post-1945 socialist regimes in East-Central Europe were supposed to become a historical embodiment of the combination between a religious admiration for Marx and equal veneration for Henry Ford's practical ideas that characterized the Soviet Union in the interwar period. The plan itself was imagined as an assembly line, coordinating the specialized and standardized tasks of an economy that both Lenin and Stalin imagined as the management of one company brought to scale of an entire nation. A peculiar mixture of Taylorism-inspired models of efficiency and labour heroism was articulated around the notion of 'hidden reserves of productivity', a belief that capacity for growth was not fully predictable at the time of planning, because it rested on workers' ability to infinitely expand their productive capacity through learning and mobilization.²² Due to the lack of technical expertise on the shop floor, the early Romanian socialist worker was

¹⁹Constantin Iordachi and Dorin Dobrinu, 'The Collectivization of Agriculture in Romania, 1949–1962', in *The Collectivization of Agriculture in Communist Eastern Europe: Comparison and Entanglements*, eds. C. Iordachi and A. Bauerkamper (Budapest: Central European University Press, 2014), 251–92; Gail Kligman and Katherine Verdery, *Peasants Under Siege: The Collectivization of Romanian Agriculture, 1949–1962* (New Haven: Princeton University Press, 2011), 324–68.

²⁰Alina-Sandra Cucu, 'Socialist Accumulation and Its "Primitives" in Romania,' *International Review of Social History*, 67, no. 2 (2022): 251–74.

²¹Adrian Grama, 'The Cost of Juridification: Lineages of Cheap Labor in Twentieth-Century Romania,' *Labor* 17, no. 3 (2020): 30–52; Adrian Grama, *Laboring Along: Industrial Workers and the Making of Postwar Romania* (De Gruyter: Oldenbourg, 2019), 40–8, 125–70. For the Hungarian case see Martha Lampland, *The Object of Labor: Commodification in Socialist Hungary* (Chicago: University of Chicago Press, 1996), 35–108; Martha Lampland, *The Value of Labor: The Science of Commodification in Hungary, 1920–1956* (Chicago: University of Chicago Press, 2016), 109–38.

²²Alina-Sandra Cucu, 'Producing Knowledge in Productive Spaces: Ethnography and Planning in Early Socialist Romania,' *Economy and Society* 43, no. 2 (2014): 211–32.

Table 1. Evolution of the relationship between consumption and accumulation fund²³

Years	Consumption fund (%)	Accumulation fund (%)
1951–1955	75.70	24.30
1956–1960	82.90	17.10
1961–1965	74.50	25.50
1966–1970	70.50	29.50
1971–1975	66.30	33.70
1976–1980	64.00	36.00
1981–1985	69.30	30.70
1986–1989	74.30	25.70

supposed to become an innovator, an active improver of production, and a bearer of progressive historical consciousness. Unlike Taylor's 'trained gorilla' and its Fordist extension into the realm of social reproduction, early socialist workers were going to see their individual consumption kept at a minimum, as a generalized propensity towards austerity fuelled the Romanian economy in the first twenty years after the Second World War.

Workers' grumble was common when confronted with the state's drive towards austerity and with its policy of eliminating parasitic consumption.²⁴ While consumption funds were low throughout the 1948–1989 period,²⁵ they rose briefly during the second five-year plan (1956–60) as a response to the fear that workers' uprisings in the socialist bloc would become contagious (see Table 1). Immediately after the second five-year plan though, the accumulation/consumption ratio returned to its previous level, and most investments got redirected to the development of heavy and export-oriented industries.

In a nutshell, early socialism was articulated as a bureaucratically managed accumulation regime, which brought together a specific combination of surplus extraction mechanisms: the direct dispossession of the capitalist class and of a large part of the peasantry; the transformation of rural areas into a reservoir of cheap food, raw materials, and manpower; a restrictive wage policy combined with politics of productivity heavily inspired by the Soviet versions of Taylorism; and the strategy of keeping labour cheap by ensuring that its reproduction costs were socialized throughout the population.²⁶

Feared friends, ambiguous foes: Romania's turn towards the West

The specific form taken by early socialist accumulation was going to change at the end of the 1950s, when growth rates within the Comecon started to slow down. To address this crisis, the Soviet Union proposed its own version of a 'spatial fix': a new regionalization of the Eastern Bloc, which would allow for more effective investment policies, for a reassessment of manufacturing capacities, and for intensified collaborations. The change was not innocuous and was interpreted immediately as an attempt to deepen the centre-periphery logic of the socialist world. For Romania, the proposals for a new/old socialist division of labour involved not only increasing pressures to accept the role of supplier for the more advanced economies of the region but also potential territorial losses. The exploitative logic that would have further hindered Romania's economic development was denounced as unacceptable by the Communist Party, and a 'distancing from Moscow' ensued after 1962, when Romanian executives blocked a series

²³Romanian Statistical Yearbook 1990, 240.

²⁴Alina-Sandra Cucu, *Planning Labour: Time and the Foundations of Socialist Industrialism in Romania* (New York: Berghahn, 2019), 75–108; Grama, *Laboring Along*, 125–78.

²⁵Romanian Statistical Yearbook (Bucharest: Comisia Nationala pentru Statistica, 1990), 240.

²⁶Cucu, *Planning Labour*.

of proposals for replacing the loose coordination within the Comecon with transnational joint planning.

Romanian executives imagined alternative development plans, which were going to function as a protective shield against the threat of regionalization in the Eastern bloc, and fed directly into the nationalist revival associated with Nicolae Ceaușescu's political leadership. If the 1950s were characterized by socialist internationalism and internal reliance on direct dispossession, hyper-exploitation of the peasant economy and low wages, the next decade was marked by quasi non-violent labour relations and by an increasing openness towards the capitalist world. It is crucial to understand this openness as emerging initially as a reaction against what the Romanian government read as a threat to its territorial integrity and against the reproduction of historically constituted interstate hierarchies in the region. In this context, socialist flexibility can be read as a tool to reconfigure the country's socialist economy as a *national* economy. Forced by the hierarchical context of the Comecon, the Romanian national economy was initially a negative statement, a drawing of boundaries against anything that could hinder growth. Starting with the mid-1960s, the confrontation between peripheral countries like Romania and the stronger economic players in the Eastern Bloc, such as the Soviet Union or Czechoslovakia, can be read in an 'Arrighian' way: as a conflict between two visions of organizing the relationship between labour, territory, and population: the 'cosmopolitan-imperial' (extensive) regime and the 'corporate-national' (intensive) one.²⁷

The orientation towards high value-added manufacturing, trading on global markets, and chasing Western capital went hand in hand with a protectionist discourse and with a corporatist vision of industry, inspired by the writings of Mihail Manoilescu, a prewar economist of fascist orientation.²⁸ A nationalist technocracy emerged, constituted as an encounter between two generations of economists: an earlier generation, who regained their prewar voice and authority and pushed forward a vision shaped by interwar debates; and a new one, constituted by sons (and rarely daughters) of peasants and workers, who managed to have spectacularly ascendent social mobility trajectories, and whose destiny was indissolubly linked to the industrial development of the country.

This new course was initially successful. Romania's GDP per capita more than doubled in 1970s, when it reached a limited convergence towards the European average for the first time ever. In hindsight, Romania fruitfully joined what one could call the 'trade for development' trend that marked the policy shift from import substitution to industrial upgrading and export orientation in many developing countries.²⁹ The Romanian endeavours in these directions were aided by the fact that due to their reliance on Soviet energy supplies, socialist countries felt the effects of the 1973 oil crisis late. The first rise in oil prices was further alleviated in Romania because of the nation's standing as a long-term oil producer. However, oil reserves started to dwindle at the end of the 1970s as the rapid pace of industrialization pushed Romanian energy consumption up. In just a few years, Romania shifted from being a small exporter of fossil fuel to a sizeable net importer. Trade deficits with the capitalist core and with Middle Eastern countries increased as oil prices skyrocketed in the late 1970s and early 1980s. By the mid-1980s, Romanian exports had lost much of their Western markets. In addition, many Romanian investment projects in the developing countries failed in the late socialist period, even when they were set up within a commodity barter framework.

The industrialization path the Romanian government embarked on was in general a costly one and required significantly higher investments than during the postwar period. The share of

²⁷Giovanni Arrighi, 'Spatial and Other "Fixes" of Historical Capitalism' (paper presented at the conference on globalization in the world-system: mapping change over time. University of California, Riverside, 7–8 February 2003).

²⁸Daniel Chirot, 'The Corporatist Model and Socialism,' *Theory and Society* 9, no. 2 (1980): 363–81; Joseph L. Love, *Crafting the Third World: Theorizing Underdevelopment in Rumania and Brazil* (Stanford: Stanford University Press, 1996), 82.

²⁹Frieden, *Global Capitalism*, 351–7.

industrial investments in GDP rose from 18% during the first five-year plan (1951–55) to 34% for the years 1971–75.³⁰ In the 1970s, export-oriented industrial development generated a hunger for capital that could only be satiated by turning to Western countries, companies, and banks for help.³¹ From the late 1970s onward, contracting international debt appeared to be the only solution to finance new industry and development projects. Although Romania had initially adopted a prudent policy towards foreign debt, caution had to be dropped when the 1978/79 global recession eliminated cheap loans for development. For most of the 1970s, with an excess of petrodollars from the OPEC countries in their accounts, Western financial institutions had been eager to offer loans to the centrally planned economies of Eastern and Central Europe. Yet, Romania borrowed money at the cliff's edge of this trend. Throughout the 1970s, foreign investment and international lending grew to unprecedented levels: foreign investment from 15 billion US dollars to \$100 billion; international lending from 25 billion dollars to \$300 billion.³² Moreover, the debt crisis in Latin America and the second oil crisis pushed the American Federal Reserve to try to stop stagflation by dramatically increasing its interest rates, which cascaded globally. Thus, Romania financed its industrial expansion in the early 1980s through expensive loans, which could only be rescheduled under massive penalties.³³

In the 1980s, the situation of the entire Eastern European Socialist bloc turned dire. In fact, Yugoslavia, Bulgaria, and Poland entered insolvency and had to reschedule repayments; inflation spiked in Poland, Yugoslavia, and Hungary. Romania was the only country in the region turning to extreme austerity – what the country's leaders called 'voluntary restraint' – to escape its financial dependency on international loans. Import substitution, raw materials and energy cuts, and a dramatic restriction of individual consumption allowed once again for high-level industrial investment.³⁴ In 1989, when people took to the streets against the dictatorship of Nicolae Ceaușescu, Romania was free of debt.

Changing structures of socialist accumulation

As we have seen, dependency on Western markets became a steppingstone for a political vision that saw top-down industrialization as the main answer to a long history of backwardness and economic isolation. Opening to the West in the 1960s and 1970s forced the Communist Parties to leave behind the 1950s highly exploitative politics of productivity. Now the hope was for economic growth increasingly driven by high value-added manufacturing, as well as access to Western markets, capital, and technology.

The turn towards capital intensive, technology driven, and export-oriented production was going to pose new challenges to the Romanian economic executives and sparked an uncomfortable conversation about the encounter between a centrally planned economy and the capitalist strategies for investment and trade. In this conversation, the problems of socialist flexibility were articulated around several issues: financial responsibility at the industrial unit level; the adaptability of planning mechanisms and price setting; institutional infrastructure; scale of economic decision-making; and expertise formation. Romanian state officials repeatedly stated that changes in these fields were political in nature, addressed the socialist project as a whole, and had 'favourable influences over the development of economic life that *could not find a monetary expression*'.³⁵

³⁰Ban, *Dependență și dezvoltare*, 50.

³¹Ban, *Dependență și dezvoltare*, 71; Cornel Ban, 'Sovereign Debt, Austerity, and Regime Change: The Case of Nicolae Ceaușescu's Romania,' *East European Politics and Societies* 26, no. 4 (2012): 743–76.

³²Frieden, *Global Capitalism*, 397.

³³Ban, *Dependență și dezvoltare*, 65; Ban, 'Sovereign Debt'.

³⁴Ban, *Dependență și dezvoltare*, 70–6; Ban, 'Sovereign Debt'.

³⁵Arhivele Naționale ale României (henceforth ANIC) [National Archives of Romania], Central Committee of the Communist Party, Economic Section (henceforth CC Economica), 49/1967, 20.

However, as this section will make clear, it was precisely the ‘monetary expression’ of these transformations that preoccupied them.

Alongside Yugoslavia, the Romanian government most actively pursued cooperation with the West. By 1974, Romania’s trade with advanced capitalist economies had exceeded that with its socialist economic partners, and exports to the capitalist countries comprised one quarter of Romania’s GDP.³⁶ This trend further materialized into a series of bilateral trade agreements with Western European states: The United Kingdom, France, Austria (1976), Italy (1977), Belgium-Luxembourg (1978), Germany (1979), and the Netherlands (1983).³⁷ Romania was the first socialist country to join international treaties and organizations like the The General Agreement on Tariffs and Trade (GATT) (1971), The International Monetary Fund (IMF), and The International Bank for Reconstruction and Development (IBRD) (1972). In just one decade, Romania became heavily reliant on Western technology imports and knowledge transfers. It also capitalized systematically on Third World development, by exporting its own expertise and technology in oil, oil-based products, and extractive infrastructure in countries from Africa, Latin America, and the Middle East.³⁸

Romania’s international collaborations covered a wide range: specialization of major economic branches within the Comecon, thus sharing the advantages of long-term political alliances; turnkey plants, often paid through barter; licences and technical knowledge for new products, later used as repayment; participation in transnational supply chains; and joint ventures. A French-Romanian bank in Paris, an English-Romanian bank in London, and a multinational joint bank in Frankfurt with Romanian, French, and West German participation supported the Romanian Bank for Foreign Trade in its daily operations.³⁹

Although some countries in the Soviet bloc had already established joint ventures in the 1960s,⁴⁰ the Comecon officially recognized them in 1971 as a valid form of doing business with companies in the capitalist core and in the developing world. Joint ventures represented the most direct way for the socialist economies to absorb the world’s latest technological advances without having to pay for them. The Romanian state reacted quickly to the Comecon’s openness. New laws were passed, and decrees issued, which regulated foreign trade and the operations of joint ventures.⁴¹ Nevertheless, despite diplomatic efforts to attract Western capital and expertise, involvement in joint ventures remained heavily skewed towards outsourcing local expertise and industrial output to the developing world. According to the literature of the period, in 1976, Romania was part of 260 cooperation agreements, 127 turnkey plants, 44 consultancy contracts, 34 mixed trading companies, and over 30 industrial and agricultural mixed ventures, respectively, most of them in the developing world.⁴² Only six joint ventures had been established on Romanian territory by

³⁶Ban, *Dependență și dezvoltare*, 70.

³⁷<https://icsid.worldbank.org/resources/databases/bilateral-investment-treaties>, accessed August 8, 2022.

³⁸Roland Schönfeld, ‘Romania’s “Mixed Ownership Companies”: A Showcase Example of East-West Industrial Cooperation?’ *Soviet and Eastern European Foreign Trade* 13, no. 4 (1977/1978): 25–49.

³⁹Schönfeld, ‘Romania’s “Mixed Ownership Companies”’.

⁴⁰Czechoslovakia, Yugoslavia, and Hungary.

⁴¹Law 1/1971, ‘On foreign trade activity and economic, technical and scientific cooperation of the Socialist Republic of Romania’; Decree 2/1975, ‘On the establishment of the department for international economic cooperation attached to the Ministry for Foreign Trade and International Economic Cooperation’, and the special laws on participation: Decree 424/1972, ‘On the establishment, organization, and functioning of mixed companies in the Socialist Republic of Romania’; Decree 425/1972, ‘On control of the profits of mixed companies established in the Socialist Republic of Romania’; and Decree 52/1975, ‘On the participation of Romanian economic units in mixed companies abroad’.

⁴²Schönfeld, ‘Romania’s “Mixed Ownership Companies”’; Radu Ioan Șimandan, Gabriel Claudiu Mursa and Vlad Pașca, ‘The Silence of the Herd: Exploring Ownership Concepts in Communist Romania’, in *Populating No Man’s Land: Economic Concepts of Ownership Under Communism*, ed. J. M. Kovács (Lanham: Lexington Books, 2018), 207–30; Alexandru Deteșan, *Societăți comerciale—societăți mixte: formă eficientă de cooperare internațională* [Trading Companies – Joint Companies: Effective Form of International Cooperation], Supplement of *Viața Economică* (Bucharest: Intreprinderea Poligrafică Informația, 1972); Grigore Florescu, *Societățile mixte în România: nouă formă de cooperare internațională* [Joint

1976, all of them in the industrial sector, and with partners from advanced capitalist countries: Romcontroldata (peripheral computer devices, the USA), Reșița-Renk AG (heavy industry, Federal Republic of Germany), Rifil (acrylic fibres, Italy), Roniprot (stoves, Japan), Romelite (precision chains, Austria), and Oltcit (automotive, Citroën, France).

In all six businesses, the foreign partner committed to selling part of the output on Western markets, while the Romanian foreign trade companies, which always held shares in the joint ventures, ensured sales on Comecon markets. At the planning stage, the life of these companies was estimated at 15–20 years, enough time for the Romanian partner to assimilate the Western technology and produce it domestically. Their profits bore a 30% tax, but only 10% in case the profits were reinvested in Romania. The state retained ownership of at least 51% of shares in all joint ventures in Romania and placed them strictly under national legal jurisdiction. The legislative frame that governed them was designed to ease international exchanges while retaining the state's decisional power over the functioning of the economic unit, which, as we will see, was fundamental where labour issues were concerned.

Governmental price setting turned into a major hurdle once the volume of the foreign currency fund became a crucial indicator for assessing the rentability of Romanian foreign trade. Production costs for export commodities were calculated in different currencies – roubles for trade within the socialist bloc, US dollars for other countries, and sometimes other national currencies for trade with Western European companies. Every category of goods had different import and export exchange rates set by the government to ensure that at the end of the commodity chain, Romanian industry would earn not simply more money but also *more foreign currency*. Factories in Romania produced commodities at different prices: one calculated in foreign currency according to the costs of raw materials, labour, energy, transport, plus export primes and taxes; and one in Romanian lei, decided by decree, to estimate equivalences between various products of Romanian factories.

The Foreign Trade Ministry constantly pushed planners to set up a new price system, which would correct the often-weak correlation between internal prices and those on the world market.⁴³ As the Minister emphasized in a meeting of the Economic Section of the Romanian Communist Party,

As we know, in a socialist economy, prices are used both as an instrument for measuring social production expenditures (and economic efficiency, implicitly) and as levers for political and economic objectives, which can be influenced by the price policy. Consequently, in practice, there are situations when using price as a lever introduces distortions, sometimes important, to its function as a measure of value for the commodities.⁴⁴

Governmental officials warned that the centralized price system endangered the possibility of calculating the impact of exports and imports upon socialist accumulation. Already in the mid-1960s, state officials bluntly claimed that 'given the current practice of setting prices internally, both for imported and for exported commodities, no analysis of the rentability of foreign trade could be completed'.⁴⁵

With access to foreign currency a goal in itself, a new methodology for determining the impact of foreign trade on the national income was adopted in 1967. Governmental officials aimed to

Ventures in Romania: New Form of International Cooperation] (Bucharest: Litera, 1977); Ion Rucăreanu, *Societățile mixte constituite în Republica Socialistă România: fundamentare, caractere, constituire* [Joint Ventures Established in the Socialist Republic of Romania: Basis, Characteristics, Establishment], Institutul de Cercetări Juridice (Bucharest: Editura Academiei Republicii Socialiste Romania, 1976).

⁴³ANIC, CC Economica, 49/1967, pp. 6.

⁴⁴ANIC, CC Economica, 49/1967, pp. 4. All translations of the archival documents from Romanian into English are the author's.

⁴⁵ANIC, CC Economica, 49/1967, pp. 4. See also Sanchez Sibonyi for a similar argument in the Soviet Union.

simplify the calculation of profits from foreign trade: based on equal volumes of export and import, a ratio was created between 'the volume of social labour – living and materialized – spent in the country for producing the exported goods, and the volume of social labour necessary for producing the imported goods'.⁴⁶

Struggles to adjust to the requirements of trading with capitalist countries were also apparent in the evolution of the price system for trade within the Comecon. Until the late 1950s, Comecon trade inside the socialist bloc relied on fixed prices, calculated as steady commodity equivalents. Already in 1958, a new agreement signed by the socialist countries in Bucharest allowed the prices to be adjusted once every five years, relating intra-Comecon commodity prices to the previous five-year average of the world-market price. Responding to the oil crisis of 1973, Comecon prices came to be adjusted annually to the previous five-year world-market average to enable reasonable cushioning from extreme price fluctuations on global markets.⁴⁷

In Romania, navigating the encounter with the capitalist financial system required a new institutional infrastructure. The government divided the State Bank, a branch of the National Bank, into two departments: one for agricultural credit and one for foreign trade, which were going to guide the credit system on which the functioning of the Romanian centrally planned economy rested, as well as the economic units that were using foreign currency in their daily operations. They were also going to correct the flaws exhibited by the credit system at the time, flaws that were clearly articulated by a governmental official in a meeting of the Economic Section of the Party Committee:

The current system of clearing and credit allows factories to make unrestricted payments without having a market for their products, after they exceeded the production cost, and despite nonrational provisioning, underfulfilment of their production plan, underuse of raw materials, and lack of liquidities in their bank account. These enterprises are not forced to manage themselves better, to fulfil their plan targets in time, or to ensure the financing of their production needs and their obligations to a third party.⁴⁸

The financial discipline at the enterprise level would thus be enhanced by replacing what socialist planners considered an overly lax system of financing economic activity (basically a soft budget constraint⁴⁹) with new fiscal practices.

Apart from the politics of calculation enabling Romanian participation in foreign trade, the 1960s saw increasing pressure for the decentralization of production. Negotiations for decentralization started in 1966, when the largest export-oriented industrial units tried to persuade the government to allow them to sell their products directly to foreign partners, without the intermediation of foreign trade companies.⁵⁰ Their lobbying for increasing control over foreign trade was partly successful, and by the end of the year, import-export offices were implemented at the factory level. Such export offices had to plan and follow through the shipping of commodities, ensure technical assistance in partner countries, prevent delays, and train delegates for visits abroad (including through intensive French and English courses).⁵¹ They ensured more fluidity in supply and freed up time for Foreign Trade Ministry officials to focus on prospecting global markets, assessing prices, and promoting Romanian products abroad.⁵²

⁴⁶ANIC, CC Economica, 49/1967, pp. 20.

⁴⁷Ivan Berend, *Central and Eastern Europe, 1944–1993* (Los Angeles: Cambridge University Press, 1996), 168–9.

⁴⁸ANIC, CC Economica, 73/1967, pp. 7.

⁴⁹János Kornai, *The Socialist System: The Political Economy of Communism* (Oxford: Oxford University Press, 1992), 140–5, 466.

⁵⁰ANIC, CC Economica, 12/1966, pp. 36.

⁵¹ANIC, CC Economica, 26/1967, pp. 72.

⁵²ANIC, CC Economica, 54/1966, pp.22.

Prospecting markets became a priority of the National Economy Institute, the oldest public institute for economic research in Romania, whose role was to examine the latest conjunctures of the world economy, to find new markets for Romanian products, to discover the best deals for raw materials, and to keep track of price fluctuations in real time.⁵³ Thus, decentralization did not simply shift power to factory managers. It also created a new layer of officials with a special kind of leverage in the decision-making of central planning.

The biggest step in decentralizing production and enlarging the power of certain enterprises was the establishment of what came to be known as *centrale*: 191 economic units with coordinating power over certain industrial sectors.⁵⁴ Two-thirds of these units were organized around actual factories, whose importance had been decided on the basis of size, export capacity, and location (infrastructural connections and access to raw materials). The establishment of the *centrale* was accompanied by a new wage system, new contractual relations between firms, a more efficient surveillance of investments, and simplification of the administrative apparatus.

Calls against ‘excessive centralization’, for an ‘elastic production’, and for a ‘flexible vision’ multiplied in the executive meetings of the Economic Section of the Party Committee and of the ministries. As the Romanian president Nicolae Ceaușescu stated, Romania was leaving behind its peripheral status of an ‘oil, wood, and corn’ exporter, so it also needed ‘completely different types of tradesmen’.⁵⁵ In addition to a ‘healthy social origin’, the ideal employees of the import-export offices at the factory and governmental levels would not only be experts in Marxism-Leninism but also have an ‘inclination’ for trade, ‘simply like commerce’.⁵⁶ “[L]ack of experience” in foreign trade was compensated by an appeal to “specialists and consultants” from the capitalist countries, who were to be reimbursed accordingly’.⁵⁷

These collaborations were complemented by an increasingly Westernized education in industrial management. The Ștefan Gheorghiu Academy, an institute for the political training of the Party elite founded in the 1950s, was deeply transformed by this technocratic movement. In 1972, the first generation of ‘leaders in production, trade and agriculture’ graduated from this institution. The graduates were factory directors, engineers, and accountants who already held positions in socialist factories. Their dissertations tackled concrete problems in production in particular industries and industrial sectors. Workers’ and foremen’s knowledge about the ‘hidden reserves’ of the shop floor that was so important in the 1950s now entered the realm of expertise, personified by a new generation of technocrats whose fate depended on collaboration with the West. While in the 1950s, factory managers were appointed according to proven allegiance to the Communist Party, post-1960s technocrats embodied an ethos that reflected both the winds of change in the upper political echelons, and a new understanding of what accumulation meant, and of how it would be achieved in practice.

The politics of labour flexibility

Integration into the global capitalist dynamics of the 1960–70s was imagined as a pressuring force that would make the national economy more profitable. In Ceaușescu’s somewhat poetic words,

The role of foreign trade is to increase the elasticity of production, to stimulate specialization according to the laws of competitive advantage, and to defend the economy from the dangers of dropping performance. Dynamic economies of small dimension – and our economy is very dynamic – find their path to development by opening to external markets, by

⁵³ANIC, CC Economica, 12/1966, pp. 21.

⁵⁴ANIC, CC Economica, 14/1971.

⁵⁵ANIC, CC Economica, 12/1966, pp. 10.

⁵⁶ANIC, CC Economica, 12/1966, pp. 26.

⁵⁷ANIC, CC Economica, 12/1966, pp. 36.

continuously training their labour force, *by keeping it cheap*, and by using craftsmanship to ennoble every ton of metal, every stere of timber, every ton of cotton, every stere of gas, and every hectare of tillage.⁵⁸

The General Secretary of the Romanian Communist Party was not ambiguous when placing one of the country's most important competitive advantages on its skilled and cheap labour force. Let us take a closer look at the mechanisms of 'keeping labour cheap' in late socialist Romania.

Assessing the *actual* price of labour in socialism remains a scholarly puzzle given the centralized setting of wages, the absence of a 'proper' labour market, and the share of social consumption in workers' real wages. It was also a daunting task for socialist executives, tasked with assessing the performance of a labourer, factory, or industrial sector against the performance of the Romanian national economy as a whole. The complications of these calculations are beyond the aim and scope of this article, but we can still get an idea about how the cost of Romanian labour was assessed, and about how it entered the calculation of commodities for the foreign market and counted in the functioning of joint ventures.

As Western economists noticed at the time, 'at hourly wages of between 1.30 and 2.00 US dollars per hour fully-loaded', workers on 'the Eastern European labour market [could] compete with anyone around. And most [were] located within only 1,500 kilometres from Central Europe'.⁵⁹ In addition, the cost of labour in socialist countries was stable. Modest wage increases allowed for predictable long-term production costs. The generalized acceptance of shift work and extra hours, the six-day work week, and the absence of strikes made a world of difference when compared to the post-1968 intensified industrial conflict and rapidly rising wages in many Western countries. For instance, the 1976 contract between Citroën and the Romanian government stipulated workers' hourly earnings at 1.70–2.70 US dollars. In 1980, as production was about to begin at the factory in Craiova, gross hourly earnings for manufacturing in the French automotive industry were approximately 11 US dollars.⁶⁰ In low-wage Spain, where Citroën's largest European factory operated, they were around 7 US dollars.⁶¹ Over the next 15 years, hourly wages in Spanish automotive factories more than doubled, while in countries like Germany or Belgium, they increased by around 50%.

The issue of workers' financial incentives was a thorny one for the Romanian government. First, it was in tension with the idea of labour heroism and with the (partly fictive) loyalty of the working class to the socialist project. Second, it questioned the way in which exploitation was organized in socialism, its limits, and its results. Immediately after the Second World War, a new wage system was introduced, to indissolubly link labour productivity to workers' wages and support the generalization of the piece-rate system, which ranked high on the state agenda.⁶² Romanian political economy journals of the 1950s described the system as the reflection of a 'just correlation',⁶³ which signified that the nominal income – corresponding to the skill ladder and the working conditions of a specific industry – would increase more slowly than the real wage. Increases in real wages had to be slower than the rise in labour productivity. But in practice, a system where the nominal income remained low offered no motivation for skilling and improvement in the organization of production and made workers resist any norm recalculation. Even

⁵⁸ANIC, CC Economica, 26/1967.

⁵⁹Jan Vanous, quoted in Noah E. Gotbaum, 'The Human Factor: Management and Personnel Issues in East-West Joint Ventures,' in *International Joint Ventures: Soviet and Western Perspectives*, eds. A.B. Sherr, I.S. Korolev, I.P. Faminsky, T.M. Artemova and E.L. Yakovleva (New York, Westport CT, London: Quorum Books, 1991), 221.

⁶⁰Decree 424/1976 for the establishment of the joint venture between Citroen and the Romanian state.

⁶¹According to Verband des Automobilindustrie e. V. (VDA). Frankfurt, cited in Brian Atkinson, Frank Livesey and Bob Milward, *Applied Economics* (London: McMillan, 1998), 252 (the figures are given in German Marks (DM) in the original text and transformed in 1980 US dollars by the author for comparison).

⁶²Cucu, *Planning Labour; Grama, Laboring Along*.

⁶³Parpală, O. 'Despre importanța unei juste corelații între venit și productivitatea muncii' [On the importance of a just correlation between income and productivity], (*Probleme economice*, 1958): 84.

worse, it did not lead to a significant rise in productivity. Despite the centrality of productivist obsessions, as Romania was turning towards higher value-added exports, labour productivity was still growing much slower than socialist planners projected. Taking 1965 as a baseline, labour productivity increased by only 57% compared to the 70% projected for the next five years.⁶⁴ The spectacular economic growth of the 1960–70s continued to depend on a high level of investment, on the absolute and relative increase of the industrial labour force, and on low wages, rather than on an increasing efficiency of the labour process.

The idea of motivating management and workers to increase productivity became the mantra of the late 1960s. In 1967, a new system of incentives was implemented at the factory level to reward the export-oriented efforts of particularly praiseworthy executives and ‘elite workers’. A less obvious aim was to ‘fix’ workers in the factory, as labour turnover continued to be a problem throughout the socialist period. A foreign currency fund of 10% of whatever exceeded the export plan was constituted to reward the employees who contributed to this achievement, with a parity of one Romanian leu (the official currency) for one leu-valuta (the value of leu that was used in foreign trade and had a higher value). Monetary incentives were thus offered to employees of export-oriented factories in addition to trips abroad, consumer goods coupons, and priority access to housing.⁶⁵

Ceașescu explicitly linked the pecuniary incentives to the state’s efforts of enhancing financial and work discipline:

There must be also financial responsibility for the factories vis-à-vis the ministries. Today, we have this system of fines and penalties for all sorts of deviations from the plan. But after all, the state bears all the costs, the factory management feels these penalties only morally, when they see the price of commodities rising . . . We need to find ways to make the ones who lead our factories feel these losses, like in capitalism, where the capitalist immediately feels the profit is not in his pocket . . . In our case, it is the national economy who feels the loss, it is the state who feels it . . . I agree, the factory director should earn more, he should be motivated, but he should also know that if he works poorly, he will lose 2,000 lei from his own pocket. And we need to find a system of incentivize the workers, too. They also need to bear financial responsibility for the damages they cause, including for absenteeism . . . We need bolder solutions, not to be stuck in what the old manual of political economy tells us. We won’t find all the solutions there!⁶⁶

Ceașescu’s blunt exposé was followed by a minister’s comment that ‘there are some capitalist laws that are very effective, like competition and material incentives’ in the results of production and trade. He continued by arguing for the introduction of the 13th salary in the socialist industry because in capitalism it had ‘a very important role’.⁶⁷

Although labour shortage was not as severe as in the 1950s, the competition for good workers continued. Joint ventures had a uniquely favourable position in this competition for several reasons: first, joint ventures employees benefitted from a 15% wage bonus; second, they trained some of their employees in the mother companies, which meant that workers, engineers, and managers who could rarely leave the country had the opportunity to live in Western Europe for three months to one year. More money, the possibility of training abroad, and the promise of working in a high-technology, well-organized environment were precisely the incentives recruitment teams offered the best foremen in order to convince them to apply for a job and bring their best workers with them. This way, joint venture factories did not get only good workers but good working relations and compatible teams.⁶⁸

⁶⁴ANIC, CC Economica, 13/1966.

⁶⁵ANIC, CC Economica, 4/1967.

⁶⁶ANIC, CC Economica, 9/1966, pp. 7.

⁶⁷ANIC, CC Economica, 9/1966, pp. 7.

⁶⁸As often confirmed, for instance, by foremen from Olteci, during my ethnographic fieldwork in Craiova, 2019–2020.

Table 2. Average real monthly income, Romanian lei

	1950	1955	1960	1965	1970	1975	1980	1985
Wage earners	337	499	802	1028	1289	1595	2238	2670
Collective farmers	172	381	416	506	589	1018	1388	1741
As share	51	76	52	49	46	64	62	65

Collective members' real average monthly income as share of wage earners' (percent). The nominal income of the collective farmers includes both payments in kind and in cash. Source: Ronnäs, *Urbanization in Romania*,⁶⁹ author's calculations.

Like elsewhere in the socialist bloc, hoarding tools, industrial machines, raw materials, and labour were common practices. The hoarding of labour directly impacted the import of complex installations and the establishment of turnkey industrial plants, for which the foreign partners had specified the number of workers to be used for each task. The instructions were never respected, making the top Party executives complain that whenever a turnkey factory was imported, the mother company 'required x workers, and the factory managers hired x plus 1,000'.⁷⁰

Factory managers were criticized for endlessly requesting investments for expansion, while some factories functioned at only 15–30% capacity. Hence, the official recognition of the need for labour flexibility was accompanied by calls for a spatial reorganization of production. Ceaușescu even started to question the prototypical socialist factory, with its large social infrastructure supporting the paternalist vision of Soviet Fordism.

We need to reconsider if we need to build factories with 4–5 floors when we already have scattered capacities that can be used. Advanced countries like Switzerland, Germany, and France outsource work tasks in the light industry to households. Of course, somebody could say that this is not socialism, but we need to follow a more realistic line, which takes into account the possibilities of our national economy.⁷¹

In the 1970s, the state expanded this logic to textile and leather manufacturing, based on a model of the local cooperatives, which had used home-based work since the 1930s. Because it made use of physical space more effectively, because it decreased commuting costs, and because cooperative wages were much lower, outsourcing increasingly made its way into the official discourse. Again, socialist Romania followed a global Western trend rather than a socialist blueprint during the 1970s.

In terms of income stability, social security, and permanent employment, the Romanian countryside was a world of difference, where labour flexibility translated in systematic hardships and day-to-day uncertainty. Discursively, agriculture represented a state priority, especially since Romania was a cereal exporter. However, during the first five-year plan, only 10% of investments went towards agricultural production, and less than 20% in the following decades, when collective farms rose to dominance.⁷² Paying collective farmers much lower incomes compared to those of the factory workers represented essential ways to socialize the cost of industrial labour throughout the economy in the socialist period. As Table 2 shows, collective farmers earned roughly 50% of wage earners in 1950 and itched up to 65% in 1985.

In fact, members of agricultural cooperatives were paid for day-work, which depended on plan fulfilment. All earnings were season dependent, and winter income was meagre. Since collective farmers were partly paid in kind (including bonuses for exceeding the agricultural production plan after 1955), they always had less cash to buy consumer goods than industrial workers.

⁶⁹Per Ronnäs, *Urbanization in Romania: A Geography of Social and Economic Change Since Independence* (Stockholm: Economic Research Institute, Stockholm School of Economics, 1984), 72.

⁷⁰ANIC, *CC Economica*, 42/1966, pp. 12.

⁷¹ANIC, *CC Economica*, 42/1966, pp. 8.

⁷²Murgescu, *România și Europa*, 338.

Table 3. The evolution of wage earners' and collective farmers' pensions between 1970 and 1987, in Romanian lei

Year	Social insurance pensions	Collective members' pensions	Share
1975	1490	1316	88
1980	1606	1194	74
1980	1948	1041	53
1987	2105	1002	47

Collective members' average pension as share of wage earners' (percent). Source: The Statistical Yearbook of Romania, 1970–1987, author's calculations.

The evolution of pensions was even more striking. Pensions for collective farmers were introduced as late as 1971, while individual farmers had access to pensions only from 1977. The difference between wage earners' and collective farmers' pensions grew dramatically after 1970 (Table 3). At the end of the regime, the collective farmers' average pension was half of the average pension for wage earners.

The income gap between the agricultural sector and other sectors had profound consequences on people's living standard. These consequences were deepened by the effect of price scissors, a disparity between retail prices in urban and rural areas, which marked the entire socialist period. By the end of the regime, average retail prices in the rural areas were still 10% higher than in the cities. The practice of price scissors came with a double legacy. First, a price balance that favoured industry over agriculture was central to the Romanian Liberal Party's industrialization programme during the interwar period.⁷³ Second, it was one dimension of the theory of 'primitive socialist accumulation' proposed by the Yevgeny Preobrazhensky as a possible way out from the crisis of the Soviet industrialization. In the 1920s Soviet Union, it represented a framework for the transition to socialism that relied on the accumulation in the hands of the state of material resources obtained chiefly from sources lying outside the state economic system⁷⁴ and referred to the squeezing of the private sector (mainly agricultural) in order to feed the growth of the state sector (largely industrial).

Not working for wages became the central form of exclusion in a regime where citizenship hinged on the relationship between workplace and life. The educational lag of the rural population was evident. At the beginning of the second five-year plan, more than 60% of the urban denizens had four years of schooling or less; in 1977, only 20% remained at primary school education level. In rural areas, 97% of the population went no further than primary school in 1956, and in 1977, more than 70% of the countryside inhabitants maintained this low educational level. This evolution was connected to two important phenomena. First, the state organized a rapid system of skilling and education around the urban industrial units, which spectacularly increased the educational level of the working class during the first decade of planning and made vocational schooling one of the main channels for rural youth to establish themselves in the cities and attain upward mobility. Second, it reflected the ageing and feminization of the rural workforce, as well as the structure of employment in agriculture, which did not require any qualifications for the collective members.⁷⁵ Women's share in the rural workforce

⁷³Andrew Janos, 'Modernization and Decay in Historical Perspective: The Case of Romania,' in *Social Change in Romania: The Debate on Development in a European Nation*, ed. K. Jowitt (Berkeley: International Studies Monograph 36, 1978), 72–117; Murgescu, *România și Europa*.

⁷⁴Yevgeny Preobrazhensky, *The New Economics* (Oxford: Clarendon Press, 1926, 1965); Yevgeny Preobrazhensky and Donald Filtzer, *The Crisis of Soviet Industrialization: Selected Essays* (London: Palgrave Macmillan, 1980); Richard Day, 'On 'Primitive' and Other Forms of Socialist Accumulation', *Labour/Le Travailleur* 10 (1982): 165–74; Cucu, *Planning Labour*.

⁷⁵Mihail Cernea, *Sociologia Cooperativei Agricole* (București: Editura Academiei, 1974), 74–5; Mihail Cernea, 'Macrosocial Change, Feminization of Agriculture, and Peasant Women's Threefold Economic Role', *Sociologia Ruralis* 18, no. 2–3 (1978): 107–24; David A. Kideckel, 'The Socialist Transformation of Agriculture in a Romanian Commune, 1945–62', *American*

increased from around 50% at the end of the first five-year plan in 1955 to about 63% by 1977.⁷⁶ In the 1980s, 70% of the cooperative farm workforce were women. Men occupied the few wage jobs in the countryside as tractor drivers, technicians, mechanics, or locksmiths on state farms and agricultural machinery stations. Gendered local hierarchies deepened as men became more mobile and educated, obtained more travel experiences, and had more access to cash.

At the end of the collectivization process in 1962, more than three quarters of the rural population had been incorporated into collective farms. Following the last collectivization wave, which ended in 1962, more than one million people left the countryside and joined wage employment, more than two-thirds of which came from rural areas. More than 80% of the villagers joining the urban workforce were men. Thus, like elsewhere in Eastern Europe, having a household member commuting for work to complement the family income became common in the Romanian countryside.⁷⁷ At the beginning of the 1960s, almost 30% of the industrial workers and more than 60% of the construction workers were commuters.⁷⁸

While industrialization depended on convincing the rural population to enter the factory gates, the state could hardly cover the costs of a fully fledged proletarianization and could do little to accommodate the workers in the cities. By the late 1960s, relieving the pressure on urban centres, which had constantly been in a housing crisis since the end of the Second World War, gave shape to a new vision of the territory/population nexus that was paradigmatic for the governmental policy of combining rural-urban life arrangements into a long-term industrial development project. Several points gained a prominent place on the government's agenda: reconfiguring the relationship between industrial centres and their limitrophe zones to allow for easy commuting; controlling population movement to avoid overcrowding the largest cities; and improving infrastructure to allow factories easy access to raw resources, transportation, and energy lines.

Two important laws, one regarding administrative territorial reorganization in 1968⁷⁹ and one regarding the systematization of urban and rural localities in 1974,⁸⁰ constituted the framework for this new vision. They were followed in 1975 by a decree that restricted population movement by introducing a residence visa in the urban areas.⁸¹ These individual residence permits could be permanent or renewable for three to six months, depending on the needs of the local industry, and were strictly limited in the largest cities. In the 1960s, the politics of calculation and the measures meant to increase the bureaucratic control of the factories' financial operations also fortified commuting as an official state policy. In the early 1950s, factory managers were able to exercise a limited degree of financial autonomy within the rigid boundaries of the plan by sometimes paying commuters and seasonal workers from the director's fund.⁸² Although reluctant to bring it into the open, the governmental officials consolidated and ratified these local arrangements. In the mid-1950s, at the end of the first five-year plan, an increasingly flexible use of the director's fund was noticeable. Later, however, state officials argued this practice endangered the financial discipline of the factories and ended up reducing the director's fund from 50% of factory's benefits to 15%.⁸³

Ethnologist 9, no. 2 (1982): 320–40; David Kideckel, *The Solitude of Collectivism: Romanian Villagers to the Revolution and Beyond* (Ithaca: Cornell University Press, 1993).

⁷⁶Ronnås, *Urbanization in Romania*, 152.

⁷⁷György Konrád and Ivan Szelenyi, 'Social conflicts of underurbanization,' in *Captive Cities: Studies in the Political Economy of Cities and Regions*, ed. M. Harloe (London: Wiley, 1977), 157–74; Cucu, *Planning Labour*.

⁷⁸Ronnås, *Urbanization in Romania*, 153.

⁷⁹Law 2/1968 regarding the administrative organization of the territory of the Socialist Republic of Romania, BO no. 17–18, 17 February 1968.

⁸⁰Law 58/1974 regarding the systematization of the territory and of urban and rural localities, BO no 135, 1 November 1974.

⁸¹Decree 53/1975.

⁸²Cucu, *Planning Labour*, 130–1.

⁸³ANIC, CC Economica, 29/1966.

The encounter between the squeezing of the countryside and peasants' own rhythms and strategies of reproduction became a systemic feature of state socialism. As long as families of rural dwellers tried to reproduce themselves *as peasant families*, their reproduction was bound to be class, gender, and generation dependent. The 'double-dwellers' kept one foot in the village, with the family keeping its membership in the collective. They would use their 'leisure time' to work on their small allotment and allocate their wages from factory work to the maintenance of a rural household systematically disadvantaged by agricultural quotas and expropriations in the 1950s, and by price scissors and scarce liquidities throughout the socialist period. The Romanian rural workforce was never completely 'free' from their means of subsistence but was 'free enough' to be forced to knock on the factory doors.

Conclusion: Eastern Europe and the global history of flexible production

This article interrogated the grand narrative of the global advance of flexible capitalism from an Eastern European angle. It explored a moment when the possibility of economic growth in the socialist bloc increasingly depended on intensifying economic cooperation with the capitalist world. These regional trends coincided with the crisis- and industrial conflict-led attempts of Western companies to expand their production chains not only in the Global South but also beyond the Iron Curtain.

This article showed that access to foreign investments, markets, and technology required a transformation of the mechanisms on which socialist accumulation had rested in the postwar era. As the planned economies in the region became increasingly entangled with the global dynamics of the 1970s, they also required increased flexibility in production. In Romania, socialist flexibility touched upon every important aspect of the country's economy: loci of decision-making, the scale and scope of institutions, financial discipline, the decentralization of production processes, expertise formation, and crucially, strategies for keeping labour costs low.

The incorporation of the Romanian industry in the world commodity production rested, like in other peripheries, on its capacity to contribute to an increasingly globalized reservoir of cheap, flexible, and controlled labour. I have argued that socialist factories depended not only on a stable, secure, and spatially concentrated labour force but also on a pendulation of labour between city and countryside. In this case, labour flexibility was not simply a product of the 1970s confrontation with the world market but also a mechanism of capital accumulation on which Romania's planned growth rested since the postwar period.

As we have seen, socialist flexibility came with its own contradictions, which can be summarized along four axes: ideological commitments; struggles for economic and political control; financial adaptations; and labour reproduction. First, socialist flexibility emerged within a space defined by specific ideological tenets: central planning, state-owned means of production, universal employment, and quasi-egalitarian redistribution. Second, while the flexibilization of manufacturing entailed a relative decentralization of productive and trade functions from governmental to enterprise level since the mid-1960s, it also allowed the state to gain greater control over the socialist industrial units through an increasing emphasis on financial discipline. Third, tensions between planning as coordination of physical outputs⁸⁴ and planning as an instrument of capital accumulation required new ways of calculating profit, foreign currency gains, and prices, which functioned now in a double regime: national and global. And fourth, the reorganization of production throughout the 1960s and the 1970s relied upon structural continuities in labour reproduction, which can be traced to the postwar configuration, if not to an earlier period of proto-industrialization. These structural continuities allowed labour to remain cheap and become an important competitive advantage in Romania's turn towards new commodities and trade partners.

⁸⁴John Michael Montias, 'Planning with Material Balances in Soviet-Type Economies', *The American Economic Review* 49, no. 5 (1959): 963–85.

This article has thus proposed a corrective to the epistemological consequences of ignoring East-Central Europe when discussing global transformations in accumulation and labour regimes in the second half of the twentieth century. From this perspective, one would not reify ‘socialism’ and ‘capitalism’ as separate historical configurations but analyse how, when trying to achieve socialist accumulation, planners behind the Iron Curtain wrestled with similar problems as their Western counterparts. Their solutions not only mirrored, imitated, and translated Western managerial ideologies and practices but also represented creative local responses to the challenges of the world markets. These responses can be understood as a state socialist version of flexibility. According to this vision, ‘global ruptures’ are more of a scholarly artefact than something workers, managers, or planners ever got to experience on the ground. Ultimately, rewriting the transformations of the global division of labour in the 1970s from an Eastern European angle means a reimagining of capitalism itself as a polyphonic structure in which different mechanisms of accumulation meet, overlap, and compete in historical simultaneity.

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