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# Sovereign Debt, Austerity, and Regime Change:

## The Case of Nicolae Ceausescu's Romania

Cornel Ban  
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Historically, high sovereign debt and austerity policies have coincided with regime-changing popular uprisings. Nicolae Ceausescu's Romania was no exception. Why, when faced with a sovereign debt crisis in the 1980s, did his regime choose to pay its foreign debt as early as possible, at the cost of economic recession and dramatically compressed consumption? How did these choices relate to the regime's failure to survive the end of the decade? The article argues that while exogenous shocks shattered the economic bases of the regime, it was the ideas with which the regime understood development and interpreted the crisis that shaped government policy responses in the 1980s. When the price of oil and development finance went up abruptly in 1979, the low energy efficiency of Romanian industry pushed the country into a situation where debt levels became unsustainable. Committed to a view of development that blended nationalist and Stalinist ideas, but with a focus on policy sovereignty, Ceausescu diagnosed the crisis as evidence that debt-financed development and policy independence were incompatible. Consequently the regime decided to pay off foreign debt through a mix of austerity, import substitution, and export-led accumulation of dollar reserves. By the time all debt was paid off in 1989, the regime's economic sources of legitimacy were exhausted. In the external environment of 1989, this policy regime change contributed to political regime change even in the absence of an organized civil society. In addition to casting a new light on the causal mechanisms of the Romanian revolution of December 1989, the findings of this article contribute to emerging scholarship that stresses the nexus between debt-induced economic crisis and popular uprisings.

**Keywords:** *Romania; debt crisis; austerity; Ceausescu; oil shock*

### The Puzzle of Romania's Neo-Stalinist Austerity

Rapidly deteriorating changes in the daily lives of citizens tend to cripple the stability of the political order that governs their lives. Since the inception of the

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Greek crisis in 2010, mounting sovereign debt and austerity have emerged as menacing specters of the past for Southern European democracies. The situation was serious enough to prompt the head of the European Commission to wonder aloud whether the Spanish, Portuguese, and Greek political systems could survive popular uprisings sparked by the deprivations accompanying the debt crisis and austerity policies.<sup>1</sup> These fears are not unfounded. According to a recent study covering Europe and Latin America over nearly a century, the link between austerity and regime-threatening popular protest has been historically robust. Crucially, this was the case irrespective of whether the failing regime was democratic or authoritarian.<sup>2</sup> Nominally communist systems, including the most repressive of them, were not spared this historical regularity. As this article shows, the fall of one of Europe's most repressive neo-Stalinist regimes had much to do with the fallout from a debt crisis resolved through harsh austerity measures that affected the basic needs of ordinary people.

In Reinhart and Rogoff's tour de force on financial crises, 1980s Romania appears as an oddity: a country where an authoritarian regime, at great economic and political costs, decided to repay its foreign debt in full and in the span of only a few years.<sup>3</sup> The decision seemed irrational because other developing countries hit by the debt crisis of the early 1980s successfully asked for debt rescheduling and "haircuts" for creditors. Using a constructivist analytical framework that takes economic ideas seriously, this article revisits the Romanian case and finds that from inside the ideological framework used by the Ceausescu regime, this policy shift appears to be more rational.

The findings confirm the value of previous literature on the importance of economic ideas for economic policy change following economic shocks.<sup>4</sup> The study shows how in a situation of systemic uncertainty generated by the sharp uptick in the price of oil and development finance, the regime's preexisting ideas about economic development led to a policy turn emphasizing austerity and disengagement with international finance. More specifically, the oil shocks of the 1970s and the attendant macroeconomic crisis of Euro-Atlantic capitalist core created the conditions for a debt crisis in developing countries like Romania. The Ceausescu regime choice to pay its sovereign debt in full (in lieu of defaulting or vying for more favorable debt restructuring terms) depended on the particular ideas the regime used to define development. As these ideas stressed continuing industrialization and unencumbered policy sovereignty, Ceausescu's response to the debt crisis was defined by a harsh austerity package layered with a sudden turn to an incoherent policy mix of import substitution, export promotion, and disengagement with Western finance capital.

The case of Romania during the 1980s is also interesting for the literature on the end of "real existing socialism." The standard narrative of 1989 is that favorable external conditions (the special role of Gorbachev and Poland, Hungary's opening of the border with Austria) and its repercussions in Central Europe played a decisive role in ending East European socialism at a time when economic underperformance,

political illegitimacy, perverse institutional feedback loops, civil society activism, and elite disunion coincided in a new way.<sup>5</sup> Yet as Kotkin and Gross correctly stressed, Romania had neither a well-organized political opposition nor a political leadership hesitant to use large-scale repression against mobilization of the very social classes it claimed to represent.<sup>6</sup> In theory, then, regime collapse could only occur in conditions of a favorable external environment and following a mass mobilization large enough to force pivotal defections in the security apparatus. But how, in the first place, could such mass mobilization emerge in the absence of the kind of long-rehearsed civic discourse practiced in Hungary, Czechoslovakia, and Poland?

Earlier scholarship has produced excellent accounts of the Romanian “1989” that stress the causal importance of economic deprivation for mass mobilization.<sup>7</sup> More recently, other scholars have stressed the role of sovereign debt and structural economic problems as channels for making 1989 look more like a “bank run” on the regime itself, as party and state officials, police operatives, army officers and the most privileged sectors of the intelligentsia withdrew their support once a mobilized public defied the regime.<sup>8</sup> Others struck a compromise between these two positions and stressed the role of the twin crises of economic underperformance and political illegitimacy.<sup>9</sup> Missing from these accounts, however, is a systematic analysis of why the Ceausescu regime drove the country into a debt crisis in the first place, why austerity was adopted as the main policy reaction to debt when less socially punitive alternatives existed, and how austerity was connected with regime-changing mass mobilization.

## Theoretical Framework

To address these gaps in the literature, I turn to the literature on policy shifts in situations of systemic crisis, which I link to the literature on the legitimacy of authoritarian regimes. The classic materialist explanation of domestic policy shifts emphasizes the causal role of structural changes in the world economy.<sup>10</sup> According to this approach, the sharp increase in the price of oil and development finance in 1979 led to deep recessions, sovereign debt and dependence on International Monetary Fund (IMF) and World Bank loans. While this is a powerful and elegant approach, it is also an incomplete one. By creating uncertainty, exogenous shocks open up opportunities for policy change. But the shocks do not dictate the direction of the change. Although these exogenous shocks generated significant pressures on developing country governments to adjust their economies and pay their debts, these objectives could have been reached in a variety of ways, only one of which was austerity.

In contrast to the materialist approach, constructivist scholarship stresses the role of economic ideas in situations of uncertainty created by exogenous shocks.<sup>11</sup> The main point made by constructivists is that in order to understand the direction of

policy change, we need to understand particular concepts and causal stories about the economy shared by the policy elite. It is these intellectual constructs that provide decision makers with a framework with which they can define, diagnose, and explain a crisis and specify the set of policy interventions to deal with it. In other words, ideas tell actors “what went wrong” as well as “what is to be done.”<sup>12</sup>

A constructivist reinterpretation of the last decade of the Ceausescu regime places the regime’s economic ideas at the center of analysis. This is particularly fitting since, in the highly centralized and increasingly sultanistic Ceausescu regime of the 1980s, the power of the Ceausescu family discouraged dissent even from the highest echelons of the Party and government. In this institutional context, the fact that national-Stalinist ideas about the economy remained dominant and unedited by the market socialist experiments seen elsewhere in the region proved to be a decisive factor in crowding out IMF-supervised rescheduling and default. These ideas indicated to Ceausescu that reliance on international development finance was a form of neo-imperialism that spoiled the prospects for continued industrial development and policy sovereignty. IMF-assisted debt restructuring meant accepting a limit on policy sovereignty—a cornerstone of the regime’s nationalist ideology—and default was understood as an implicit admission of ideological defeat. As a result, the regime embraced the choice of paying its debt in full, a decision with punitive costs for its promise.

The study further suggests that the consequences of the debt repayment were dramatic because (neo-)Stalinist systems like Nicolae Ceausescu’s were not just despotic political orders whose existence hinged on the capacity of state apparatuses to crush dissent. In addition to coercion, they also developed and depended on the capacity to deliver socioeconomic progress for the broad social strata they claimed to represent (this can be called “remunerative legitimacy”). In other words, as some students of Stalinism have emphasized, Stalinist regimes’ strength relied not only on their formidable repressive capabilities but on their record in lifting large masses of people from poverty and creating a sizeable stratum of technically literate managers/engineers convinced that they would have had fewer opportunities during their countries’ pre-communist past.<sup>13</sup> “National power and social welfare,” wrote Stephen Kotkin in his opus on Stalinism, “drove the revolutionary process and culminated in the formation of an industrially based welfare state with an attendant consciousness.”<sup>14</sup>

Indeed, Stalinist regimes governed not only through political prisons, intelligence services, and the rational-technical mode of governing the economy. It is true that these regimes developed sophisticated defenses for “uncivil societies” composed of political, security, and military cadre that benefited the most from Stalinist development. Without the strong support of this uncivil society, no Stalinist regime could endure once it failed to deliver social welfare and mobilize nationalist sentiment.<sup>15</sup> But they also employed remunerative strategies focused on promising—and generally delivering—basic economic rights such as guaranteed employment, decent pay and working conditions, affordable housing and leisure, universal access to education, and health care. Furthermore, they mobilized national sentiment through rapid

modernization and a sense of national distinctiveness and moral superiority based on favorable comparisons with capitalist countries at similar levels of development.

Such readings of Stalinism suggest that when the regime defaults on its socio-economic promises to broad strata of society, regime change can happen through mass mobilization and by pushing the uncivil society to withdraw its support for the regime's leadership. Kotkin and Gross's *Uncivil Society* argues that in 1989 Romania faced precisely this kind of scenario.<sup>16</sup> Their *tour de force* shows how internal elite dynamics, geopolitical considerations, the implosion of the economic order, and mass mobilization in the absence of oppositional forms of organizations associated with "civil society" explain the events of 1989. Chief among these, they argue, was the accumulation of unsustainable foreign debt levels that drove these countries into a "bank run" situation by the end of the 1980s.

This article upholds Kotkin and Gross's main finding but adds to it in two ways. First, it shows that unlike other indebted socialist regimes, Romania did not become severely indebted until after 1979 and that local choices were as consequential as exogenous shocks. Second, the article shows that in the Romanian case these weaknesses did not endanger the economic order until oil and financial shocks originating in the capitalist world percolated throughout the gas-guzzling Romanian economy and were interpreted as an imperative to disengage from international finance. Finally, the article invites some refinement of the argument advanced by some of the canonical texts on socialist economies.<sup>17</sup> These excellent contributions state that the drive to maximize the redistributive/allocative power of the bureaucracy, rather than the amounts to be allocated, was the true "motor" of socialism. According to these texts, the "irrational" emphasis on heavy industry was in fact a rational attempt to develop resources that could be centrally controlled. This is a powerful insight. Yet one is left wondering at the variation in the balance between heavy industry and the provision of basic economic welfare for ordinary people. This is puzzling given that according to these texts the allocative maximization mode of the bureaucracy was constant, rather than variable. Why, then, did the Ceausescu regime balance the development of heavy industry with the production of consumer goods between 1965 and 1982, but not between 1982 and 1989?

The article is organized as follows: first, it introduces the economic ideas and institutions of Romanian national-Stalinism, its performance until the debt crisis, and the remunerative bases of its legitimacy. Next, I show why austerity policies were adopted by the Ceausescu regime in the aftermath of the debt crisis, and why these policies were a decisive factor in motivating mass mobilization. Finally, I show that this idiosyncratic policy reaction was not the outcome of structural economic constraints given that countries like Poland or Hungary refrained from adopting drastic austerity measures when faced with comparable debt crises. Instead, I argue that the main cause was the ideological commitment of Nicolae Ceausescu, unique among other East European leaders, to continue the pace of industrial modernization at the cost of the Stalinist promise of meeting the basic needs of all.

The analysis provided by the article relies on an extensive review of secondary literature published in English and Romanian. Documents from Romanian government and IMF archives, media reports, and interviews with former regime insiders and observers carried out by the author or by journalists and historians complement the secondary sources. One caveat is in order at this point. The article will not dwell on the structural failings of socialist developmentalism, an aspect already discussed at length in English-language sources as well as in the work of Romanian economists well positioned to analyze the economic realities of Ceausescu's Romania during the 1980s.<sup>18</sup>

## **National-Stalinism and Economic Development**

### **National-Stalinism and the Ceausescu Regime**

The single-party rule of the Romanian Communist Party (RCP) lasted between 1948 and 1989. The regime used the Marxist-Leninist idiom, but its ideological identity was national-Stalinist.<sup>19</sup> It made use of Stalin's systemic repression of dissent, hypercentralization of political power, personality cult, emphasis on "socialism in one country," and the forced collectivization of land. By the late 1970s, the regime started to develop "sultanist" features.<sup>20</sup> Decision making was so concentrated that central committee members cast their vote only to confirm Ceausescu's position. Major economic decisions such as the contracting of large foreign loans were taken without consulting the committee.<sup>21</sup> The regime opposed the political innovations of reform-minded national-communism from other parts of the Soviet bloc, while merging state, party, and (sultan) family power. Such features enabled the regime to swiftly adopt policy shifts, while depriving it of the level of embedded autonomy associated with more decentralized forms of authoritarian developmentalism.<sup>22</sup> The main implication for economic policy was that the political system did not have mechanisms for integrating critical feedback. This made difficult the correction of mistaken policies and left mass mobilization as the main mechanism of political change.

Ceausescu's regime was not a generic variety of Stalinism. It was a neo-Stalinist type that did not make use of the "classic" Stalinist repression repertoire of mass deportation, executions, and forced labor.<sup>23</sup> Most importantly, however, the ideology of the Ceausescu regime went beyond the Stalinist framework by turning its strategic embrace of nationalism into a form of ethnocentrism reminiscent of right-wing ideologies that reached into "mystical-mystagogic and paramilitary mobilization," in G. M. Tamas's apt phrase.<sup>24</sup> In the economic realm, this meant a mechanical rejection of outside interference in the policy process, a position consistently stressed in Ceausescu's speeches.<sup>25</sup>

Even though Romanian Stalinism never developed the kind of autarkic economic regimes specific to North Korea and Albania, the regime's particular emphasis on

national sovereignty gave it a unique profile in the former Eastern Bloc. And it was as a result of its strong ideological stance on economic sovereignty that after 1981 the regime reversed course on its liberalization of trade and investment relations with the developed capitalist core, a decision with profound implications for the survival of the regime itself.

### **The National-Stalinist Developmental State**

During the postwar decades, ideologically opposed state managers from Washington to Beijing agreed on one thing: industrialization was the main engine of economic modernization.<sup>26</sup> State-led industrialization projects animated by nationalist ideologies were the main conduits for economic development outside the Euro-American core. Known as developmentalism, these projects had distinct regional characteristics: import substitution industrialization in Latin America and parts of Africa and Southeast Asia, indicative planning in some of the export-led economies of Asia, and centrally planned and state-owned economies in Eastern Europe, China, and Vietnam.<sup>27</sup>

Postwar Romania was no exception to these trends. Between 1949 and 1989, the country pursued a state-led effort to overcome agricultural dependency on Western Europe and become an industrial middle-power. This shift also entailed a coordinated policy to urbanize the majority of its population, ensure full employment and universal access to social services, build a scientific superstructure, and collectivize all high-yield farmland.<sup>28</sup> Without a doubt, from an economic and social standpoint, national-Stalinism successfully put Romania's modernization on fast-forward and quickly ensured the basic economic needs of the overwhelming majority of the population.<sup>29</sup>

The nationalist turn in Romania's neo-Stalinist ideological orthodoxy led to a confrontation with the rest of the bloc in the mid-1960s. In 1963, RCP leaders defied the USSR's plans to force Romania to focus on agriculture—which was seen as its competitive advantage—and posited a seamless equivalence between economic self-sufficiency and national independence.<sup>30</sup> The result was the adoption of the ideological tenet that Romania should build a developmental state that maintained important parts of the Stalinist development model while formulating a distinct nationalist trade and finance regime that included strategic cooperation with the West. This was translated into a continued commitment to centrally planned industrialization, but also to selective domestic liberalization and opening toward Western finance, trade, and technology. As the next sections show, the unwavering commitment to this local ideological artifact enabled both spectacular development and spectacular collapse.<sup>31</sup>

This “nationalist” edit of Stalinism contained systemic contradictions. On the one hand, even after the “thaw” experienced by other socialist states during the 1960s, Romania maintained a rigid centrally planned economic structure. While Hungary and Poland experimented with alternative forms of property, economic coordination,

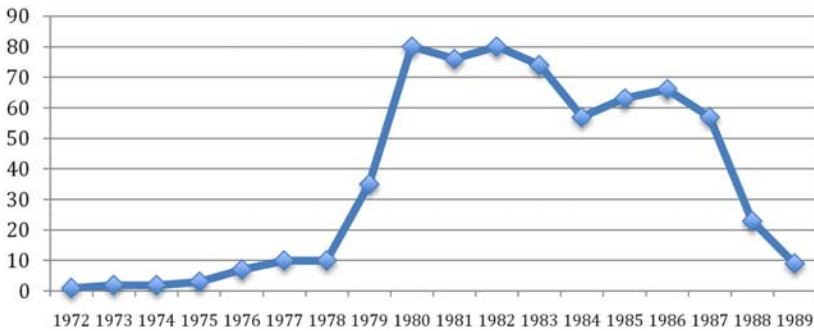


and economic sourcing of political legitimacy,<sup>32</sup> in Romania the private sector was negligible, the economic system rested on largely unreformed central planning institutions, and the sources of the public budget depended almost exclusively on the profits of state-owned enterprises and wage taxes.<sup>33</sup> In terms of the remunerative sources of legitimacy, the stress was on ensuring basic needs rather than on building proto-consumer societies as in Hungary, Czechoslovakia, and Poland. Even during the boom of the 1960s and 1970s, household consumption of both private *and* public goods was subordinated to industrial development, and in speech after speech Nicolae Ceausescu stressed the ideological imperative of giving industrialization absolute priority. Furthermore, resistance to any market devices in interfirm and employment relations was maintained. In contrast, other conservative East European regimes (post-1968 Czechoslovakia or East Germany) attempted to carefully balance full employment, individual consumption, and industrialization priorities.<sup>34</sup>

These forms of Stalinist orthodoxy were in tension with the regime's critical position toward the Soviets' attempt to deepen East European economic trade and investment by decelerating Romania's industrialization project. The corollary to this position was a strategic opening toward the West and the inclusion of "developed capitalist states" alongside socialist states in the standard ideological discourse on Romania's foreign economic relations. Yet this opening bred a structural tension in Romania's national-Stalinist developmentalism, as the realization of its ambitious objectives depended heavily on transfers of Western technology and trade with Western Europe. As Gomulka showed, the fact that Romania, Bulgaria, and Yugoslavia had higher growth rates than other socialist states was largely thanks to their massive investments in the latest Western technologies and ability to draw on a large "reserve army of labor" in the countryside (a strategy that has interesting similarities to today's Chinese model).<sup>35</sup> Indeed, as the Ceausescu regime became progressively estranged from Moscow after 1968, the ambition to industrialize necessitated an instrumental opening to trade with the West, a course that the regime pursued vigorously for nine years (1972–1981). Romania was unique also because of its early membership in the Bretton Woods institutions, beginning in 1972, which enabled it to access their financing on very generous terms.<sup>36</sup> Nevertheless, loans from these institutions as well as from private sources—then awash in petrodollar flows—remained scarce until 1978–1979.

The economic opening toward Western Europe was genuine. Beginning in the late 1960s, the country's increasing exports targeted both Western and Eastern markets, with the former absorbing more Romanian exports than the latter.<sup>37</sup> To boot, during the 1970s Romania was the only Warsaw Pact country with a generalized trade agreement with the European Economic Community.<sup>38</sup> The country's anti-Soviet foreign policy, its recognition of West Germany and its rapprochement with the United States during the Nixon presidency facilitated Western technology transfers in industries as diverse as automobiles, rail, aircraft, shipbuilding, chemicals, and special steels. Romanian–West German, Romanian–French, and Romanian–British joint

**Figure 1**  
**Romania's external debt as percentage of exports**



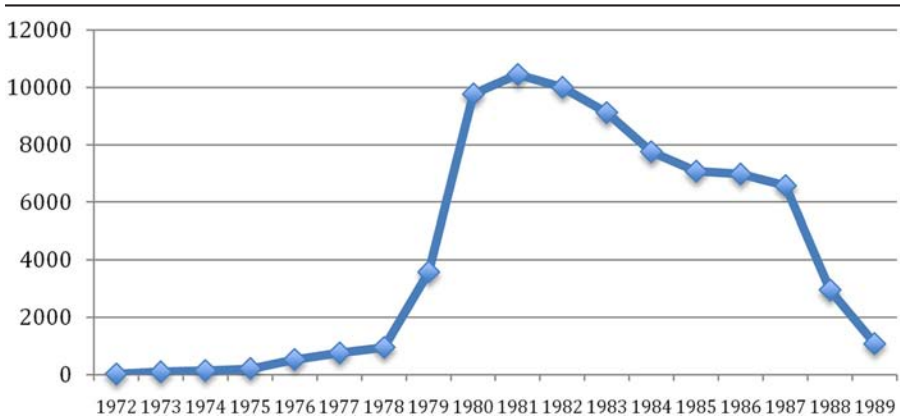
Source: World Bank Development Indicators; <http://www.indexmundi.com/facts/romania/external-debt-stocks>.

ventures accounted for most of the major technology transfers of the 1960s and 1970s.<sup>39</sup> While the rest of the Soviet bloc depended heavily on outdated local designs, Romanian industry was churning out more updated versions of—among other sophisticated products—French- and German-designed cars, trucks, helicopters, jets, and turbines. In this way, the growing interdependence with capitalist economies gave Romania a relatively modern industrial base, an outcome hard to foresee only two decades earlier.

The tension between Stalinist orthodoxy and the selective opening toward the West was important, but it should be stressed that unlike Poland and Hungary—two countries that also exported heavily in Western Europe—Romania did not dip deeply into the volatile pools of international finance. Crucially, the Ceausescu regime did not borrow excessively during the 1970s. Whether we look at the dollar value of its loans or at the burden of debt servicing as a proportion of total exports, Romania kept its foreign borrowing at relatively prudent levels until 1978 (Figures 1 and 2). Hungary and Poland, on the other hand, multiplied their foreign debt several times between 1972 and 1979, reaching much higher levels than Romania did.<sup>40</sup> Romania only began borrowing on a large scale at a very inopportune time: in 1979 the interest rate shock triggered by the U.S. Fed made cheap development finance unavailable.

As the next sections show, the Romanian developmental state consolidated during the tenure of Nicolae Ceausescu (1965–1989) yielded spectacular gains not only in terms of economic growth and complexity but also in improving the economic opportunities of the overwhelming majority of the population. But the tension between reliance on foreign capital and an uncompromising commitment to economic policy sovereignty and an energy-intensive economic structure led the regime to adopt

**Figure 2**  
**Romania's external debt in current U.S. dollars (millions)**



Source: World Bank Development Indicators; <http://www.indexmundi.com/facts/romania/external-debt-stocks>.

policies that eventually threatened its promise to deliver basic economic rights. Unfortunately for the regime, this policy turn and its consequences eventually contributed extensively to the dramatic antiregime mass mobilization of December 1989 that pushed the uncivil society to withdraw its commitment to the regime.

## National-Stalinism's Thirty Glorious Years

### From Agricultural Dependency to Industrial Development

From the late 1940s to the mid-1970s, the poor Southern periphery of Europe saw an unprecedented pace of industrialization under a variety of political regimes, ranging from authoritarian corporatism in Iberia to Stalinism in South-Eastern Europe. "All European Communist economies have stressed industrial growth," wrote Daniel Chirot in the late 1970s, but "Romania since 1958 has done so to an extraordinary degree. Romanian industrial production in recent decades has grown proportionately more rapidly than that of any other European country."<sup>41</sup>

The Romanian regime's claims to fame were neither completely unfounded nor unacknowledged abroad. During the 1970s, the international financial institutions and leaders of the "Free World" poured praise on Ceausescu's regime for the swift pace of economic modernization. The numbers looked impressive indeed. According to recent estimates, between 1950 and 1973 Romania joined Yugoslavia and Bulgaria in achieving average annual growth rates that were above both the Central

European and the West European average.<sup>42</sup> The industrial “take-off” gave the Romanian economy 68 percent growth rates per decade between 1950 and 1974. In relative terms, this put Romania in the same high-growth league as Germany and Yugoslavia.<sup>43</sup> While other social countries, including USSR, failed to keep pace with GDP levels in Western Europe and fell further behind, Romania, Bulgaria, and Yugoslavia made significant gains.<sup>44</sup> This growth was a source of much nationalist pride and created opportunities for the regime to isolate the country’s dissident voices.

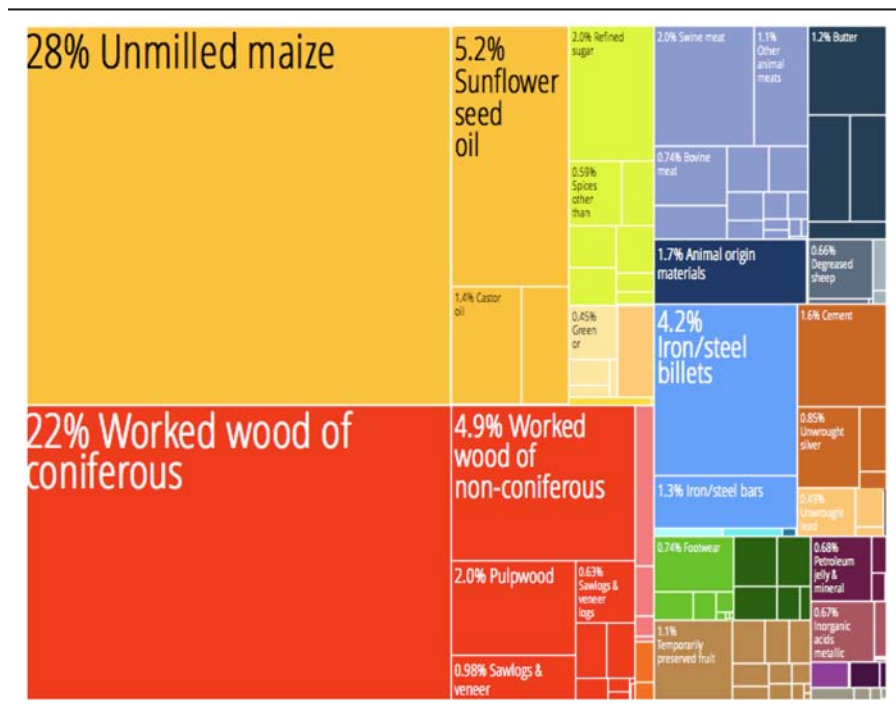
Much of the success was the result of high rates of investment. The percentage of industrial investment per GDP went up from 18 percent during the 1951–1955 period, to 34 percent between 1971 and 1975. Even with the difficulties in securing foreign loans after the debt crisis of 1982, net investment was still 27 percent of GDP and remained strong until 1989.<sup>45</sup> Despite rampant inefficiencies, the investment policy paid off. Between 1950 and 1968, Romania’s industrial production index grew by more than 545 points, compared to 378 in Spain and 362 in Greece.<sup>46</sup> During the first three postwar decades, Romania industrialized faster than Spain, Greece, and Portugal and nudged closer to the industrialization levels of East Germany and former Czechoslovakia.<sup>47</sup> By the mid-1960s, this former agricultural backwater of Europe had reached the average per capita industrial production of Europe from the early 1950s.<sup>48</sup> When the regime collapsed, 53 percent of the Romanian GDP was generated by manufacturing, a sector accounting for half of total employment.<sup>49</sup> As a result of steadily high rates of investment, technological imports, and good demographics, the growth of the early postwar industrial production was one of the fastest on the continent. In 1989, the value of industrial production was 44 times bigger than in 1950, while the percentage of industrial workers increased fourfold to 38 percent of the labor force.<sup>50</sup>

In sharp contrast to a predominantly agricultural profile during the 1960s, by the 1980s the increasing complexity of Romania’s exports resembled that of a relatively advanced industrial economy (Figures 3-5; MIT Economic Complexity Atlas).

## From Misery to Social Welfare

High growth rates and an unprecedented boom in employment opportunities enabled a genuine social revolution. The breakneck pace of economic and social modernization experienced by most Romanians until the early 1980s gave the regime not just remunerative sources of legitimacy but also much of the rhetorical material for what Verdery aptly called “symbolic-ideological” compliance strategies based on favorable comparisons with pre-communist Romania.<sup>51</sup> Indeed, through a vast array of repressive, employment, income policy, and welfare measures, national-Stalinism brought an end to a highly stratified society that is hardly imaginable in Romania today.<sup>52</sup> As Gaspar Miklos Tamas put it, the political systems anchored in some version of Bolshevik rule “accomplished many of the customary goals of bourgeois revolutions: industrialisation, urbanisation, secularisation, compulsory comprehensive

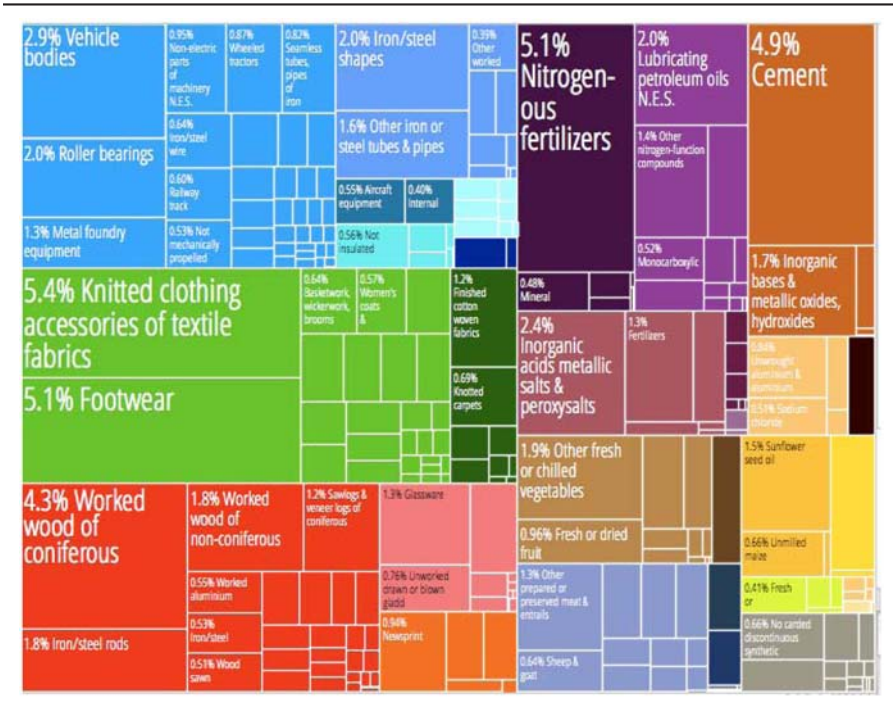
**Figure 3**  
**Romania's exports in 1962**



education, magnanimous financing of art, science, technology, eradication of tribalism, edification of a gigantic infrastructure (railways, motorways, pipelines) and, perhaps most significantly, the relocation of the peasant population from mud huts into what is called in England 'council estates,' in the United States 'housing projects,' in France 'HLMs.'"<sup>53</sup> In contrast with the poor record of the caste society of interwar Romania, under national-Stalinism infant mortality rates plummeted from the highest in interwar Europe (139 in 1,000 live births) to significantly lower levels in the 1970s (35 in 1,000).<sup>54</sup> General mortality also declined dramatically in the 1960s and 1970s owing to sustained policies that targeted better nutrition, better hygiene, and free access to modest, yet relatively modern, and widespread health-care facilities and services.<sup>55</sup> Illiteracy, too, which afflicted around half the population in the late 1930s, was virtually eliminated.

In what was once one of the most conservative gender cultures in Europe, female participation in the labor force caught up quickly with the developed European core. Free kindergartens, affordable lending libraries, bookstores, cinemas, and theatres were also made widely available. Employee and welfare benefits came to be taken for granted and were topped by local innovations: subsidized basic goods and

**Figure 4**  
**Romania's exports in 1982**

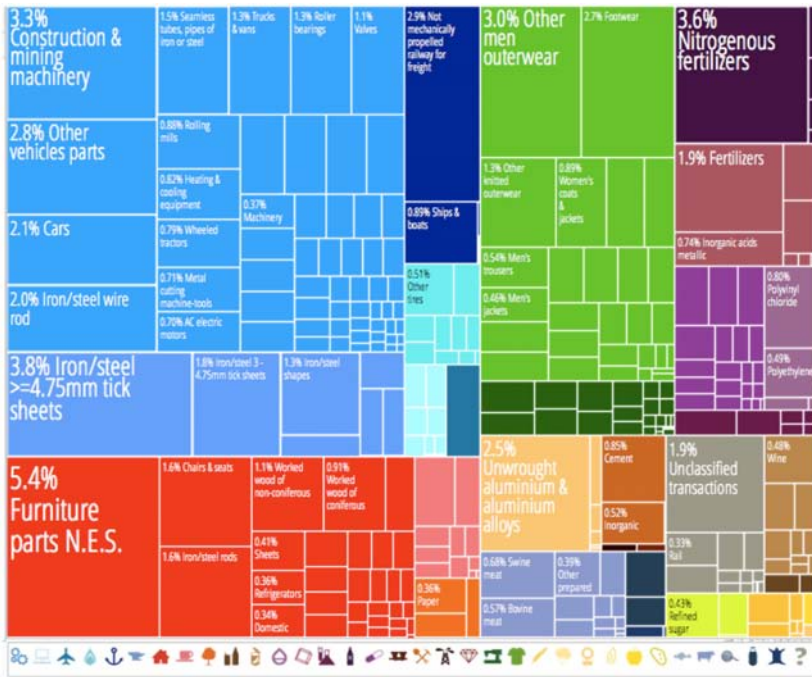


services and guaranteed full employment.<sup>56</sup> Universal social citizenship was instituted, with the state and its enterprises sharing the costs of an expanded array of social security services.<sup>57</sup> Romania also followed other socialist states in the world race to provide old age pensions as a de facto citizenship right, while minimum wages were consistently set well above subsistence levels.<sup>58</sup>

Weakly urbanized in 1950—even by the low standards of Iberia, Greece, and Eastern Europe—Romania had narrowed the gap considerably by the 1970s.<sup>59</sup> Whereas urbanization was left to market forces in rapidly industrializing capitalist states, in Ceausescu's Romania, urbanization and industrialization policies were coordinated. As a result of industrial investments distributed relatively evenly throughout the country,<sup>60</sup> large numbers of urbanizing peasants experienced a remarkably short journey from rural poverty to indoor plumbing, central heating, mass tourism, and modern mass transit, based on an extensive rail network, which in 1989 was the fourth largest in Europe, with electrified links accounting for 32 percent of the total network.

There is no doubt that national-Stalinist Romania was very effective at making a quick transition from a primarily agricultural economy to an industrial one. But the

**Figure 5**  
**Romania's exports in 1989**



Source: The Atlas of Economic Complexity, <http://atlas.media.mit.edu>.

economic triumphs of industrialization would soon come to an end when the conflation of economic and political independence, the regime's unifying political norm, was challenged by exogenous price shocks originating in the capitalist system and widening the existing rifts in the country's socioeconomic fabric. Ceausescu drew upon the national-Stalinist ideological repertoire to deal with the ensuing economic uncertainty and consequently decided to safeguard the industrialization program at the expense of compressing consumption to near-wartime levels, thus fueling the reactions that led to his regime's fall less than a decade later.

### The End of the Glorious Years

#### Oil Shocks, Debt Crisis, and Stalinist Austerity

The economic crisis of Romanian neo-Stalinism undermined the narrative of industrialization as the engine of increasing prosperity. The state's investment and

spending strategy showed that industrialization had taken on a life of its own. This particularly punishing distributive strategy inspired much of the mass mobilization that decisively contributed to the regime's collapse.

The economic failure of the Romanian national-Stalinist developmental state had both structural and contingent causes. Most importantly, the 1979 oil shock undermined an increasingly energy-intensive economy, driving the regime to take on a lot more foreign debt, even as interest rates skyrocketed. Thus, the continuing expansion of steel, petrochemicals, and engineering during the 1970s translated into high levels of energy consumption and increasing vulnerability to exogenous supply shocks.<sup>61</sup> However, the analysis below does not support the argument that the Ceausescu regime "borrowed the rope to hang itself," as Kotkin put it, a view embraced by former regime insiders in Romania.<sup>62</sup> Unlike other socialist states, Ceausescu built the bulk of the debt not at the low interest rates of the 1973–1979 period, but at the high interest rates of 1979–1981, in an effort to save large oil processing capacity it built in the late 1970s. This material constraint was important enough to trigger a reconsideration of Romania's development path during the 1980s. Ultimately, however, it was the regime's economic ideas about continuing industrialization in an airtight sovereign policy space that led it to opt not for further liberalization and scaling down of oil-guzzling industries but a decisive shift: from an economy based on internal demand and modernization contingent on East–West technological and financial flows, to an economy based on forced austerity in the area of consumer demand, isolation from international finance and technology, and an export strategy shackled by import substitution imperatives.

The first oil shock (1973) did not affect Romania as much as it affected other developing countries because the country was able to supply a large share of its energy needs from local oil fields and managed to strike machinery-for-oil barter deals with Iran, Iraq, and Libya.<sup>63</sup> The post-1973 stagflation led to decreasing demand in the European Community, thus reducing the share of Romanian exports to developed states; some of the losses, however, were offset by growing demand in other developing states, particularly those rich in oil.<sup>64</sup>

Conversely, the second oil shock of 1979 and the debt crisis triggered by monetary policy changes in the developed capitalist core put an end to the buffering effect that these factors had had on the Romanian economy. The main reason for this vulnerability was that the unprecedented expansion of oil-guzzling industries and the reckless investment in oil refineries and the manufacturing of oil processing equipment during the second half of the decade dramatically tripled Romania's demand for oil, from 5 million tons in 1975 to 16 million tons in 1980.<sup>65</sup> According to a former trade official, while refineries could count on 10 million tons of domestic oil, their capacity had been expanded to processing 33 million tons.<sup>66</sup> These refineries and refinery equipment factories employed tens of thousands of workers and while their shutdown was not unfathomable, given the proven capacity of the state to reallocate labor, Ceausescu thought this option was outside the boundary of the economically appropriate.<sup>67</sup> Consequently, although Romania had maintained a low



level of the debt-service ratio by the standards of both newly industrializing and East European countries, in 1978 it began to increase its foreign debt to pay for the imports required by a threefold increase in oil demand. In this way, the regime drove the country into sovereign debt not by “buying” the consent of citizens through extensive consumption, as Kotkin and Gross suggest, but through its rigid ideological commitment to economic ideas that saw massive chemical industry expansion as the “second wave” of socialist industrialization. The commitment to basic needs were there, but it was not paid with foreign debt. As explained by a former central planner,

During the 1960s and early 1970s there was nothing particularly odd about developing industrial branches that turned crude oil into plastics, synthetic fibers, refined oil and so on. But after the first oil shock Western industrialists stopped to reconsider further development in these areas. For Ceausescu, by contrast, these industries were part of the increasing industrial complexity required by “multilaterally developed socialism” and it was based on this image of industrialization that he decided to expand these industries in the mid to late 1970s.<sup>68</sup>

The predicament was deepened by two geopolitical shocks. The first was the Iranian revolution, which disrupted Ceausescu’s oil deals with the Shah. Iran was Romania’s main supplier of oil and an alternative had to be found quickly. Unfortunately for the regime, shortly after Iraq replaced Iran in this function, Saddam Hussein’s war with Iran meant decreasing oil sales to Romania.<sup>69</sup> The combined effect of these shocks resulted in increasing dependence on Soviet oil, a situation that challenged one of Ceausescu’s core foreign policy priorities: autonomy from the Soviet Union.<sup>70</sup> Faced with the prospect of sacrificing its prided autonomy from Moscow, the regime preferred to look for alternative solutions.

As much as the oil shock weighed down on Ceausescu’s preferred economic strategies, it was dramatic shifts in the world of finance that eventually bred the conditions for the loss of regime legitimacy. The first financial shift concerned interest rates. In 1979, private international capital became considerably more costly following the United States’ sudden move to increase interest rates at a time when monetarist ideas were gaining traction throughout the West.<sup>71</sup> This Western policy shift led to a dramatic rise in the interest rates on sovereign debt, pushing many developing country governments into default.<sup>72</sup> The era of cheap development finance was over.

According to World Bank data, between 1976 and 1981 Romania’s foreign debt went from \$0.5 billion (or 3 percent of GDP) to \$10.4 billion (or 28 percent of GDP and 30 percent of exports).<sup>73</sup> In 1981, interest rate payments reached \$3 billion, up from barely \$8 million six years before. Over the period 1980–1982, the country had to pay \$6 billion to foreign creditors, and by 1982 Romania needed 80 percent of its hard currency exports to finance foreign debt. The regime first turned to the IMF for

assistance, as it did in the late 1970s, when the IMF disbursed resources to cover flood and earthquake-related export shortfalls. In early 1981 the IMF's Executive Board approved a \$1.3 billion loan (300 percent of the Romanian quota) but the creditors' fear of contagion from the crisis in Poland led them to withdraw deposits from Romania and cancel interbank credit lines. The situation was complicated by Western banks' allegations that Romanian banks were abusing banking practices, including the kitting of checks.<sup>74</sup> Requests for rolling over maturing loans were denied, leading to the accumulation of \$1 billion in arrears by the end of the year. The country was effectively evicted from international credit markets and was therefore in noncompliance with the stand-by agreement with the IMF.

With central bank reserves at a paltry \$400 million, a dramatic policy shift was needed to deal with the debt crisis. At this point, what tipped the balance against the regime was that creditors convinced the IMF that Romania needed a second chance. According to James Boughton, the IMF's official historian,

Although the staff met on various occasions with major bank creditors in the fall of 1981 to explain the extent of the measures the authorities were taking to strengthen their finances, they gradually came to accept the banks' doubts about Romania's commitment to reform. The Fund refused to waive the terms of the stand-by and it allowed no drawings during the first year of the program other than the one made at the time of the initial approval.<sup>75</sup>

After two years of struggling to meet its international financial obligations, the Romanian government sent a letter to its main creditors and informed them that it could no longer afford to carry on servicing the principal of its external debt to commercial banks. In January 1982, Romania began negotiating with a consortium of nine creditor banks, with IMF staff as observers. As the banks did not offer a rescheduling agreement in time to resume the stand-by agreement, the IMF staff decided to signal their support for the regime and offered a token drawing of \$10 million, an extraordinary measure.<sup>76</sup> This move by the IMF soothed creditors, who eventually agreed to rescheduling in December 1982.<sup>77</sup>

The economic meltdown faced by the Ceausescu regime was so dramatic that the expenses of the national airline (TAROM) and the state's embassies were paid in cash.<sup>78</sup> Instead of the preferential treatment he expected from the West because of his "maverick" foreign policy, Ceausescu helplessly observed a souring Western mood and the roughness of the IMF terms imposed on Poland, where loans with attached conditionalities severely constrained the policy choices of the government.<sup>79</sup> With Poland's fate in full view, Ceausescu could see that the writing was on the wall for the main pillars of his regime's ideas about development (i.e., industrial development and "hard" policy sovereignty). Indeed, Poland offered a nightmare scenario for national-Stalinists: halved investment rates, central planners confined to setting macroeconomic targets, real autonomy for enterprises and risk of liquidation for the

unprofitable ones, less discretionary credit and tax policy, depreciated currency, and increases in administered prices.<sup>80</sup>

To meet the debt repayment schedule, Ceausescu demanded a radical revision of the five-year plan that would make the early payment of foreign debt the chief priority of economic policy. No new debt was to be contracted from private lenders or other states.<sup>81</sup> Even the contracting of loans from the Bretton Woods institutions was banned in 1988. As investment in industrial expansion was set to continue, all imports had to be cut drastically and the value of exports had to go up. While income levels were not affected negatively,<sup>82</sup> living standards collapsed. This owed to the fact that all strategies meant to amass the dollars necessary for eliminating foreign debt by the end of the 1980s were on the table, including the engineering of a massive drop in domestic supply of staples and consumer goods. Overall, between 1981 and 1989 the supply of food staples was nearly halved.<sup>83</sup> The production of consumer goods was also nearly halved during the same period and, to make matters worse, its share in exports was increased.<sup>84</sup> In marked contrast was similarly indebted Poland, where the government cut consumption by barely 10 percent in 1981, only to restore it to its previous levels two years later.<sup>85</sup> Also, while in Romania nonsocialist convertible currency imports fell by 43 percent between 1980 and 1983, in Poland they decreased only by 5 percent in GDP.<sup>86</sup>

To save dollars, barter deals paid for commodity imports. For example, the export of engineering industry outputs to Iran, Iraq, and socialist states was bartered for imports of oil and other commodities that otherwise would have had to be paid in scarce foreign currency. Unfortunately for the Romanian side, as a result of trade deals struck in the late 1970s, Romanian exports were sold at fixed prices that did not account for the increase in the price of energy inputs after the 1979 oil crisis. During the late 1980s, the Brasov Tractor Works (*Uzina Tractorul Brasov*), one of the industrial champions of Ceausescu's Romania, was selling tractors to Iran for just under \$4,000 apiece in order to pay for imported Iranian oil.<sup>87</sup>

Soon the push to pay off debt reached Stakhanovite levels: in 1988 and 1989 Ceausescu decided to pay a billion dollars of debt by selling 80 percent of the country's gold reserves.<sup>88</sup> As a result of these drastic measures, between 1982 and 1987 Romania boasted the fastest reduction of debt to GDP ratio in the world. Likewise, a current account deficit of \$2 billion in 1982 turned into a surplus of \$9 billion by 1989. In a determined show of fiscal virtue, the government budget closed with surpluses. Ironically, in terms of its external accounts and fiscal policy numbers, Romania was a top performer. In 1987, the Bank for International Settlements (BIS) approached the regime's central bank governor to convey the message that Romania's sovereign bondholders found the early debt repayment program to be sufficiently credible. Consequently, the BIS strongly recommended that the rest of the sovereign debt be paid at the deadlines agreed in the 1982 debt rescheduling agreement. Ceausescu vehemently rejected the recommendation and stayed the course, ending with the message that the regime was pulling the plug on Western finance for good.<sup>89</sup>

In the same year, the regime stopped communicating basic data to the Bretton Woods institutions.

The squeezing of domestic consumption through the planned reduction of demand contributed to sharp drops in GDP: from 6 percent in 1983 to -0.5 in 1985 and -5.8 percent in 1989. Indeed, the depth of austerity and the pace of the improvement in trade deficit was far in excess of what markets expected whose effects were magnified by the initiation of new and expensive infrastructure and industrial projects. As the next sections show, the result of the regime's belt-tightening was oppositional mass mobilization.

### **Austerity Jams the Economic Engine**

Scholars have discussed at length the soft budget constraints and supply shortages that plagued centrally planned economies.<sup>90</sup> These mechanisms were probably at work in Romania as well. But Romania was unique in that one of the most damaging aspects of the policy turn after the debt crisis was the cutting of imports of Western technology paired with the unrealistically short deadlines for substituting them with local technology and, where possible, by extending the lifeline of existing technology.

Forced technological substitution contributed to the reduction of the current account deficit and of the level of debt. But as underfunded research institutes could neither replicate nor reinvent imported technologies overnight, the cuts in imports of technology also weighed down the capacity of the industry to maintain its levels of competitiveness. As formerly imported parts and materials were replaced with local substitutes of poor quality, many factories could not liquidate their stocks because of quality issues and had to be "bailed out" by the state. This was particularly the case in high-tech sectors, where the extension of obsolescence deadlines had dramatic effects on quality and the capacity to cope with technological innovation.<sup>91</sup> Moreover, just as it was becoming clear that external competitiveness was increasingly dependent on the integration of information technology, five-year plans did not allocate adequate funding to these emerging industries.<sup>92</sup>

The forced import substitution was carried out using a self-destructively autarkic perspective on innovation that stressed a combination of Stakhanovite norms, nationalist posturing, and industrial espionage. In defiance of the intrinsically transnational nature of technological innovation flows, during the 1980s subscriptions to scientific journals and all funds for study abroad opportunities were cut. Average spending on research remained at 24 percent of the West European average and spending on education was also curtailed.<sup>93</sup> In a local adaptation of Maoist "anti-intellectualism," university students and professional researchers were forced to spend several weeks every year harvesting crops rather than carrying on with their research. Moreover, Ceausescu signaled his skepticism at the added value of information and communication technologies.<sup>94</sup> Such policies demoralized the white-collar class of engineers, researchers, and other technical experts tasked with keeping

Romanian industry competitive through innovation. As a former senior researcher at Cluj's Physics Institute remembers,

They simply did not get it that research projects for complex parts take years and participation in foreign networks of researchers. We made important breakthroughs in mass spectrometry instruments during the 1970s because of such networks and access to foreign scientific networks. But after 1982 they cut almost all of them and we spent a decade without subscriptions to foreign research journals. When you make it a point out of saving on electricity, heating and journals in one of the country's elite institutes, as they did at the time, you know that the game of applied physics is basically over.<sup>95</sup>

When combined with the scrapping of individual incentives in the evaluation of worker productivity, this planned decoupling from the international flow of technological innovations contributed to the beginning of economic decline through losses in productivity. Between 1981 and 1989, the losses of state-owned firms increased by 450 percent and profits fell by more than 150 percent.<sup>96</sup> As remembered by Nicolae Vacaroiu, former economist of the State Planning Commission and future premier,

What Ceausescu did after 1982-83 was almost like a form of euthanasia of our industrial competitiveness. He wanted an autarkic research and development system, which was sheer fantasy. And he wanted it overnight and on the cheap. The institutes could reverse-engineer some Western imports but not others, and before you knew it our industry was flooded with poor-quality replacements of sophisticated devices that drove down the quality of our exports. And since he [Ceausescu] wanted to pay off foreign debt at all costs, the fall in quality was offset by price markdowns on our industrial exports. It was a self-defeating spiral whose origins were in the extreme austerity Ceausescu decided at the beginning of the 1980s. In the end, this showed up in negative growth figures.<sup>97</sup>

In this dire context, the regime remained committed to the industrialization project, even as industry already had the highest share of the economy in Europe. As a consequence, although the pace of annual industrial growth decreased from 3.3 percent during the 1970s to 2.6 during the 1980s, the industry's share of the national economy continued to increase during the 1980s. A former regime insider explains,

From an ideological standpoint, Ceausescu was very simplistic. For him industrialization and his own freedom to decide what to do about it were paramount. In turn, industry was the guarantee of national independence. Citizens' material needs, he assumed, were something you could dispense with for the sake of the glorious future. Some specialists [in economics] tried to tell him during the 1980s that things are a little more complicated but he would not hear any of it and tell them that the alternative would be Poland's gradual loss of sovereignty at the hands of international agencies.<sup>98</sup>

Faced with the Poland scenario, the regime stuck to its guns. Industry remained the main beneficiary of dwindling budget resources and the investment rate remained Eastern Europe's highest.<sup>99</sup> Enrollment rules in the education system strengthened even further the tendency to channel the overwhelming majority of students into vocational high school and university training programs that served the needs of the industry. Industrialization for industrialization's sake, even in the face of social catastrophe and technological obsolescence in an increasingly competitive world economy, turned out to be the terminal pathologies of Romania's brand of national-Stalinist developmentalism. Some investments were productive, such as the nationwide electrification of the country's extensive rail network or the massive overhaul and expansion of the Black Sea port of Constanta. Others, however, such as the costly building of a canal meant to shorten routes from the Danube to the Black Sea or the push to construct gigantic public buildings in Bucharest, were spectacular manifestations of waste that contrasted sharply with the wartime food and heat rations ordinary citizens had to live with.

In the spring of 1989, the regime announced that the foreign debt was paid in full. Moreover, the regime also boasted a budget surplus of 8.2 percent and exports worth \$10 billion, barely \$3 billion less than the much bigger Polish economy. But while the more liberalized socialist economies of Central Europe and USSR were merely stagnating in 1989, in Romania things looked much worse even from the standpoint of the cherished GDP indicators, with a spectacular drop of 5.8 percent of GDP. While in the 1971–1980 period the annual growth rate averaged 11.2 percent, during the 1980s it went down to 2.6 percent largely as a result of the nearly 6 percent drop experienced in 1989, confirming the failure of austerity and forced import substitution.<sup>100</sup>

### **Austerity Wrecks Guaranteed Basic Needs**

Austerity has a corrosive effect on regime legitimacy, especially when the distribution of wealth is perceived as unfair. Despite the fact that Romania's income distribution was egalitarian, it became clear that the allocation of the state's fiscal resources for industrial investment and debt repayment came at the cost of meeting the basic needs of citizens. Because this disregard for needs immediately followed a policy era of accumulation and social welfare, one could say the shift amounted to the nationalist-Stalinist version of socioeconomic injustice.

The obstinate commitment to industrial investment in conditions of extreme financial scarcity did not only come at the expense of a decline in technological competitiveness. Political regimes can maintain their legitimacy in conditions of technological and economic stagnation as long as they deliver on the socioeconomic agenda that bolsters their legitimacy. This was even more the case in an authoritarian system like Ceausescu's Romania, where, as we have seen, the majority of the population saw unprecedented levels of improvement in quality of life and social

mobility during the first three postwar decades. Indeed, like other Stalinist regimes, Ceausescu's governed not only through political prisons and intelligence services but also by promising and generally providing guaranteed employment, decent pay and working conditions, affordable housing and leisure, and universal access to education and healthcare. Yet it was precisely the remunerative sources of the regime's legitimacy that suffered the most from the austerity policies of the 1980s. Unlike Hungary or Czechoslovakia, Romania did not use individual material incentives as intensively in order to secure compliance.<sup>101</sup> As revealed in testimonials on subjective perceptions of austerity during the 1980s, a dramatic reduction of consumer demand during that decade abruptly terminated the status quo in the relationship between the regime and its subordinates.<sup>102</sup>

To get the dollars needed to pay off foreign debt, Ceausescu decided to crack down on both private and public consumption, thus reversing two decades of progress in living standards. The provision of adequate food, housing, and health was no longer taken for granted. Schools and the extensive apartment complexes that housed the newly urbanized population saw regular electricity and heating cuts during subzero temperatures because an expanding industry struggling to meet the export targets of the regime needed more electricity. Industry earned precious hard currency, so consumers had to endure daily blackouts, even though the country produced more electricity than Spain and Italy. Spending on health care, the hallmark of the regime's social progress, was also cut—so much so that by the late 1980s doctors had to offer care without the most basic supplies. Spending cuts and the effective banning of medical imports during the late 1980s led to severe shortages in medical supplies. Even essential items like insulin, cotton pads, and single-use syringes were hard to come by. Some of the weakest members of society (childless retirees, orphans, and abandoned children) were cared for in abysmal conditions. In suggestive contrast, the building of a single new coal power plant (*Centrala Termoelectrica Anina*) cost nearly three times more than the yearly investment in health and social assistance during the 1980s.<sup>103</sup>

The strong export orientation also meant reduced supplies of clothing, footwear, and gasoline. Eerily empty shelves, long queues for everyday items lasting hours on end, and the growth of the informal economy became the new realities of consumer life in urban areas during the 1980s. In a parallel to consumer behavior in capitalist recessions, savings deposits in 1980s Romania went up in real value per annum, even as households experienced unprecedented consumption cuts. In what seemed like an uncanny repeat of the early industrialization period of the 1950s, as the government budget was accumulating surpluses, the bout of fiscal virtue saw private consumption as a share of national income drop. And even according to government statistics, food became more expensive, with the share for this item in household budgets going up from 46 percent in 1980 to 51 percent in 1989. Moreover, as food exports increased and food rations were introduced, the per capita calorie intake fell from 3,200 to 2,900 over the same period. In this way, drastic cuts in consumption and social services

undermined the very claims of socioeconomic progress that the regime's legitimacy hinged on.<sup>104</sup> The belt-tightening continued even after April 1989, a date celebrated by the regime as it marked the full repayment of Romania's foreign debt.

Austerity also made the regime increasingly derelict in keeping its promise to deliver decent working conditions. Increased work intensity, night shifts, working Sundays, and higher quotas at no extra pay became the rule in the expanding export sector as management was ordered to meet increasingly ambitious export schedules. The engine of social mobility began to sputter, as the new generations of working-age peasants trained to staff the industrial infrastructure had to obtain special permits to live in the cities where they worked. Accordingly, they were forced into long commutes at a time when spending on transportation had been drastically reduced.

### Mass Mobilization and Regime Change

In 1987, a wildcat strike in the heavily industrialized city of Brasov demonstrated the importance of wage cuts and consumption deprivation as sources of mobilization. Crucially, scholarly accounts and memoirs of this event are in agreement that workers' demands for restoring the pre-austerity socioeconomic status quo soon morphed into demands for regime change, storming of government buildings, and the destruction of RCP symbols.<sup>105</sup> The strike led to a wave of arrests, prosecutions, and long prison terms for the workers involved. In the aftermath of the strike, some in the inner circle of the regime tried to temper austerity but were demoted by Ceausescu. When Florea Dumitrescu, the central bank governor and Ceausescu loyalist, suggested that the payment of the foreign debt ahead of schedule irritated foreign creditors, he was marginalized and eventually sacked.<sup>106</sup>

When the socialist social pact was challenged in Brasov, Romania's own "magnetic mountain," one would have expected the regime to reverse its consumption suppression strategy. This did not happen, however. Moreover, the minutes of an RCP executive committee meeting from May 5, 1989, certify that Ceausescu remained keen to divert resources away from basic consumption and toward exports.<sup>107</sup> When trade minister Stefan Andrei asked Ceausescu to at least provide better heating in the huge housing complexes the regime had built, he learned that Ceausescu's new strategy was to use the \$2 billion accumulated in 1989 and the \$5 billion in debt owed to Romania to build enough hard currency reserves to turn Romania into a creditor country.<sup>108</sup> A former Romanian diplomat who specialized in Middle East affairs claims that in 1989 Ceausescu's thinking went as far as planning the establishment of a development bank together with Iran.<sup>109</sup> It became clear that once Romania was cut off from the international bond markets, Ceausescu hoped to turn Romania into a leader of newly industrializing countries, apparently with no consideration for the political costs involved.

Moreover, just as austerity was traumatizing the urban industrial working class the regime had created, the public budget was funding infrastructure and industrial



investment in North and Sub-Saharan Africa, Cuba, the Middle East, and the USSR. While before 1989 this policy was presented as a calculated attempt to get the dollars needed to pay off the debt and, through barter, the commodity imports demanded by the industry, it was hard to understand why the debt payment terms of these countries extended well into the 1990s, given that Ceausescu's plans to enter the mining business in these countries saw few concrete steps.<sup>110</sup> It also seemed profoundly unfair that as living standards continued to drop in 1989, the regime sat on nearly \$9 billion lent or invested in developing countries and the USSR.<sup>111</sup>

This extravagance in Romania's external accounts was paid not only through extensive mass mobilization. Indeed, Brasov's rebelling workers were the unheeded canaries in the mine to the antiregime mass mobilization that brought down the government in December 1989. Unlike negotiated transitions in Spain and elsewhere in Central Europe, the Romanian authoritarian regime died in a violent face-off with a protest movement whose backbone was precisely the social class the regime had built and then betrayed: the industrial wage-earners.<sup>112</sup> Contrary to skeptics' assumptions, it quickly became clear that the high levels of police repression, constant surveillance, and the absence of a robust network of antigovernment activists did not prove to be insurmountable obstacles against Europe's last popular revolutionary movement to end a particularly repressive regime and the grip of a well-entrenched "uncivil society."

Beginning in Timisoara, a multiethnic city in the southwest, the movement spread throughout most large cities in the country. The regime's attempts to put down the movement failed despite the deployment of the entire repressive toolbox of the police state, from the "milder" arrests, city blockades, and curfews to fire-at-will orders given to armored army regiments.<sup>113</sup> On December 22, 1989, Ceausescu's flight by helicopter, his abandonment by the repressive apparatus, and his execution a few days later ended Romania's national-Stalinism. All of this, however, was not before hundreds more had died in various forms of urban warfare, the images of which were grotesquely dramatized in Western media and converted into an imagery of post-communism as a realm of violence riveted by the devastating effects of "communist" rule.<sup>135</sup>

## Conclusions

How did the Ceausescu regime drive Romania into a debt crisis in the first place? Why was austerity adopted as the main policy reaction to the sovereign debt crisis, when less socially punishing alternatives existed? What was the relationship between this policy shift and the regime-changing mass mobilization? The most mundane but also the most important lesson offered by the economics of regime decline and change in 1980s Romania is that debt-financed economic modernization stands to place authoritarian developmental states between a rock and a hard place:

austerity leading up to mass mobilization and delayed austerity leading up to a political “bank run.” The Ceausescu regime chose the former because it had put energy-intensive industrialization and policy sovereignty at the core of its development project.

In Romania, industrialization and national ideology had been merged for decades into the same development paradigm: national-Stalinist developmentalism. While this set of economic ideas was consistent with increasing trade and technological and financial integration with the capitalist core, its blind spot was growing vulnerability to oil price and financial shocks. Consequently, when the 1979 oil shock struck just as access to international credit was restricted, the regime drove the country into a debt crisis. But in contrast to other socialist countries that fell prey to the low-interest petrodollar loans made available by the 1973 oil crisis, the Romanian debt crisis was the result of overinvestment in oil-guzzling industries and oil-refining capacity. While Hungary and Poland exponentially increased their convertible currency debt between 1973 and 1979, in Romania it was not until 1978—around the time when interest rates skyrocketed as a result of a change in U.S. monetary policy—that the regime took up a heavy foreign debt burden. It did so to pay for the hard currency bill that accompanied an industry built without careful regard for the price of imported inputs. Faced with the perspective of a sovereign default in 1982, Romania decided to avoid both default and debt restructuring and opted for a harsh austerity policy regime coupled with an original brew of import substitution and export orientation.

To explain the apparently irrational choice of such a socially punitive economic policy, this article suggests that the regime’s ideological commitment to centrally planned industrialization and exclusive policy sovereignty was not seen as negotiable, a feature reinforced by the sultanistic nature of the political institutions of the regime. As long as the regime was committed to this ideological postulate, it was simply inconceivable that it would acquiesce to the choice made by Poland to avoid dramatic austerity measures in exchange for the intervention of the IMF in its economic affairs.

Finally, how did austerity contribute to regime change in Romania in 1989? The study finds that for the Ceausescu regime, coercive, symbolic-ideological, and remunerative strategies for enforcing compliance were equally important. The regime’s abandonment of its minimalistic version of the remunerative strategy (guaranteeing basic socioeconomic needs) was decisive in explaining the regime’s collapse in the favorable external conditions prevailing in 1989. Arguably, nostalgia for “communism” in contemporary Romania owes a great deal to those decades of full employment, extensive social welfare, increasing purchase power, and for a limited period even a proto-consumer society in large swaths of the urban population. These improvements were especially relevant for the country’s booming industrial working class, whose protests in the late 1980s were largely fueled by the regime’s egregious breaches of the material welfare contract.

Once the regime continued to emphasize sovereignty and industrialization at the cost of the material rewards it promised to the industrial working class—the class it “created” and claimed to represent—it only had coercion and the national ideology to keep this mass of subordinates in check. But since the national ideology had been exposed by the brutality of the regime in Brasov in 1987, the life of the regime hinged on the flawless functioning of its repressive apparatus. December 1989, however, showed that when faced with mass mobilization, even the feared “uncivil society” of the Ceausescu regime had no choice but to abandon its commanding posts. If elsewhere in Eastern Europe regimes faced a bank run, for better or for worse in Romania they faced a “run on the Bastille.”<sup>115</sup> As a result, after nearly a decade of economic repression, the regime imploded.

The ultimate irony of all this story was that the people who were least affected by national-Stalinist austerity were the chief suspects of Ceausescu’s ideological adversaries (international financiers) and the bulk of the civil society itself. Perhaps this irony can travel into our age, where the rigidity of economic ideas and the political autism practiced by policy elites vis-à-vis the economic rights of the citizens of liberal democracies have gone further than ever. As a keen observer of the current sovereign debt crisis put it,

Nicolae Ceausescu famously forced his people to endure cold winters with minimal heat to help his country repay \$9bn owed to foreign banks in the 1980s. Had he been able to wait a few years, Romania would probably have enjoyed the same kind of partial debt forgiveness extended to many others at the end of that decade. The fact that a country can repay its debt does not necessarily mean it should choose to do so.<sup>116</sup>

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7. S. D. Roper, "The Romanian Revolution from a Theoretical Perspective," *Communist and Post-Communist Studies* 27, no. 4 (1994): 401–10; R. A. Hall, "Theories of Collective Action and Revolution: Evidence from the Romanian Transition of December 1989," *Europe-Asia Studies* 52, no. 6 (2000): 1069–93; P. Siani-Davies, *The Romanian Revolution of December 1989*; and C. Pleshakov, *There Is No Freedom without Bread! 1989 and the Civil War That Brought Down Communism* (New York: Farrar, Straus & Giroux, 2009). There is a wealth of literature on the "high" and "everyday" politics of this regime in its terminal phase (K. Verdery, *National Ideology under Socialism: Identity and Cultural Politics in Ceausescu's Romania* [Berkeley: University of California Press, 1995]; K. Verdery, "Nationalism and National Sentiment in Post-Socialist Romania," *Slavic Review* 52, no. 2 [1993]: 179–203; K. Verdery, "The 'Etatization' of Time in Ceausescu's Romania," *The Politics of Time* [1992]: 37–61; Verdery, "Theorizing Socialism"; D. Deletant, *Ceausescu and the Securitate: Coercion and Dissent in Romania, 1965–1989* [Armonk, NY: M.E. Sharpe, 1995]; G. Kligman, *The Politics of Duplicity: Controlling Reproduction in Ceausescu's Romania* [Berkeley: University of California Press, 1998]; V. Tismaneanu, *Stalinism for All Seasons* [Berkeley: University of California Press, 2003]; D. A. Kideckel, *The Solitude of Collectivism: Romanian Villagers to the Revolution and Beyond* [Ithaca, NY: Cornell University Press, 1993]) and on the social, political, and cultural conditions of its fall (P. Siani-Davies, "Romanian Revolution or Coup D'Etat? A Theoretical View of the Events of December 1989," *Communist and Post-Communist Studies* 29, no. 4 [1996]: 453–65; Siani-Davies, *The Romanian Revolution of December 1989*; Hall, "Theories of Collective Action and Revolution"; Roper, "The Romanian Revolution from a Theoretical Perspective"). In contrast, much less is known about the regime's economic aspects and its role in the regime's downfall. Scholars interested in the political economy of communist Romania (D. Chirot, "Social Change in Communist Romania," *Social Forces* 57 [1978]: 457; D. Turnock, "The Pattern of Industrialization in Romania," *Annals of the Association of American Geographers* 3, no. 60 [1970]: 540–59; M. Shafir, *Romania, Politics, Economics, and Society* [Boulder, CO: L. Rienner]; R. Linden, "Socialist Patrimonialism and the Global Economy: The Case of Romania," *International Organization* 40, no. 2 [1986]: 347–80) provided rich accounts of the first four decades of socialist development, yet they all stopped short of engaging more systematically with the second half of the 1980s, a critical juncture for the Ceausescu regime. As for the post-1989 contributions (A. Ben-Ner and J. M. Montias, "The Introduction of Markets in a Hypercentralized Economy: The Case of Romania," *The Journal of Economic Perspectives* 5, no. 4 [1991]: 163–70; Yves G. Van Frausum, Ulrich Gehmann, and Jurgen Gross, "Market Economy and Economic Reform in Romania: Macroeconomic and Microeconomic Perspectives," *Europe-Asia Studies* 46, no. 5 [1994]: 735–56; D. Turnock, *Aspects of Independent Romania's Economic History with Particular Reference to Transition for EU Accession* [London: Ashgate, 2007]; G. Pop-Eleches, *From Economic Crisis to Reform: IMF Programs in Latin America and Eastern Europe* [Princeton, NJ: Princeton University Press, 2008]; L. Pop, *Democratizing Capitalism? The Political Economy of Post-Communist Transformations in Romania, 1989–2001* [Manchester, UK: Manchester University Press, 2006]; D. Gabor, *Central Banking and Financialization: A Romanian Account of How Eastern Europe became Subprime* [London: Palgrave,

2010]), their focus is on post-communist developments, and therefore they deal with the economic roots of regime change only in passing.

8. Kotkin and Gross, *Uncivil Society*.

9. D. Chirot, "How Much Does the Past Count? Interpreting the Romanian Transition's Political Successes and Economic Failures" in *Liberalization and Its Consequences*, ed. Werner Baer and Joseph L. Love (Cheltenham, UK: Edward Elgar 2000), 103–22.

10. F. Scharpf, R. Crowley, and F. Thompson, *Crisis and Choice in European Social Democracy* (Ithaca, NY: Cornell University Press Ithaca, 1991); B. Stallings, *Global Change, Regional Response: The New International Context of Development* (Cambridge: Cambridge University Press 1995); A. Drazen and V. Grilli, *The Benefits of Crises for Economic Reforms* (Washington, DC: National Bureau of Economic Research, 1990); S. Haggard and R. R. Kaufman, *The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State* (Princeton: Princeton University Press, 1992).

11. Blyth, *Great Transformations*; V. A. Schmidt, "Discursive Institutionalism: The Explanatory Power of Ideas and Discourse," *Annual Review of Political Science* 11 (2008): 303–26; "Taking Ideas and Discourse Seriously: Explaining Change through Discursive Institutionalism as the Fourth 'New Institutionalism,'" *European Political Science Review* 2, no. 1 (2010): 1–25; M. Matthijs, *Ideas and Economic Crises in Britain from Attlee to Blair (1945-2005)* (London: Taylor & Francis, 2012); Ban, "Neoliberalism in Translation."

12. M. Blyth, *Austerity: The History of a Dangerous Idea* (Oxford: Oxford University Press, 2012).

13. S. Fitzpatrick, "Everyday Stalinism: Ordinary Life in Extraordinary Times," *Stalinism* (1999): 159–77; S. Fitzpatrick, "Stalin and the Making of a New Elite, 1928-1939," *Slavic Review* 38, no. 3 (1979): 377–402; S. Kotkin, "Magnetic Mountain: Stalinism as a Civilization," *Stalinism* (1997): 106–26.

14. Kotkin, *Magnetic Mountain*, 23.

15. Kotkin and Gross, *Uncivil Society*.

16. Kotkin and Gross, *Uncivil Society*.

17. T. Bauer, "Investment Cycles in Planned Economies," *Acta Oeconomica* 21, no. 3 (1978): 243–60; F. Feher, A. Heller, and G. Márkus, *Dictatorship over Needs* (Oxford: Blackwell, 1983); Verdery, "Theorizing Socialism."

18. J. Kornai, "Some Properties of the Eastern European Growth Pattern," *World Development* 9, no. 9 (1981): 965–70; Feher et al., *Dictatorship over Needs*; Verdery, "Theorizing Socialism"; L. Croitoru, *Macrostabilizare si tranzitie* (Bucuresti, Romania: Editura Expert, 1993); C. Ionete, *Criza de sistem a economiei de comandă și etapa sa explozivă* (Bucureși, Romania: Editura Expert, 1993).

19. Tismaneanu, *Stalinism for All Seasons*; V. Tismaneanu, "Understanding National Stalinism: Reflections on Ceausescu's Socialism," *Communist and Post-Communist Studies* 32, no. 2 (1999): 155–73; Siani-Davies, *The Romanian Revolution of December 1989*, 15–22, 26.

20. J. J. Linz and A. C. Stepan, *Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-communist Europe* (Baltimore: Johns Hopkins University Press, 1996),

21. The deputy chief of staff of the Central Committee remembers that "at the meetings of the political-executive committee, Ceausescu Nicolae would define the agenda; often, he claimed that the issues of the day had been analyzed by experts and competent institutions and then he would offer solutions. The task of the committee was solely to express agreement with those solutions. Typically, the adopted decisions were not voted on. Instead, they were adopted after Ceausescu Nicolae would say 'so this is how we proceed' or 'we will do so.'" M. Bunea, *Praf in ochi. Procesul celor 24-1-2* (Bucharest, Romania: Editura Scripta, 1994), 73.

21. Interview with Stefan Andrei, high-ranking regime official. M. Betea, *Stapanul secretelor lui Ceausescu. I se spunea Machiavelli* (Adevarul: Stefan Andrei in Dialog cu Lavinia Betea, 2011), 156.

22. P. B. Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton: Princeton University Press, 1995).

23. Indeed, as a recent source estimates, during the twenty-five years of Ceausescu's rule, Romania did not have more than six hundred political prisoners. A. Burakowski, *Dictatura lui Nicolae Ceausescu, 1965-1989* (Bucharest, Romania: Editura Polirom, 2011).

24. Verdery, "Theorizing Socialism"; G. M. Tamas, "Scrisoare catre prietenii mei români," *Dilema* 416 (16–22 February 2001).

25. By the 1980s, the official ideology began to integrate select elements of fascist origin in its ideological constructs: the cult of the ancestors, organic definitions of the nation, the encouragement of xenophobic attitudes vis-à-vis ethnic Hungarians. Moreover, after institutionalizing amnesia with regard to Romania's active role in the Holocaust, during the 1980s the regime tolerated the resurgence of anti-Semitic sentiment among some proregime intellectuals. Comisia Internationala pentru Studiarea Holocaustului in Romania, *Raport Final* (Bucuresti, Romania: Editura Polirom, 2004), 343–53. In a classic study in the cultural anthropology of Romanian intellectual life, Katherine Verdery demonstrated that the "indigenist" discourse dramatized by Ceausescu after 1971 came to undermine the official ideology of Marxism-Leninism. Yet, as this author insists, "to a considerable extent . . . the Party was forced on the terrain of national values (not unwillingly) under pressure from others, especially intellectuals, whom it could fully engage in no other manner" (Verdery, "Theorizing Socialism," 122, emphasis in original).

26. W. W. Rostow, "The Concept of a National Market and Its Economic Growth Implications," *Marketing and Economic Development* (1965): 11–20; W. W. Rostow, *The Economics of Take-Off into Sustained Growth* (London: Macmillan, 1965); W. W. Rostow, "Industrialization and Economic Growth" (Presented at First International Conference of Economic History, Contributions, Communications, Stockholm, Sweden, 1960); S. Haggard, *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries* (Ithaca, NY: Cornell University Press, 1990); R. Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* (Princeton, NJ: Princeton University Press, 1990); N. Cullather, "Development? It's History," *Diplomatic History* 24, no. 4 (2000): 641–53; N. Cullather, *The Hungry World: America's Cold War Battle against Poverty in Asia* (Cambridge, MA: Harvard University Press, 2010); A. Kohli, *State-Directed Development: Political Power and Industrialization in the Global Periphery* (Cambridge: Cambridge University Press, 2004).

27. J. Oi, "The Role of the Local State in China's Transitional Economy," *Politics* 45, no. 1 (1992). C. Johnson, "The Developmental State: Odyssey of a Concept," in *The Developmental State*, ed. Meredith Woo-Cumings (Ithaca, NY: Cornell University Press, 1999), 32–60; M. Woo-Cumings, "Introduction: Chalmers Johnson and the Politics of Nationalism and Development," in *The Developmental State*, ed. Meredith Woo-Cumings (Ithaca, NY: Cornell University Press, 1999); Chibber 2003; V. Chibber, *Locked in Place: State-building and Late Industrialization in India* [Princeton: Princeton University Press]; Kohli, *State-Directed Development*.

28. K. Jowitt, *Revolutionary Breakthroughs and National Development: The Case of Romania, 1944–1965* (Berkeley: University of California Press, 1971). Chirot, "Social Change in Communist Romania."

29. Ban, "Neoliberalism in Translation"; B. Murgescu, *Romania si Europa: Acumularea decalajelor economice, 1500–2010* (Bucharest, Romania: Editura Polirom, 2010).

30. Tismaneanu, *Stalinism for All Seasons*; Jowitt, *Revolutionary Breakthroughs*.

31. Ban, "Neoliberalism in Translation."

32. E. Comisso, "Market Failures and Market Socialism: Economic Problems of the Transition," *East European Politics & Societies* 2, no. 3 (1988): 433; T. I. Berend, *The Hungarian Economic Reforms, 1953–1988*, vol. 70 (Cambridge: Cambridge University Press, 1990); J. K. Bockman, *Markets in the Name of Socialism: The Left-Wing Origins of Neoliberalism* (Stanford, CA: Stanford University Press, 2006).

33. Ionete, *Criza de sistem a economiei de comandă si etapa sa explozivă*. This meant that the state planned output, wages, sales, loses, investments, and import and export prices. Rather than represent a function of supply and demand, prices were a planned indicator serviced by the public budget, with the latter functioning as a money pot that covered both investments and losses.

34. O. Ulč, "Some Aspects of Czechoslovak Society since 1968," *Social Forces* (1978): 419–35; Z. Gitelman, "The Politics of Socialist Restoration in Hungary and Czechoslovakia," *Comparative Politics* 13, no. 2 (1981): 187–210; M. Fulbrook, *The People's State: East German Society from Hitler to Honecker* (New Haven, CT: Yale University Press, 2005).

35. S. Gomulka, "Industrialization and the Rate of Growth: Eastern Europe 1955-75," *Journal of Post Keynesian Economics* (1983): 388-96.
36. Florea Dumitrescu, a former finance minister of the regime, told a Romanian business review that in 1972 World Bank president McNamara offered Romania unconditional aid worth a whopping \$1 billion. *Fin.ro*, September 26, 2011.
37. M. Myant and J. Drahokoupil, *Transition Economies: Political Economy in Russia, Eastern Europe, and Central Asia* (New York, NY: Wiley, 2010).
38. K. Schröder, "The IMF and the Countries of the Council for Mutual Economic Assistance," *Intereconomics* 17, no. 2 (1982): 87-90.
39. D. Brown, "Romania Seeks Partners in Growth Plan," *Aviation and Space Technology* 24 (1982): 53-54; M. Percival, "Britain's 'Political Romance' with Romania in the 1970s," *Contemporary European History* (1995): 67-87; H. J. Steenhuis and S. Boer, "Agile Manufacturing and Technology Transfer to Industrializing Countries," *International Journal of Technology Management* 26, no. 1 (2003): 20-27.
40. Kotkin and Gross 2009, 27.
41. Chirot, "Social Change in Communist Romania."
42. A. Maddison, *The World Economy*, vol. 1 (Paris: OECD, 2006).
43. However, one has to highlight the fact that a comparable figure was displayed by capitalist Greece. Chirot, "Social Change in Communist Romania," 472-73.
44. Myant and Drahokoupil, *Transition Economies*, 12-13.
45. Ionete, *Criza de sistem a economiei de comandă si etapa sa explozivă*, 227-28;
46. Chirot, "Social Change in Communist Romania," 457-99; Gomulka, "Industrialization and the Rate of Growth," 291.
47. D. Turnock, *An Economic Geography of Romania* (London: Bell, 1974).
48. Ionete, *Criza de sistem a economiei de comandă și etapa sa explozivă*, 73; P. Bairoch "International Industrialization Levels from 1750 to 1980," *The Journal of European History* 11, no. 2 (1982): 269-333.
49. For an updated survey of Romanian industry during this period, see D. Turnock, *Aspects of Independent Romania's Economic History With Particular Reference to Transition for EU Accession* (London: Ashgate, 2007): 32-47.
50. Ionete, *Criza de sistem a economiei de comandă si etapa sa explozivă*, 73; Murgescu, *Romania si Europa*, 358.
51. Verdery, "Theorizing Socialism," 85-86.
52. On the front of socioeconomic rights, the contrast with the interwar period was stark. Despite significant investments in education (16 percent of public revenue between 1918 and 1938), almost half of the population of interwar Romania was illiterate in 1938, and only Albania and Serbia hosted fewer doctors per capita (1.1 doctors per 10,000, which was less than in India at that time) (A. C. Janos, *East Central Europe in the Modern World: The Politics of the Borderlands from Pre- to Postcommunism* [Stanford, CA: Stanford University Press, 2002], 99). Between 1871 and 1935, the infant mortality rate remained the highest in Europe (19.2 deaths per hundred), largely the result of poor nutrition and farm work during pregnancy. The death rate in the population as a whole was also the highest in Europe. Well into the boom years of the 1930s, the rural population remained dramatically disease-ridden, deprived of basic health care and constrained to live in precarious hygiene conditions (K. Hitchins, *Rumania: 1866-1947* [New York, NY: Oxford University Press, 1994], 337). Literacy and access to medical services were on a level with other peripheral European countries (Yugoslavia, Turkey, Portugal) and behind both its immediate Western neighbors (Hungary, Poland) and non-European peripheral countries (Chile, Mexico) (J. R. Lampe and M. R. Jackson. *Balkan Economic History, 1550-1950: From Imperial Borderlands to Developing Nations* [Bloomington: Indiana University Press, 1982]; Ban, *Neoliberalism in Translation*).
53. G. M. Tamas, "A Capitalism Pure and Simple," in *Genealogies of Post-Communism*, ed. A. Sarbu and A. Polgar [Cluj-Napoca, Romania: Editura Idea, 2009], 20.
54. Chirot, "Social Change in Communist Romania."

55. The number of doctors per 10,000 people increased from 1.1 in 1938 to 20 in the mid-1980s, while the number of hospital beds per capita was close to West German levels. T. I. Berend, *The Hungarian Economic Reforms, 1953-1988*, vol. 70 (Cambridge: Cambridge University Press, 1990), 197.

56. C. P. Zamfir, "Poverty in Romania," [http://www.warwick.ac.uk/fac/soc/complabstuds/russia/Poverty\\_in\\_Romania.doc](http://www.warwick.ac.uk/fac/soc/complabstuds/russia/Poverty_in_Romania.doc).

57. C. P. Zamfir, P. Kyoto, and S. Ruxandra, "Poverty in Romania," *Bucharest: Research Institute for the Quality of Life and United Nations Development Programme* (2001). [http://web.warwick.ac.uk/fac/soc/complabstuds/russia/Poverty\\_in\\_Romania.doc](http://web.warwick.ac.uk/fac/soc/complabstuds/russia/Poverty_in_Romania.doc) (accessed September 16, 2012).

58. C. Zamfir, HDSE Report on Romania [The Council of Europe, 1997], [http://www.coe.int/t/e/social\\_cohesion/hdse/2\\_hdse\\_reports/1\\_country\\_reports/i\\_report%20romania.asp](http://www.coe.int/t/e/social_cohesion/hdse/2_hdse_reports/1_country_reports/i_report%20romania.asp).

59. P. Ronnas, "Centrally Planned Urbanization: The Case of Romania," *Geografiska Annaler, Series B: Human Geography* (1982): 143–51; P. Ronnas, *Urbanization in Romania: A Geography of Social and Economic Change since Independence* [Stockholm, Sweden: Economic Research Institute, Stockholm School of Economics, 1984]; G. Enyedi, "Urbanization under Socialism," *Cities after Socialism: Urban and Regional Change and Conflict in Post-Socialist Societies* (1996): 100–18; D. Belkis, G. Coman, C. Sârbu, and G. Troc, "Construirea urbană, socială și simbolică a cartierului Mănăștur," *Idea* (2003): 15–16; N. Petrovici "Socialist Urbanization in the Ceausescu Era: Power and Economic Relations in the Production of Habitational Space in Cluj," *Studia Universitatis Babeș-Bolyai-Sociologia* 1 (2006): 97–111.

60. Chirot, "Social Change in Communist Romania," 474–75.

61. In 1989 the consumption of primary energy per GDP unit was 4.5 times greater than the average EEC level, making Romania Europe's least efficient energy user. Ionete, *Criza de sistem a economiei de comandă și etapa sa explozivă*, 28.

62. Kotkin and Gross, *Uncivil Society*, 28–30. I. G. Maurer, a former premier of the Ceausescu era, declared in 2001 that during the 1970s "for the regular citizens who never had it so good because of Ceausescu's loans, the real economic situation of the country was not apparent." M. Betea, *Maurer și lumea de ieri: Marturie despre stalinizarea României* (Cluj-Napoca, Romania: Editura Dacia, 2001), 267.

63. The average CMEA country was able to have a little more than half of these resources covered locally. See Linden, "Socialist Patrimonialism and the Global Economy."

64. C. W. Lawson, "National Independence and Reciprocal Advantages: The Political Economy of Romanian-South Relations," *Europe-Asia Studies* 35, no. 3 (1983): 362–75; Linden, "Socialist Patrimonialism and the Global Economy."

65. According to sources cited by Murgescu (*Romania și Europa*, 392), the risky bet made by the regime was that the exports obtained from processing (largely Iranian) crude would cover the bill for oil imports.

66. Interview with Stefan Andrei, trade official. Betea, *Stapanul secretelor lui Ceausescu*, 373.

68. Author interview with Nicolae Vacaroiu, former economist in the State Planning Committee (7 January 2009).

69. Murgescu, *Romania și Europa*, 393.

70. Between 1948 and 1963, the regime's foreign policy had been thoroughly subservient to Moscow, but the autonomous turn in foreign policy inaugurated in the late rule of Gheorghe Gheorghiu-Dej had been consolidated during Ceausescu's rule after 1965.

71. B. Eichengreen and P. H. Lindert, *The International Debt Crisis in Historical Perspective* (Cambridge, MA: MIT Press, 1992); Blyth, *Great Transformations*.

72. B. Balassa, "Exports, Policy Choices, and Economic Growth in Developing Countries after the 1973 Oil Shock," *Journal of Development Economics* 18, no. 1 (1985): 23–35; W. Easterly, "The Lost Decades: Developing Countries' Stagnation in Spite of Policy Reform 1980–1998," *Journal of Economic Growth* 6, no. 2 (2001): 135–57.

73. Most of the debt was owed to private entities. According to the IMF, in 1981 Romania owed to some 300 banks. Romania's indebtedness to the International Monetary Fund amounted to barely \$330 million. IMF, "Romania-Foreign Debt Position," 15 September 1981.



74. IMF, "Romania-Foreign Debt Position," 15 September 1981; memorandum to Brian Rose (Deputy Director of the European Department) from the mission chief, Geoffrey Tyler, with cover memo from Rose to the Managing Director; in IMF/CF (C/Romania/1760, "Stand-by Arrangements 1973–1981").

75. J. Boughton, *Silent Revolution: The International Monetary Fund 1979–1989* (2001), <http://www.imf.org/external/pubs/ft/history/2001/index.htm>.

76. "Romania—Staff Report for the 1982 Article IV Consultation and Review of Stand-By Arrangement," EBS/82/73 (April 29, 1982) with "Additional Information," EBS/82/73, Sup. 1 (June 14, 1982). Additional information is from the staff statement at EBM/82/85 (June 21, 1982), 3–4.

77. *New York Times*, 4 August 1982; *Financial Times*, 8 December 1982. For a comparative overview, see Keith Clark, Martin Hughes, and Andrew Yianni, "The Debt Crisis in Central and Eastern Europe," *Int'l Fin. L. Review* 31 (1992): 31–32.

78. Interview with Florea Dumitrescu, former central bank chairman, *Jurnalul National*, <http://www.jurnalul.ro/scinteia/jurnalul-national/cum-s-a-indeplinit-porunca-dictatorului-plata-anticipata-a-creditelor-internationale-502628.html> (accessed 16 September 2012).

79. Eichengreen and Lindert, *The International Debt Crisis in Historical Perspective*.

80. Paul Marer and Włodzimierz Siwiński, *Creditworthiness and Reform in Poland: Western and Polish Perspectives* (Bloomington: Indiana University Press, 1988).

81. The ban on contracting of further loans was made formal in 1987 (The Romanian Communist Party, Executive Committee Protocol, Number 31, 28 December 1987, p. 2).

82. In parallel with the suppression of the supply, the government ensured constant wage increases of nearly 3 percent (Ionete, *Criza de sistem a economiei de comandă și etapa sa explozivă*, 86), leaving wage earners in the frustrating position of having increased purchase power on a consumer market marked by unprecedented shortages.

83. In 1991, Ben-Ner and Montias tersely inventoried the drop in consumption during these years: "in 1989, sales of slaughtered meat were only 49 percent of what they had been in 1980; cheese, 60 percent; refrigerators, 44 percent; television sets, 64 percent; cars, 79 percent; and bicycles, 61 percent" (Ben Ner and Montias 1991). For complete data on the dynamics of health and education budgets during the 1980s, see Ionete, *Criza de sistem a economiei de comandă și etapa sa explozivă*, 109–14.

84. Ionete, *Criza de sistem a economiei de comandă și etapa sa explozivă*, 86–7.

85. Marer and Siwiński, *Creditworthiness and Reform in Poland*, 8.

86. For more comparative data on currency imports in Eastern Europe during the early 1980s, see UN Economic Commission for Europe, *Economic Survey for Europe in 1984–1985* (New York, NY: UN, 1985).

87. Interview with Bucur Constantinescu, former UTB executive, in TV documentary *Tractorul Brasov*, 2011.

88. Statement by former central bank director Florea Dumitrescu in *Fin.ro*, September 26, 2011. This fact was confirmed by the current central bank governor Mugur Isarescu in *Capital*, January 17, 2011.

89. Interview with Florea Dumitrescu, *Jurnalul National*, March 31, 2009.

90. J. Kornai, *Economics of Shortage*, vol. 2 (North Holland, 1980); J. Kornai, *The Socialist System: The Political Economy of Communism* (Oxford: Oxford University Press, 1992); M. R. Myant, *The Czechoslovak Economy, 1948–1988: The Battle for Economic Reform*, vol. 65 (Cambridge: Cambridge University Press, 1989).

91. Murgescu, *Romania și Europa*, 373; author interview with Valentin Cojanu, former researcher at the Institute for Industrial Economics, January 10, 2009.

92. This is a paradox attributed by an inside observer to the better resonance of the demands made by traditional industries with the regime's economic ideas about industrial development, which privileged the blue-collar working class over the white-collar one see V. Paști, *Noul Capitalism Românesc* [București: Polirom, 2006], 233.

93. Ionete, *Criza de sistem a economiei de comandă și etapa sa explozivă*, 69–72;

94. Interview with Stefan Andrei, former foreign trade official during the 1980s. Betea, *Stapanul secretelor lui Ceausescu*, 412–3.
95. Author interview with nuclear physics researcher Adriana Romantan, May 30, 2011.
96. Ionete, *Criza de sistem a economiei de comandă și etapa sa explozivă*, 104–5, 199.
97. Author interview with Nicolae Vacaroiu, January 10, 2010.
98. Author interview with Ion Iliescu, former official and post-communist president, July 6, 2006.
99. In 1989, Romania had 348 research institutes, of which 16 had more than 2000 employees and public spending on research and development increased by nearly 16 percent between 1985 and 1989. New institutes were established during the 1980s, leading to an increase in the rate of industrial creativity. Despite the increase, the average spending per capita nevertheless remained at 24 percent of the West European average. Spending in research and development in Bulgaria, a country situated at the same level of development, was two times bigger (Ionete, *Criza de sistem a economiei de comandă și etapa sa explozivă*, 69–72).
100. A. Amsden, J. Kochanowicz, and L. Taylor. *The Market Meets Its Match: Restructuring the Economies of Eastern Europe* (Cambridge, MA: Harvard University Press, 1994): 32–3; Ionete, *Criza de sistem a economiei de comandă și etapa sa explozivă*.
101. Verdery, “Theorizing Socialism,” 85–86.
102. Corneliu Dragomir, “Viața cotidiană în comunism: biografii sociale; Studiu de caz: Drobeta-Turnu Severin,” *Sociologie romaneasca* 6, no. 1 (2008): 80–104.
103. Ionete, *Criza de sistem a economiei de comandă și etapa sa explozivă*, 43.
104. *Comisia Națională pentru Statistică*, Anuarul statistic al României (Bucharest, 1991); Murgescu, *Romania și Europa*, 380–85.
105. Gavrița Filichi, *Ziua a cinsprezecea*, 15 noiembrie 1997 (Brasov, Romania, Societatea culturala Lamura, 1994); Mihai Arsene, *Un tablou urias arde. Dosar “Brasov, 15 noiembrie 1987”* (Brasov, Romania: Editura Erasman, 1997); Dan Brudascu, *Dosarele Adevarului: Brasov 1987* (Cluj-Napoca, Romania: Casa de Editura Sedan, 1997); Marius Oprea and Stejarel Olaru, *Ziua care nu se uita, 15 noiembrie 1987, Brasov* (Iasi, Romania: Editura Polirom, 2002).
106. Interview with Florea Dumitrescu, in *Jurnalul national*, 31 March 2009. For Dumitrescu’s firing, see Hotărârea Comitetului Politic Executiv al CC al PCR de la 17 martie 1989, published in *Știința*, 18 March 1989.
107. Betea, *Stapanul secretelor lui Ceausescu*, 396–97.
108. Interview with Stefan Andrei, *Gandul*, 9 May 2011.
109. Interview with Bogdan Baltazar, former director in the Ministry of Foreign Affairs, Africa and Middle East Division, in *Gandul*, 9 May 2011.
110. Interview with Stefan Andrei, in Betea, *Stapanul secretelor lui Ceausescu*, 408–9.
111. Most of these loans were not repaid after 1989. The management of the debt owed to Romania has been puzzlingly generous for a country faced with one of the most traumatic economic transitions in Eastern Europe. Nearly \$7 billion were wiped out in various ways. The political turmoil in Sudan led to a unilateral default on Romania’s \$170 million claims, and 90 percent of Mozambique’s \$140 million debt was eliminated in 2007. Iraq’s \$2 billion debt toward Bucharest was wiped out in 2005 under pressure from the Club of Paris. Rent-seeking private intermediaries wiped off Vietnam’s debt through barter deals that exacted a haircut of 25 percent, while some of the African debt was decimated by foreign offshore vulture funds (Special report on Romania’s debt published in the Romanian daily *Gandul*, 9 May 2011).
112. For the most extensive academic account in English of the Romanian sources, see Siani-Davies, *The Romanian Revolution of December 1989*.
113. The loss of life and limb was gruesome for a few days of protest, but the figures were severely inflated by international press agencies reporting thousands of dead in Timisoara. In fact, the shooting left 70 dead in Timisoara prior to 22 December 1989. In the whole country, 689 died and 1,200 were wounded, most of them after Ceausescu’s overthrow.

114. A sophisticated analysis of the coverage of the Revolution on TV can be found in K. Petrovasky and O. Tichindeleanu, *Revoluția Română televizată. Contribuții la istoria culturală a mediilor* (Cluj-Napoca, Romania: Editura Idea, 2009).

115. Katherine Verdery and Gail Kligman found that the interpretation of the revolution as a *coup d'état* became paradoxically widespread in the Romanian political discourse after 1990. See K. Verdery, and G. Kligman, "Romania After Ceausescu: Post-Communist Communism?," *Eastern Europe in Revolution* (1992): 117–47. Yet according to a recent account, "the mass mobilization, widespread violence, spontaneous creation of local revolutionary councils, breakdown of the revolutionary coalition and the subsequent fierce struggle between the revolutionary contenders on Romania's cities all would seem to belong to the repertoire of revolution rather than a *coup d'état*. Moreover, even if Ceausescu had fallen in a coup, this need not have prevented the events in Romania bearing the name Revolution" (Siani-Davies, *The Romanian Revolution of December 1989*, 268, 277).

116. Kenneth Rogoff, "Europe Finds the Old Rules Still Apply," *Financial Times*, 5 May 2010.

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