

# What Was Socialism, and Why Did It Fall?\*

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The startling disintegration of Communist Party rule in Eastern Europe in 1989, and its somewhat lengthier unraveling in the Soviet Union between 1985 and 1991, rank among the century's most momentous occurrences. Especially because neither policy-makers nor area specialists predicted them, these events will yield much analysis after the fact, as scholars develop the hindsight necessary for understanding what they failed to grasp before. In this chapter, I aim to stimulate discussion about why Soviet-style socialism fell. Because I believe answers to the question require understanding how socialism "worked," I begin with an analysis of this and then suggest how it intersected fatefully with certain features of its world-system context.

## What Was Socialism?

The socialist societies of Eastern Europe and the Soviet Union differed from one another in significant respects – for instance, in the intensity, span, and effectiveness of central control, in the extent of popular support or resistance, and in the degree and timing of efforts at reform. Notwithstanding these differences within "formerly existing socialism," I follow theorists such as Kornai in opting for a single analytical model of it. The family resemblances among socialist countries were more important than their variety, for analytic purposes, much as we can best comprehend French, Japanese, West German, and North American societies as variants of a single capitalist system. Acknowledging, then, that my description applies more fully to certain countries and time periods than to others, I treat them all under one umbrella.

For several decades, the analysis of socialism has been an international industry, employing both Western political scientists and Eastern dissidents. Since 1989 this industry has received a massive infusion of new raw materials, as once-secret files are opened and translations appear of research by local scholars (especially Polish and Hungarian) into their own declining socialist systems. My taste in such theories is "indigenist": I have found most useful the analyses of East Europeans concerning the world in which they lived. The following summary owes much to that work, and it is subject to refinement and revision as new research appears. Given temporal and spatial constraints, I will compress elements of a longer discussion, emphasizing how production was organized and the consequences of this for consumption and for markets. I believe these themes afford the best entry into why Party rule crumbled much faster than anyone expected.

### *Production*

From the earliest days of the "totalitarian" model, Americans' image of "Communism" was of an autocratic, all-powerful state inexorably imposing its harsh will on its subjects. Even after most area specialists ceased to use the term "totalitarian" in their writing, the image of totalitarian autocracy persisted with both the broader public and many politicians; indeed, it underpinned Ronald Reagan's view of the "evil empire" as late as the 1980s. Yet the image was by and large wrong. Communist Party states were not all-powerful: they were comparatively weak. Because socialism's leaders managed only partially and fitfully to win a positive and supporting attitude from their citizens – that is, to be seen as legitimate – the regimes were constantly undermined by internal resistance and hidden forms of sabotage *at all system levels*. This contributed much to their final collapse. I will describe briefly some of the elements of socialist nontotalitarianism and signal a few places where resistance lay.

Socialism's fragility begins with the system of "centralized planning," which the center neither adequately planned nor controlled. Central planners would draw up a plan with quantities of everything they wanted to see produced, known as targets. They would disaggregate the plan into pieces appropriate for execution and estimate how much investment and how many raw materials were needed if managers of firms were to fill their targets. Managers learned early on, however, that not only did the targets increase annually but the materials required often did not arrive on time or in the right amounts. So they would respond by bargaining their plan: demanding

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\* This chapter was originally entitled "What Was Socialism, and What Comes Next?" and was delivered as a lecture for the Center for Comparative Research in History, Society and Culture, at the University of California, Davis, in January 1993. I am grateful to those who invited me – William Hagen, G. William Skinner, and Carol A. Smith – as well as to members of the Center's seminar, for a very stimulating discussion. I also received helpful advice from Ashraf Ghani.

Earlier forms of the argument appeared in "Theorizing Socialism" and in my book *National Ideology under Socialism: Identity and Cultural Politics in Ceaușescu's Romania* (Berkeley and Los Angeles: University of California Press, 1991). The underlying conceptualization was developed in 1988; after 1989 I added some thoughts on how the model might illuminate the system's collapse. Reprinted from *Contention: Debates in Society, Culture, and Science* 1, no. 3 (1993), by permission of Indiana University Press.

more investments and raw materials than the amounts actually necessary for their targets. Every manager, and every level of the bureaucracy, padded budgets and requests in hopes of having enough, in the actual moment of production. (A result of the bargaining process, of course, was that central planners always had faulty information about what was really required for production, and this impeded their ability to plan.) Then, if managers somehow ended up with more of some material than they needed, they hoarded it. Hoarded material had two uses: it could be kept for the next production cycle, or it could be exchanged with some other firm for something one's own firm lacked. These exchanges or barter of material were a crucial component of behavior within centralized planning.

A result of all the padding of budgets and hoarding of materials was widespread shortages, for which reason socialist economies are called economies of shortage. Shortages were sometimes relative, as when sufficient quantities of materials and labor for a given level of output actually existed, but not where and when they were needed. Sometimes shortages were absolute, since relative shortage often resulted in lowered production, or – as in Romania – since items required for production or consumption were being exported. The causes of shortage were primarily that people lower down in the planning process were asking for more materials than they required and then hoarding whatever they got. Underlying their behavior was what economists call soft budget constraints – that is, if a firm was losing money, the center would bail it out. In our own economy, with certain exceptions (such as Chrysler and the savings and loan industry), budget constraints are hard: if you cannot make ends meet, you go under. But in socialist economies, it did not matter if firms asked for extra investment or hoarded raw materials; they paid no penalty for it.

A fictitious example will help to illustrate – say, a shoe factory that makes women's shoes and boots. Central planners set the factory's targets for the year at one hundred thousand pairs of shoes and twenty thousand pairs of boots, for which they think management will need ten tons of leather, a half ton of nails, and one thousand pounds of glue. The manager calculates what he would need under ideal conditions, if his workers worked consistently during three eight-hour shifts. He adds some for wastage, knowing the workers are lazy and the machines cut badly; some for theft, since workers are always stealing nails and glue; some to trade with other firms in case he comes up short on a crucial material at a crucial moment; and some more for the fact that the tannery always delivers less than requested. The manager thus refuses the plan assigned him, saying he cannot produce that number of shoes and boots unless he gets thirteen rather than ten tons of leather, a ton rather than a half-ton of nails, and two thousand rather than one thousand pounds of glue. Moreover, he says he needs two new power stitchers from Germany, without which he can produce nothing. In short, he has bargained his plan. Then when he gets some part of these goods; he stockpiles them or trades excess glue to the manager of a coat factory in exchange for some extra pigskin. If leather supplies still prove insufficient, he will make fewer boots and more shoes, or more footwear of small size, so as to use less leather; never mind if women's feet get cold in winter, or women with big feet can find nothing to wear.

With all this padding and hoarding, it is clear why shortage was endemic to socialist systems, and why the main problem for firms was not whether they could meet (or generate) demand but whether they could procure adequate supplies. So whereas the chief problem of economic actors in Western economies is to get profits by selling things, the chief problem for socialism's economic actors was to procure things. Capitalist firms compete with each other for markets in which they will make a profit; socialist firms competed to maximize their bargaining power with suppliers higher up. In our society, the problem is other sellers, and to outcompete them you have to befriend the buyer. Thus our clerks and shop owners smile and give the customer friendly service because they want business; customers can be grouchy, but it will only make the clerk try harder. In socialism, the locus of competition was elsewhere: your competitor was other buyers, other procurers; and to outcompete them you needed to befriend those higher up who supplied you. Thus in socialism it was not the clerk – the provider, or "seller" – who was friendly (they were usually grouchy) but the procurers, the customers, who sought to ingratiate themselves with smiles, bribes, or favors. The work of procuring generated whole networks of cozy relations among economic managers and their bureaucrats, clerks and their customers. We would call this corruption, but that is because getting supplies is not a problem for capitalists: the problem is getting sales. In a word, for capitalists salesman-ship is at a premium; for socialist managers, the premium was on acquisitionsmanship, or procurement.

So far I have been describing the clientelism and bargaining that undercut the Party center's effective control. A similar weakness in vertical power relations emerges from the way socialist production and shortage bred workers' oppositional consciousness and resistance. Among the many things in short supply in socialist systems was labor. Managers hoarded labor, just like any other raw material, because they never knew how many workers they would need. Fifty workers working three eight-hour shifts six days a week might be enough to meet a firm's targets – *if* all the materials were on hand all month long. But this never happened. Many of those workers would

stand idle for part of the month, and in the last ten days when most of the materials were finally on hand the firm would need 75 workers working overtime to complete the plan. The manager therefore kept 75 workers on the books, even though most of the time he needed fewer; and since all other managers were doing the same, labor was scarce. This provided a convenient if unplanned support for the regimes' guaranteed employment.

An important result of labor's scarcity was that managers of firms had relatively little leverage over their workers. Furthermore, because supply shortages caused so much uncertainty in the production process, managers had to turn over to workers much control over this process, lest work come to a standstill. That is, structurally speaking, workers under socialism had a somewhat more powerful position relative to management than do workers in capitalism, just as managers' bargaining with bureaucrats undercut central power, so labor's position in production undercut that of management.

More than this, the very organization of the workplace bred opposition to Party rule. Through the Party-controlled trade union and the frequent merger of Party and management functions, Party directives were continually felt in the production process – and, from workers' viewpoint, they were felt as unnecessary and disruptive. Union officials either meddled unhelpfully or contributed nothing, only to claim credit for production results that workers knew were their own. Workers participated disdainfully – as sociologist Michael Burawoy found in his studies of Hungarian factories – in party – organized production rituals, such as work-unit competitions, voluntary workdays, and production campaigns; they resented these coerced expressions of their supposed commitment to a wonderful socialism. Thus instead of securing workers' consent, workplace rituals sharpened their consciousness and resistance. Against an official "cult of work" used to motivate cadres and workers toward fulfilling the plan, many workers developed an oppositional cult of nonwork, imitating the Party bosses and trying to do as little as possible for their paycheck. Cadres often found no way around this internal sabotage, which by reducing productivity deepened the problems of socialist economies to the point of crisis.

The very forms of Party rule in the workplace, then, tended to focus, politicize, and turn against it the popular discontent that capitalist societies more successfully disperse, depoliticize, and deflect. In this way, socialism produced a split between "us" and "them," workers and Party leaders, founded on a lively consciousness that "they" are exploiting "us." This consciousness was yet another thing that undermined socialist regimes. To phrase it in Gramscian terms, the lived experience of people in socialism precluded its utopian discourse from becoming hegemonic-precluded, that is, the softening of coercion with consent.

Ruling Communist Parties developed a variety of mechanisms to try to obscure this fact of their nature from their subjects, mechanisms designed to produce docile subject dispositions and to ensure that discontent did not become outright opposition. I will briefly discuss two of these mechanisms: the apparatus of surveillance, and redistribution of the social product.

#### *Surveillance and Paternalistic Redistribution*

In each country, some equivalent of the KGB was instrumental in maintaining surveillance, with varying degrees of intensity and success, particularly effective were the Secret Police in the Soviet Union, East Germany, and Romania, but networks of informers and collaborators operated to some extent in all. These formed a highly elaborate "production" system parallel to the system for producing goods—a system producing paper, which contained real and falsified histories of the people over whom the Party ruled. Let us call the immediate product "dossiers," or "files," though the ultimate product was political subjects and subject dispositions useful to the regime. This parallel production system was at least as important as the system for producing goods, for producers of files were much better paid than producers of goods. My image of this parallel production system comes from the memoirs of Romanian political prisoner Herbert Zilber:

The first great socialist industry was that of the production of files. This new industry has an army of workers: the informers. It works with ultramodern electronic equipment (microphones, tape recorders, etc.), plus an army of typists with their typewriters. Without all this, socialism could not have survived. . . . In the socialist bloc, people and things exist only through their files. All our existence is in the hands of him who possesses files and is constituted by him who constructs them. Real people are but the reflection of their files.

The work of producing files (and thereby political subjects) created an atmosphere of distrust and suspicion dividing people from one another. One never knew whom one could trust, who might be informing on one to the police about one's attitudes toward the regime or one's having an American to dinner. Declarations might also be false. Informers with a denunciation against someone else were never asked what might be their motive for informing; their perhaps – envious words entered directly into constituting another person's file – thus another person's sociopolitical being. Moreover, like all other parts of the bureaucracy, the police too padded

their “production” figures, for the fact of an entry into the file was often more important than its veracity. The existence of this shadowy system of production could have grave effects on the people “processed” through it, and the assumption that it was omnipresent contributed much to its success, in some countries, in suppressing unwanted opposition.

If surveillance was the negative face of these regimes’ problematic legitimation, its positive face was their promises of social redistribution and welfare. At the center of both the Party’s official ideology and its efforts to secure popular support was “socialist paternalism,” which justified Party rule with the claim that the Party would take care of everyone’s needs by collecting the total social product and then making available whatever people needed – cheap food, jobs, medical care, affordable housing, education, and so on. Party authorities claimed, as well, that they were better able to assess and fill these needs than were individuals or families, who would always tend to want more than their share. Herein lay the Party’s paternalism: it acted like a father who gives handouts to the children as he sees fit. The Benevolent Father Party educated people to express needs it would then fill, and discouraged them from taking the initiative that would enable them to fill these needs on their own. The promises – socialism’s basic social contract – did not go unnoticed, and as long as economic conditions permitted their partial fulfillment, certain socialist regimes gained legitimacy as a result. But this proved impossible to sustain.

Beyond its effects on people’s attitudes, paternalism had important consequences for the entire system of production discussed previously and for consumption; here I shift to the question of why consumption was so central in the resistance to socialism. A Party that pretends to meet its citizens’ needs through redistribution and that insists on doing so exclusively – that is, without enlisting their independent efforts – must control a tremendous fund of resources to redistribute. Nationalizing the means of production helped provide this, and so did a relentlessly “productionist” orientation, with ever-increased production plans and exhortations to greater effort.

The promise of redistribution was an additional reason, besides my earlier argument about shortages, why socialism worked differently from capitalism. Socialism’s inner drive was to accumulate not profits, like capitalist ones, but distributable resources. This is more than simply a drive for autarchy, reducing dependency on the outside: it aims to increase dependency of those within. Striving to accumulate resources for redistribution involves things for which profit is totally irrelevant. In capitalism, those who run lemonade stands endeavor to serve thirsty customers in ways that make a profit and outcompete other lemonade stand owners. In socialism, the point was not profit but the relationship between thirsty persons and the one with the lemonade – the Party center, which appropriated from producers the various ingredients (lemons, sugar, water) and then mixed the lemonade to reward them with, as it saw fit. Whether someone made a profit was irrelevant: the transaction underscored the center’s paternalistic superiority over its citizens – that is, its capacity to decide who got more lemonade and who got less.

Controlling the ingredients fortified the center’s capacity to redistribute things. But this capacity would be even greater if the center controlled not only the lemons, sugar, and water but the things they come from: the lemon trees, the ground for growing sugar beets and the factories that process them, the wells and the well-digging machinery. That is, most valuable of all to the socialist bureaucracy was to get its hands not just on resources but on resources that generated other usable resources, resources that were themselves further productive. Socialist regimes wanted not just eggs but the goose that lays them. Thus if capitalism’s inner logic rests on accumulating surplus value, the inner logic of socialism was to accumulate means of production.

The emphasis on keeping resources at the center for redistribution is one reason why items produced in socialist countries so often proved uncompetitive on the world market. Basically, most of these goods were not being made to be sold competitively: they were being either centrally accumulated or redistributed at low prices – effectively given away. Thus whether a dress was pretty and well made or ugly and missewn was irrelevant, since profit was not at issue: the dress would be “given away” at a subsidized price, not sold. In fact, the whole point was *not* to sell things: the center wanted to keep as much as possible under its control, because that was how it had redistributive power; and it wanted to give away the rest, because that was how it confirmed its legitimacy with the public. Selling things competitively was therefore beside the point. So too were ideas of “efficient” production, which for a capitalist would enhance profits by wasting less material or reducing wages. But whatever goes into calculating a profit – costs of material or labor inputs, or sales of goods – was unimportant in socialism until very late in the game. Instead, “efficiency” was understood to mean “the full use of existing resources,” “the maximization of given capacities” rather than of results, all so as to redirect resources to a goal greater than satisfying the population’s needs. In other words, what was rational in socialism differed from capitalist rationality. Both are stupid in their own way, but differently so.

### *Consumption*

Socialism's redistributive emphasis leads to one of the great paradoxes of a paternalist regime claiming to satisfy needs. Having constantly to amass means of production so as to enhance redistributive power caused Party leaders to prefer heavy industry (steel mills, machine construction) at the expense of consumer industry (processed foods, or shoes). After all, once a consumer got hold of something, the center no longer controlled it; central power was less served by giving things away than by producing things it could continue to control. The central fund derived more from setting up a factory to make construction equipment than from a shoe factory or a chocolate works. In short, these systems had a basic tension between what was necessary to legitimate them – redistributing things to the masses – and what was necessary to their power – accumulating things at the center. The tension was mitigated where people took pride in their economy's development (that is, building heavy industry might also bring legitimacy), but my experience is that the legitimating effects of redistribution were more important by far.

Each country addressed this tension in its own way. For example, Hungary after 1968 and Poland in the 1970s gave things away more, while Romania and Czechoslovakia accumulated things more; but the basic tension existed everywhere. The socialist social contract guaranteed people food and clothing but did not promise (as capitalist systems do) quality, ready availability, and choice. Thus the system's mode of operation tended to sacrifice consumption, in favor of production and controlling the products. This paradoxical neglect of consumption contributed to the long lines about which we heard so much (and we heard about them, of course, because we live in a system to which consumption is crucial).

In emphasizing this neglect of consumption as against building up the central resource base, I have so far been speaking of the *formally* organized economy of socialism – some call it the “first” or “official” economy. But this is not the whole story. Since the center would not supply what people needed, they struggled to do so themselves, developing in the process a huge repertoire of strategies for obtaining consumer goods and services. These strategies, called the “second” or “informal” economy, spanned a wide range from the quasi-legal to the definitely illegal. In most socialist countries it was not illegal to moonlight for extra pay – by doing carpentry, say – but people doing so often stole materials or illegally used tools from their workplace; or they might manipulate state goods to sell on the side. Clerks in stores might earn favors or extra money, for example, by saving scarce goods to sell to special customers, who tipped them or did some important favor in return. Also part of the second economy was the so-called “private plot” of collective farm peasants, who held it legally and in theory could do what they wanted with it – grow food for their own table or to sell in the market at state-controlled prices. But although the plot itself was legal, people obtained high outputs from it not just by virtue of hard work but also by stealing from the collective farm: fertilizer and herbicides, fodder for their pigs or cows, work time for their own weeding or harvesting, tractor time and fuel for plowing their plot, and so on. The second economy, then, which provisioned a large part of consumer needs, was parasitic upon the state economy and inseparable from it. It developed precisely because the state economy tended to ignore consumption. To grasp the interconnection of the two economies is crucial, lest one think that simply dismantling the state sector will automatically enable entrepreneurship – ready present in embryo – to flourish. On the contrary: parts of the second economy will wither and die if deprived of the support of the official, state economy.

It is clear from what I have said that whereas consumption in our own society is considered primarily a socioeconomic question, the relative neglect of consumer interests in socialism made consumption deeply political. In Romania in the 1980s (an extreme case), to kill and eat your own calf was a political act, because the government prohibited killing calves: you were supposed to sell them cheap to the state farm, for export. Romanian villagers who fed me veal (having assured themselves of my complicity) did so with special satisfaction. It was also illegal for urbanites to go and buy forty kilograms of potatoes directly from the villagers who grew potatoes on their private plot, because the authorities suspected that villagers would charge more than the state-set price, thus enriching themselves. So Romanian policemen routinely stopped cars riding low on the chassis and confiscated produce they found inside.

Consumption became politicized in yet another way: the very definition of “needs” became a matter for resistance and dispute. “Needs,” as we should know from our own experience, are not given: they are created, developed, expanded – the work especially of the advertising business. It is advertising's job to convince us that we need things we didn't know we needed, or that if we feel unhappy, it's because we need something (a shrink, or a beer, or a Marlboro, or a man). Our need requires only a name, and it can be satisfied with a product or service. Naming troubled states, labeling them as needs, and finding commodities to fill them is at the heart of our economy. Socialism, by contrast, which rested not on devising infinite kinds of things to sell people but on claiming to satisfy people's *basic* needs, had a very unadorned definition of them – in keeping with socialist egalitarianism. Indeed, some Hungarian dissidents wrote of socialism's relationship to needs as a “dictatorship.”

As long as the food offered was edible or the clothes available covered you and kept you warm, that should be sufficient. If you had trouble finding even these, that just meant you were not looking hard enough. No planner presumed to investigate what kinds of goods people wanted, or worked to name new needs for newly created products and newly developed markets.

At the same time, however, regime policies paradoxically made consumption a problem. Even as the regimes prevented people from consuming by not making goods available, they insisted that under socialism, the standard of living would constantly improve. This stimulated consumer appetites, perhaps with an eye to fostering increased effort and tying people into the system. Moreover, socialist ideology presented consumption as a “right.” The system’s organization exacerbated consumer desire further by frustrating it and thereby making it the focus of effort, resistance, and discontent. Anthropologist John Borneman sees in the relation between desire and goods a major contrast between capitalism and socialism. Capitalism, he says, repeatedly renders desire concrete and specific, and offers specific – if ever-changing – goods to satisfy it. Socialism, in contrast, aroused desire *without* focalizing it, and kept it alive by deprivation.

As people became increasingly alienated from socialism and critical of its achievements, then, the politicization of consumption also made them challenge official definitions of their needs. They did so not just by creating a second economy to grow food or make clothes or work after hours but also, sometimes, by public protest. Poland’s Communist leaders fell to such protest at least twice, in 1970 and in 1980, when Polish workers insisted on having more food than government price increases would permit them. Less immediately disruptive were forms of protest in which people used consumption styles to forge resistant social identities. The black markets in Western goods that sprang up everywhere enabled alienated consumers to express their contempt for their governments through the kinds of things they chose to buy. You could spend an entire month’s salary on a pair of blue jeans, for instance, but it was worth it: wearing them signified that you could get something the system said you didn’t need and shouldn’t have. Thus consumption goods and objects conferred an identity that set you off from socialism, enabling you to differentiate yourself as an individual in the face of relentless pressures to homogenize everyone’s capacities and tastes into an undifferentiated collectivity. Acquiring objects became a way of constituting your selfhood against a deeply unpopular regime.

#### *Bureaucratic Factionalism and Markets*

Before turning to why these systems fell, I wish to address one more issue: politicking in the Party bureaucracy. Although this took different and specific forms in the different countries, it is important to mention the issue, for socialism’s collapse owed much to shifts in the balance among factions that emerged within the Party apparatus. Even before 1989, researchers were pointing to several forms of intra-Party division. Polish sociologist Jadwiga Staniszkis, writing specifically of the moment of transition, speaks of three factions – the globalists, the populists, and the middle-level bureaucracy; others, writing more generally, distinguish between “strategic” and “operative” elites, the state bureaucracy and the “global monopoly;” the bureaucracy and the Party elite, “in-house” and “out-of-house” Party workers, and so forth. One way of thinking about these various divisions is that they distinguish ownership from management, or the people who oversaw the paper-work of administration from those “out in the field,” intervening in actual social life. We might then look for conflicting tendencies based in the different interests of these groups – such as conflicts between the central “owners” or paper workers, on one hand, who might persist in policies that accumulated means of production without concern for things like productivity and output, and the bureaucratic managers of the allocative process or its fieldworkers, on the other, who *had* to be concerned with such things. Although the power of the system itself rested on continued accumulation, such tendencies if unchecked could obstruct the work of those who had actually to deliver resources or redistribute them. Without actual investments and hard material resources, lower-level units could not produce the means of production upon which both bureaucracy and center relied. If productive activity were so stifled by “overadministration” that nothing got produced, this would jeopardize the redistributive bureaucracy’s power and prestige.

Thus when central accumulation of means of production began to threaten the capacity of lower-level units to produce; when persistent imbalances between investment in heavy industry and in light industry, between allocations for investment and for consumption, and so on, diminished the stock of distributable goods; and when the center’s attempts to keep enterprises from meddling with surplus appropriation obstructed the process of production itself-this is when pressure arose for a shift of emphasis. The pressure was partly from those in the wider society to whom not enough was being allocated and partly from bureaucrats themselves whose prestige and, increasingly, prospects of retaining power depended on having more goods to allocate. One then heard of decentralization, of the rate of growth, of productivity-in a word, of matters of output, rather than the inputs that lay at the core of bureaucratic performance. This is generally referred to as the language of “reform.”

For those groups who became concerned with questions of output and productivity, the solutions almost always involved introducing mechanisms such as profitability criteria and freer markets. This meant, however, introducing a subordinate rationality discrepant with the system's inner logic and thereby threatening continued Party rule. Market forces create problems for socialism in part for reasons treated implicitly or explicitly above in contrasting capitalism's demand-constrained economies with socialism's economy of shortage (its lack of interest, for example, in the salability of its products). But more broadly, markets create problems because they move goods horizontally rather than vertically toward the center, as all redistributive systems require. Markets also presuppose that individual interest and the "invisible hand," rather than the guiding hand of the Party, secure the common good. Because these horizontal movements and individualizing premises subverted socialism's hierarchical organization, market mechanisms had been suppressed. Reformers introducing them were opening Pandora's box.

### **Why Did It Fall?**

My discussion of socialism's workings already points to several reasons for its collapse; I might now address the question more comprehensively. To do this requires, in my view, linking the properties of its internal organization (discussed above) with properties of its external environment, as well as with shorter-term "event history." This means examining the specific conjuncture of two systems – "capitalist" and "socialist," to use ideal types – one encompassing the other.

In event-history terms, the proximate cause of the fall of East European and Soviet socialism was an act of the Hungarian government: its dismantling of the barbed wire between Hungary and Austria, on the eve of a visit by President George Bush, and its later renouncing the treaty with the GDR that would have prevented East German emigration through Hungary. This culmination of Hungary's long-term strategy of opening up to the West gave an unexpected opportunity for some East German tourists to extend their Hungarian vacations into West Germany; the end result, given that Gorbachev refused to bolster the East German government with Soviet troops in this crisis, was to bring down the Berlin Wall. To understand the conjuncture in which Hungary could open its borders and Gorbachev could refuse Honecker his troops requires setting in motion the static model I have given above and placing it in its international context. This includes asking how socialism's encounter with a changing world capitalism produced or aggravated factional divisions within Communist Parties.

#### *International Solutions to Internal Problems*

My discussion of socialism indicated several points of tension in its workings that affected the system's capacity for extended reproduction. Throughout their existence, these regimes sought to manage such tensions in different ways, ranging from Hungary's major market reforms in the 1960s to Romania's rejection of reform and its heightened coercive extraction. In all cases, managing these tensions involved decisions that to a greater or lesser degree opened socialist political economies to Western capital. The impetus for this opening – critical to socialism's demise – came chiefly from within, as Party leaders attempted to solve their structural problems without major structural reform. Their attitude in doing so was reminiscent of a "plunder mentality" that sees the external environment as a source of booty to be used as needed in maintaining one's own system, without thought for the cost. This attitude was visible in the tendency of socialist governments to treat foreign trade as a residual sector, used to supplement budgets without being made an integral part of them. Because of how this opportunistic recourse to the external environment brought socialism into tighter relationship with capitalism, it had fateful consequences.

The critical intersection occurred not in 1989 or 1987 but in the late 1960s and early 1970s, when global capitalism entered the cyclical crisis from which it is still struggling to extricate itself. Among capitalists' possible responses to the crisis (devaluation, structural reorganization, etc.), an early one was to lend abroad; facilitating this option were the massive quantities of petrodollars that were invested in Western banks, following changes in OPEC policy in 1973. By lending, Western countries enabled the recipients to purchase capital equipment or to build long-term infrastructure, thereby expanding the overseas markets for Western products.

The loans became available just at the moment when all across the socialist bloc, the first significant round of structural reforms had been proposed, halfheartedly implemented, and, because profitability and market criteria fit so poorly with the rationale of socialism, largely abandoned. Reluctance to proceed with reforms owed much, as well, to Czechoslovakia's Prague Spring, from which the Party apparatus all across the region had been able to see the dangers that reform posed for its monopoly on power. Instead of reforming the system from within, then, most Party leaderships opted to meet their problems by a greater articulation with the surrounding economy: importing Western capital and using it to buy advanced technology (or, as in Poland, to subsidize consumption), in hopes of improving economic performance. Borrowing thus became a substitute for extensive

internal changes that would have jeopardized the Party's monopoly over society and subverted the inner mechanisms of socialism. In this way, the internal cycles of two contrasting systems suddenly meshed.

The intent, as with all the international borrowing of the period, was to payoff the loans by exporting manufactured goods into the world market. By the mid-1970s it was clear, however, that the world market could not absorb sufficient amounts of socialism's products to enable repayment, and at the same time, rising interest rates added staggeringly to the debt service. With the 1979-80 decision of the Western banking establishment not to lend more money to socialist countries, the latter were thrown into complete disarray. I have already mentioned several features that made socialist economies inapt competitors in the international export market. The "plunder" stance toward external economies, the system's fundamental organization against notions of salability of its products, the shortage economy's premium on acquisitionsmanship rather than on salesmanship, the neglect of consumption and of producing to satisfy consumer needs with diverse high-quality products – all this meant that an adequate response to the hard-currency crisis would have catastrophic effects on socialism's inner mechanisms. To this was added the fact that socialist economies were "outdated": as Jowitt put it, "After 70 years of murderous effort, the Soviet Union had created a German industry of the 1880s in the 1980s."

In these circumstances, the balance of power tilted toward the faction within the Communist Party of the Soviet Union that had long argued for structural reforms, the introduction of market mechanisms, and profit incentives, even at the cost of the Party's "leading role." The choice, as Gorbachev and his faction saw it, was to try to preserve either the Soviet Union and its empire (by reforms that would increase its economic performance and political legitimacy) or collective property and the Party monopoly. Gorbachev was ready to sacrifice the latter to save the former but ended by losing both.

While Western attention was riveted on the speeches of policy-makers in the Kremlin, the more significant aspects of reform, however, were in the often-unauthorized behavior of bureaucrats who were busily creating new property forms on their own. Staniszkis describes the growth of what she calls "political capitalism," as bureaucrats spontaneously created their own profit-based companies from within the state economic bureaucracy. Significantly for my argument that socialism's articulation with world capitalism was crucial to its fall, the examples she singles out to illustrate these trends are all at the interface of socialist economies with the outside world – in particular, new companies mediating the export trade and state procurement of Western computers. In fact, she sees as critical the factional split between the groups who managed socialism's interface with the outside world (such as those in foreign policy, counterintelligence, and foreign trade) and those who managed it internally (such as the Party's middle-level executive apparatus and the KGB). Forms of privatization already taking place as early as 1987 in Poland and similar processes as early as 1984 in Hungary show the emerging contours of what Staniszkis sees as the reformists' goal: a dual economy. One part of this economy was to be centrally administered, as before, and the other part was to be reformed through market/profit mechanisms and selective privatization of state property. The two were to coexist symbiotically.

These forms of "political capitalism" arose in part by economic managers' exploiting the shortages endemic to socialism – shortages now aggravated to crisis proportions. In the new hope of making a profit, "political capitalists" (I call them "entrepratchiks") were willing to put into circulation reserves known only to them – which they would otherwise have hoarded – thus alleviating shortages, to their own gain. As a result, even antireformist Soviet and Polish bureaucrats found themselves acquiescing in entrepratchiks' activities, without which, in Staniszkis's words, "the official structure of the economic administration was absolutely unsteerable." Contributing to their tolerance was rampant bureaucratic anarchy, a loss of control by those higher up, rooted in the "inability of superiors to supply their subordinates (managers of lower level) with the means to construct a strategy of survival." Because superiors could no longer guarantee deliveries and investments, they were forced to accept whatever solutions enterprising subordinates could devise – even at the cost of illicit profits from state reserves. Entrepratchiks soon began to regard the state's accumulations much as Preobrazhensky had once urged Soviet leaders to regard agriculture: as a source of primitive accumulation. They came to find increasingly attractive the idea of further "privatization," so important to Western lenders.

It is possible (though unlikely) that socialist regimes would not have collapsed if their hard-currency crisis and the consequent intersection with capitalism had occurred at a different point in capitalism's cyclicity. The specifics of capitalism's own crisis management, however, proved unmanageable for socialist systems. Without wanting to present recent capitalism's "flexible specialization" as either unitary or fully dominant (its forms differ from place to place, and it coexists with other socioeconomic forms), I find in the literature about it a number of characteristics even more inimical to socialism than was the earlier Fordist variant, which Soviet production partly imitated. These characteristics include: small-batch production; just-in-time inventory; an accelerated pace of innovation; tremendous reductions in the turnover time of capital via automation and electronics; a much-increased turnover time in consumption, as well, with a concomitant rise in techniques of need-creation and an

increased emphasis on the production of events rather than goods; coordination of the economy by finance capital; instantaneous access to accurate information and analysis; and an overall decentralization that increases managerial control (at the expense of higher-level bodies) over labor.

How is socialism to mesh with this? – socialism with its emphasis on large-scale heroic production of means of production, its resources frozen by hoarding—no just-in-time here! – its lack of a systemic impetus toward innovation, the irrelevance to it of notions like “turnover time,” its neglect of consumption and its flat-footed definition of “needs,” its constipated and secretive flows of information (except for rumors!) in which the center could have no confidence, and the perpetual struggle to retain central control over all phases of the production process? Thus, I submit, it is not simply socialism’s embrace with capitalism that brought about its fall but the fact that it happened to embrace a capitalism of a newly “flexible” sort. David Harvey’s schematic comparison of “Fordist modernity” with “flexible post-modernity” clarifies things further: socialist systems have much more in common with his “Fordist” column than with his “flexible” one.

Let me add one more thought linking the era of flexible specialization with socialism’s collapse. Increasing numbers of scholars note that accompanying the change in capitalism is a change in the nature of state power: specifically, a number of the state’s functions are being undermined. The international weapons trade has made a mockery of the state’s monopoly on the means of violence. The extraordinary mobility of capital means that as it moves from areas of higher to areas of lower taxation, many states lose some of their revenue and industrial base, and this constrains their ability to attract capital or shape its flows. Capital flight can now discipline all nation-state governments. The coordination of global capitalism by finance capital places a premium on capital mobility, to which rigid state boundaries are an obstacle. And the new computerized possibilities for speculative trading have generated strong pressures to release the capital immobilized in state structures and institutions by diminishing their extent.

This has two consequences for the collapse of socialism. First, groups inside socialist countries whose structural situation facilitated their fuller participation in the global economy now had reasons to expand their state’s receptivity to capital – that is, to promote reform. Second, the control that socialist states exerted over capital flows into their countries may have made them special targets for international financial interests, eager to increase their opportunities by undermining socialist states. These internal and international groups each found their chance in the interest of the other. It is in any case clear from the politics of international lending agencies that they aim to reduce the power of socialist states, for they insist upon privatization of state property—the basis of these states’ power and revenue. Privatization is pushed even in the face of some economists’ objections that “too much effort is being invested in privatization, and too little in creating and fostering the development of new private firms” – whose entry privatization may actually impede.

### *No Time for Socialism*

Rather than explore further how flexible specialization compelled changes in socialism, I wish to summarize my argument by linking it to notions of time. Time, as anthropologists have shown, is a fundamental dimension of human affairs, taking different forms in different kinds of society. The Western notion of a linear, irreversible time consisting of equivalent and divisible units, for instance, is but one possible way of conceptualizing time and living it. A given cultural construction of time ramifies throughout its social order. Its calendars, schedules, and rhythms establish the very grounds of daily life (which is why elites, especially revolutionary ones, often manipulate them), undergird power and inequality and affect how people make themselves as social beings.

Capitalism exists only as a function of time—and of a specific conception of it. Efforts to increase profits by increasing the velocity of capital circulation are at its very heart. Thus each major reorganization of capitalism has entailed, in Harvey’s terms, “time-space compression”: a shrinking of the time horizons of private and public decision-making, whose consequences encompass ever-wider spaces owing to changed communications and transport technology. The basic logic of socialism, by contrast, placed no premium on increasing turnover time and capital circulation. Although the rhetoric of Stalinism emphasized socialism as a highly dynamic system, for the most part Soviet leaders acted as if time were on their side. (When Khrushchev said, “We will bury you,” he was not too specific about the date.) Indeed, I have argued that in 1980s Romania, far from being speeded up, time was being gradually slowed down, flattened, immobilized, and rendered nonlinear.

Like the reorganization of capitalism at the end of the nineteenth century, the present reorganization entails a time-space compression, which we all feel as a mammoth speedup. Yet the socialism with which it intersected had no such time-compressing dynamic. In this light, the significance of Gorbachev’s perestroika was its recognition that socialism’s temporality was unsustainable in a capitalist world. Perestroika reversed Soviet ideas as to whose time-definition and rhythms were dominant and where dynamism lay: no longer within the socialist system but outside it, in the West. Gorbachev’s rhetoric from the mid-1980s is full of words about time: the

Soviet Union needs to “catch up,” to “accelerate” its development, to shed its “sluggishness” and “inertia” and leave behind the “era of stagnation.” For him, change has suddenly become an “urgent” necessity.

[By] the latter half of the seventies. . . the country began to lose momentum. . . . Elements of stagnation. . . began to appear. . . . A kind of “braking mechanism” affect[ed] social and economic development. . . . The inertia of extensive economic development was leading to an economic deadlock and stagnation.

These are the words of a man snatched by the compression of space and time.

Even as he spoke, new time/space-compressing technologies were wreaking havoc on the possible rhythms of his and other leaders’ control of politics, as Radio Free Europe made their words at once domestic *and* international. Soviet leaders could no longer create room for themselves by saying one thing for domestic consumption and something else for the outside world: they were now prisoners of simultaneity. The role of Western information technology in undermining socialism was evident in the spread of Solidarity’s strikes in 1980, news of which was telephoned out to the West and rebroadcast instantly into Poland via Radio Free Europe and the BBC, mobilizing millions of Poles against their Party. The revolutions of 1989 were mediated similarly.

I am suggesting, then, that the collapse of socialism came in part from the massive rupture produced by its collision with capitalism’s speedup. If so, it would be especially useful to know something more about the life-experience of those people who worked at the interface of these two temporal systems and could not help realizing how different was capitalism’s time from their own. Bureaucrats under pressure to increase foreign trade and foreign revenues, or importers of computer equipment, would have discovered that failure to adapt to alien notions of increased turnover time could cost them hard currency. They would have directly experienced time-annihilating Western technologies, which effected a banking transaction in milliseconds as opposed to the paper-laden hours and days needed by their own financial system. Did the rise of “profitability” criteria in the command economy owe something to such people’s dual placement? Did they come to experience differently their sense of themselves as agents? My point, in short, is that the fall of socialism lies not simply in the intersection of two systems’ temporal cycles but rather in the collision of two differently constituted temporal orders, together with the notions of person and activity proper to them.

If socialist economies had not opened themselves to capital import and to debt servicing, perhaps their collision with capitalist speedup would have been less jarring – or would at least have occurred on more equal terms. But the capitalist definition of time prevailed, as socialist debtors bowed to its dictates (even while postponing them), thereby aggravating factional conflicts within the elite. Because its leaders accepted Western temporal hegemony, socialism’s messianic time proved apocalyptic. The irony is that had debtor regimes refused the definitions imposed from without – had they united to default simultaneously on their Western loans (which in 1981 stood at over \$90 billion) – they might well have brought down the world financial system and realized Khrushchev’s threatening prophecy overnight. That this did not happen shows how vital a thing was capitalists’ monopoly on the definition of social reality.

#### *What Comes Next?*

The outcome of the confluence between socialist and capitalist systemic crises is far more complicated than “capitalism triumphant,” however. Ken Jowitt captures this with an unexpected metaphor, that of biological extinction and its attendant erasure of formerly existing boundaries among forms of life. In his brilliant essay “The Leninist Extinction,” he pursues the metaphor’s implications as follows:

[One feature] of mass extinctions. . . is that they typically affect more than one species. In this respect, the collapse of European Leninism may be seen more as a political volcano than as an asteroid. A volcano’s eruption initially affects a circumscribed area (in this case limited to Leninist regimes), but, depending on its force, the effects gradually but dramatically become global. The Leninist volcano of 1989 will have a comparable effect on liberal and “Third World” biota around the globe.

After describing the new regime “species” that have emerged with changed forms of government in Poland, Hungary, Romania, and elsewhere, as well as other new forms of political life arising out of Yugoslavia and the Soviet Union, he ponders the larger question of the end of the Cold War:

For half a century we have thought in terms of East and West, and now there is no East as such. The primary axis of international politics has “disappeared.” Thermonuclear Russia hasn’t, but the Soviet Union/Empire

most certainly has. Its “extinction” radically revises the framework within which the West, the United States itself, the Third World, and the countries of Eastern Europe, the former Russian Empire, and many nations in Asia have bounded and defined themselves.

The Leninist Extinction will force the United States [not to mention all those others] to reexamine the meaning of its national identity.

What the Leninist Extinction confronts us with, then, is a conceptual vacuum. Jowitt concludes by invoking the biblical story of Genesis (“the world was without form, and void”), whose theme is bounding and naming new entities, as the “narrative” most appropriate to the immediate future.

In my view, not only is Jowitt absolutely right but one could go even further. It is not just new political identities, including our own, that we will have the task of bounding and naming – a task which, if the example of Bosnia is any indication, is of awesome magnitude. It is also the entire conceptual arsenal through which Western institutions and social science disciplines have been defined in this century. As one reads scholarship on the postsocialist processes of “privatization,” the creation of “property rights,” the development of “democracy” or “civil society” or “constitutions” – in short, the proposed building of a “liberal state” – profound confusion sets in. One begins to see that these terms do not label useful concepts: they are elements in a massive political and ideological upheaval that is by no means restricted to the “East.”

If this is true, then everything we know is up for grabs, and “what comes next” is anyone’s guess.

In: Verdery, Katherine. *What Was Socialism and What Comes Next*. Princeton University Press, 1996. 19-38