The collapse of Real Socialism in Eastern Europe: linking external and internal causes.

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Abstract: The objective of this work is to critically discuss the collapse of Real Socialism in Eastern Europe through a perspective that brings together external and internal causes. The method employed for this is historical prospecting based on data and literature on the subject. The results indicate that the economic, social, and political contradictions of Real Socialism were the main causes for the end of this social regime. To achieve its objective, this work is divided into sections, which are organized according to a chronological order.

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[1] Independent researcher. This work draws from his PhD thesis (GOMES, 2017). Any additional reference can be found there.

INTRODUCTION

Real Socialism was an important social regime of XX century. Originated from the specific conditions of Soviet Union, this regime spread out throughout the world and once was considered a viable alternative for the problems of the capitalist mode of production. However, despite an initial success regarding quantitative economic growth, Real Socialism accumulated troubles which grew in complexity as time went by and eventually collapsed after seven decades of existence. In Eastern European, Real Socialism was implemented after the II World War and lasted for more than four decades. Eastern European Real Socialism started as a copy of the Soviet model but eventually acquired its own characteristics, although in a context of limited sovereignty that would only be changed in the late 1980s.

The objective of this work is to critically discuss the end of Real Socialism in Eastern Europe through a perspective that brings together external and internal causes. The countries studied are eight: Albania, Bulgaria, Czechoslovakia, German Democratic Republic (GDR), Hungary, Poland, Romania and Yugoslavia. The usual explanations about the failure of Real Socialism range from the inefficiencies of economic planning to the oppressive social, institutional and political structures of this social regime, but these accounts lack the understanding about the complex interactions between the internal contradictions of Real Socialism and its international relations, especially the way that socialist countries entered the global market. This paper aims to amalgamate the external and internal reasons relatively to Eastern European countries that made 1989 a crucial year in History.

The method used to accomplish the objective of this work is historical prospecting based on data and literature on the subject. The results indicate that the internal contradictions of Eastern Europe’s Real Socialism combined with a particular historical configuration of the world economy after the 1970s and a series of reforms in the USSR, the center of the socialist bloc, was what made possible the astonishing turn of events of 1989 to 1991. In order to attain its objective, this paper will be organized into three sections. The first one covers the period between 1945 and 1961, the second one the period 1961 to 1973 and the third one the period 1973 to 1991. Following these sections, there is a segment of concluding remarks.

SECTION 1 (1945-1961) – POST-WAR RECONSTRUCTION AND DE-STALINIZATION PROCESS

The zones of geopolitical influence and post-World War II borders were established at the conferences of Yalta and Potsdam in 1945. There it was specified that Eastern Europe, with the exception of Greece, would be under the tutelage of the USSR. In this context of Soviet political dominance over Eastern European countries' self-determination, their social regimes were shaped after the Soviet one. This fact meant that the so-called "Stalinist model" was implemented throughout the region: bureaucratized economies and authoritarian social regimes, characterized by the presence of a privileged elite. The economic mechanism of the "Stalinist model" emphasized quantitative growth through heavy industrialization. In order to do this, the practice was to extracted surplus resources from the agricultural sector, what is known as "primitive socialist accumulation" (PREOBRAZHENSKY, 1965). Consequently, there was an atrophied consumer goods sector and difficulties with the supply of basic staples to the population.

The first economic measures adopted in post-war Eastern Europe were administrative restructuring, expropriation of former capitalists, nationalization of major industries, institution of state monopoly on foreign trade, agrarian reform and introduction of economic planning. In 1948, relations between the USSR and Yugoslavia were severed, with the latter country following its own path of non-political alignment and a particular economic model based on firms' self-management. In other countries, the economic system adopted was the "Stalinist model" until the 1960s. Economic reforms occurred in the 1950s, but they did not change the basic characteristics of the Stalinist economic mechanism. The most important changes took place in Poland, where the process of collectivization of agriculture was abandoned in

1956. In this country, private property was the predominant legal form in the agricultural sector.

The planning system adopted in the 1940s and 1950s was composed of long-term perspectives and annual plans, the latter being of an operational nature. Regarding the technical aspect of planning, the so-called "material balance" method was used to make economic plans feasible. In the 1950s the input-output matrix method was developed, which allowed a certain advance in the accuracy of planning. Economic planning used primarily physical performance indicators, so that volume of production was more important than profitability of operations. Economic decisions were centralized and there was a rigid decision-making hierarchy. The Stalinist economic mechanism ensured the centralization of decisions and resources so as to the priorities established were resolved. In the post-war case, the priority was industrialization. This was done in Eastern European countries, allowing them to take a quantitative leap in the development of their productive forces. Because of the scarcity of available resources, this industrialization effort implied a negligence in relation to the other sectors of the economy, especially the light and food industry. Restructuring of agriculture towards the extinction of private property in the countryside has brought additional difficulties in supplying staples to the population.

Rationing in consumer goods resulting from these facts is one of the main causes for popular dissatisfaction with Eastern European governments in the 1950s. Additionally, oppression and repression over the population meant that these regimes had little popular legitimacy, even in those countries where the Communists had an important support base in the immediate postwar period. This scenario was aggravated by the technical difficulties with Stalinist-type economic planning, which ranged from the waste of resources to the excessive accumulation of inventories. The so-called "New Course" and the process of de-Stalinization did not solve these problems. This tense situation led to popular revolts (GDR in 1953, Hungary and Poland in 1956), with significant humanitarian and political costs (FEJTŐ, 1969; WILCZYNSKI, 1972: 33-36).

A critical analysis of the first decade of Eastern European Real Socialism must take into account the specificities of each country. However, in general terms, we can make some critical assessments. Regarding the economic mechanism of these countries, it was implemented authoritarian and bureaucratic systems that oppressed workers. The workers were submitted to appalling conditions and were repressed by overarching state apparatuses. Basic civil liberties were taken away in the name of building socialism. Eastern European Real Socialism was a replica of the Soviet system, where the principle of "one-man management" was the mainstay of the enterprises' organization. The exception was Yugoslavia, where firms were self-managed by the workers themselves.

In merely quantitative terms, the Stalinist economic system served the post-war economic reconstruction purposes of the Eastern European countries. From a scarcity scenario left by the war, these countries succeeded in building an industrial base, which even overcame the prewar situation. In the following table we have the index of industrial production calculated by the statistical agency of the GDR, which compared the evolution of Eastern European countries industrial production level. The notable cases of rapid industrialization in Eastern Europe were the agrarian-based countries: Poland, Romania, Bulgaria, and Albania, which more than quadrupled their industrial output from the prewar level.

Table 1 Industrial Production Index (1950=100)

	1937	1955	1960
Albania	24	277	603
Bulgaria	32	190	397
Hungary	62	184	265
Yugoslavia	59	141	262
Poland	45	212	338
GDR	90	190	292
Romania	68	202	340
Czechoslovakia	70	170	282

Source: STATISTISCHES JAHRBUCH DER DDR, 1962: Anhang, III, 17.

This rapid industrialization was not without costs, since most of the available resources were allocated to heavy industrialization and not to light industry and agriculture. Along with the economic, political and social problems of Real Socialism, such costs imposed by the industrialization policy have resulted in a trajectory of social instability. The pressure exerted by the population dissatisfied with the quantity and quality of consumer goods was growing since the beginning of the 1950s, particularly in countries with a previous industrial base (East Germany, Czechoslovakia and, to a lesser extent, Hungary and Poland). At the same time, the repressive state of affairs that characterized the relationship between citizens and governments meant that civil societies were unsatisfied with the first years of Real Socialism. These factors were translated as popular demands for economic and political changes.

As we said earlier these countries experienced important social upheavals. These events had immediate political repercussions but did not bring about significant changes in the economic mechanism of Eastern European countries: reforms in the "Stalinist model" remained marginal, without altering the main features of this system (with the exception of Poland, where the collectivization of agriculture was phased out). Yugoslavia was a separate case, since the country abandoned the "Stalinist model" and the costs required by the accelerated industrialization effort were reduced due to the greater participation of workers in economic and political life, which does not mean that these costs did not exist, because during the phase of the so-called "global industrialization"[2] the industrial sector had an explicit preference over the agricultural one.

All in all, the post war period in Eastern Europe was characterized by the implementation of the "Stalinist model". The countries of this region became part of the Soviet geopolitical sphere of influence and they henceforth had a limited sovereignty in their internal affairs. The "Stalinist model" was a centralized, wasteful and authoritarian economic system and brought in the bureaucratization of social life in Eastern Europe. At the same time, the Stalinist economic mechanism was functional to concentrate resources in one specific sector of the economy, and this was done with regard to heavy industrialization. Light industries and the agricultural sector lagged far behind in this first phase of Real Socialism. In this process of implementation of a new social regime, the elites of Real Socialism managed to amass privileges in relation to average citizens.

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[2] Global industrialization was the name given to the industrialization policy of Yugoslavia between 1945 and 1955. This type of industrialization was based on the Stalinist model (BICANIC, 1976: 108-111).

SECTION 2 (1961-1973) – ECONOMIC REFORMS: CAUSES, DEBATES AND RESULTS

In the 1960s Eastern Europe economies faced a reduction in its economic growth pace. The large growth rates obtained during the effort of economic reconstruction after World War II faded away and a slowdown was registered in the early 1960s. Considering Bulgaria, Czechoslovakia, GDR, Hungary, Poland, Romania and the USSR, the average annual rate of growth[3] which had been 9.1% during the period between 1956 and 1960, declined to 6.2% during the period 1961-1965. In East Germany, for example, net material product growth rose from an annual average of 11.08 per cent between 1950 and 1959 to 4.5 per cent in 1960, 1.6 per cent in 1961 and 2.7 per cent in 1962 (JEFFRIES & MELZER, 1987: 10; TDR, 1982: 159).

At the same time that the "Stalinist model" was losing its capacity to generate a strong pace of economic growth, the elites of Real Socialism embarked on a path of reinforcing the concept that Real Socialism countries could catch up and overtake the levels of productivity of the capitalist countries. This campaign was most notorious in the USSR and the GDR but influenced all Eastern Europe and it was an attempted to legitimize the power held by bureaucratic casts through the idea that socialism was a better system than capitalism even with regard to the levels of productivity. In this way, a productivist logic guided Real Socialism, so that the construction of socialism was not synonymous with a qualitative change in the relations of production, but socialism was equated with a mere quantitative increase of production.

The productivist logic favored that: (i) in the labor sphere, the relations of production were similar to those prevailing under capitalism (intensification of labor was desirable for many reasons, first of all to exceed capitalist levels of production); (ii) in the political sphere, the upper social stratum accumulated privileges and social differentiation from the mass of workers; and (iii) in the macroeconomic sphere, it was considered as a desirable strategy to use the international capitalist market for greater supply of credit and goods, without taking into account the consequences associated

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[3] Measured by Net Material Product.

with this strategy. The productivist logic and these three consequences conditioned the fate of Real Socialism. Besides of being authoritarian and bureaucratized regimes, these regimes exploited workers, fostered social differentiation and, despite all the rhetoric of economic planning, they did not design a well-defined strategy to interact with the capitalist world market without bringing financial restraints to their foreign accounts, as it eventually happened in the late 1970s and 1980s.

The reason for the economic decline of the late 1950s and early 1960s was attributed by Eastern European scholars to the exhaustion of growth possibilities based on the extensive use of resources, particularly in the industrialized countries such as GDR and Czechoslovakia, and because the policy changes of the 1950s (the "New Course") did not produce the desired results. As these economies recovered from the destruction caused by the war, their structures became more complex, with increasing: (i) number of goods produced, (ii) production methods employed, (iii) alternatives available to planners, and (iv) demands of consumers. At the same time, there was decreasing: (i) sources of natural resources and (ii) available manpower. This new set of conditions was impelling a shift from an extensive regime of growth to an intensive one.

Therefore, policymakers were constrained to change governance techniques related to the planning and management systems in order to reignite economic growth in a different material context. This state of affairs meant that discussions about economic reforms were put on the table almost throughout Eastern Europe. Wrapped in an aura of technicism and scientism, the reforms proposals supposedly intended to reduce the spheres of economic life influenced by political considerations. However, in reality the central point of discussion was how to create an economic environment suitable for intensive growth without questioning the basic tenet of Real Socialism, namely the *status quo* of the distribution of power and the oppressive character of the relations of production. This determined that the main idea advocated by reformists was how to create mechanisms capable of increasing labor productivity and avoiding the waste of resources, without any questioning about the privileges of Real Socialism's elites.

In order to improve labor productivity and reduce the waste of resources, reformists contended that it was necessary to attack Stalinist system's troubles with respect to these two issues, since the Stalinist economic mechanism was an economic system whose orientation was aimed at a rapid quantitative increase of production through heavy industrialization and not directed to address questions concerning the intensive regime of economic growth. The Stalinist system exhibited important shortcomings: often the plans had an *ad hoc* character; there was deficiencies in the coordination of the various sectors of the economy; difficulties in the transmission of information; problems with coordination between future investments and current economic plans; performance indicators measured in volume production, leading to waste and lack of care with costs and product quality; excess demand for consumer goods; etc (ELLMAN, 1979: 42-50).

Faced with these problems in the functioning of the Stalinist system, discussions about changes in the economic mechanism took place both within the ruling parties and in academic circles. Eastern European economists, in general, pointed to the following reform proposals as a solution to these shortcomings: (i) give more decision-making power to companies so that decisions were decentralized and thus enlarge the space for innovation and experiences at company level; (ii) create a price system adequate to the cost structures of firms; (iii) take measures to mitigate waste in the use of inputs and means of production (for example, charging interest for the use of machinery and equipment); (iv) reform performance indicators in order to adapt incentives to work to a situation of cost minimization, material motivation and efficiency; and (v) tailor products to consumer needs and international trade requirements (BORNSTEIN, 1977: 105-106, DOBB, 1970: 29).

These solutions, as good as they sound, were not meant to replace socialism with capitalism: they were meant to modernize the socialist economy through the permanent use of the market and its social categories as an instrument to increase productivity and perfect the economic mechanism. Even the overarching economic planning through administrative orders was to be replace by a merely indicative economic planning system with economic agents guided by mercantile incentives towards desired ends. The market mechanism was regarded as something capable of make the economy function to the maximum of its potential, so that the supposedly superiority, especially in terms of productivity, of the socialist economy over capitalism could be proven by quantitative results. This expected result did not arrive after all: socialist economies lagged behind in terms of productivity especially after the technological innovations of the capitalist countries in the 1970s.

In this context, during the 1960s reforms in the planning and management system took place throughout Eastern Europe. The reforms varied widely across the region but the main idea was to use the market and its categories to perfect the economic system. On this account, Real Socialism seemed to draw near to capitalism as the so-called socialist countries adopted market instruments to guide their economies. As capitalism is characterized by the widespread presence of economic planning (although there is not a global plan that encompass overall social production) then in the 1960s there was the apex of the “Convergence theories” which asserted that both economic systems (capitalism and socialism) would eventually converge to a synthesis that combined economic planning with market mechanisms. As we know, this did not happen.

The most radical reforms regarding the presence of mercantile elements occurred in Yugoslavia, Hungary and Czechoslovakia. While the former abandoned central planning once and for all, in Hungary a few elements were retained that prevented conversion to a full market economy, especially the fact that economic planning existed on important fields of the economy. Both countries had strong interference of the State in the economy, but this does not determine if an economy is a market economy or not. What defines a market economy is the presence of the law of value as the regulator of social production. In Czechoslovakia the reforms moved forward to a pro-mercantile direction, but they retreated in the early 1970s within the framework of the "Normalization" policy.

The reforms did not manage to solve the problems that afflicted Eastern Europe economies. For example, the presence of a second economy in these countries continued to be one of the defining features of Real Socialism. The economic mechanism remained cumbersome and wasteful. The main complaints concerning the old planning and management system were that it was inflexible, careless in regard to the resources of the economy, unable to bring technological innovations and incapable to adapt itself to the demands of consumers. The attempted solution was to decentralize decisions, to form intermediary entities between central government and firms or even to abandon central planning altogether, and to use profit as a decisive factor for economic decisions and as a prime incentive for those involved in production. Although this solution was in certain cases a temporary one, it must be note that it expanded the role of mercantile elements, as material incentives, in the economic life of these societies.

It is important to point out that the economic reforms of the 1960s, and its debates, did not approach the question of Real Socialism's elites, the social strata that despotically allocated economic resources through administrative means. In fact, the social regimes of Eastern Europe fossilized into burdensome state apparatus with a encrusted social layer that struggled by all means to maintain its privileges. In this sense, they became conservatives: the utmost priority of Real Socialism's elites was to conserve the *status quo*. Official institutions maintained a position that the sacrifices entailed by Real Socialism was the price to be paid to build a qualitative distinct society from capitalism but this ideological structure was soon perceived by the population as a hollow one and lost its credibility altogether.

In summary, Eastern European reformists took the relations of production as given and sought to perfect the economic planning. In the case of the 1960s, this search for the optimal plan was equated to improvements in the transmission of information between productive units and State's central institutions, which would be done through the use of the market and its categories (profits, wages, prices, bonuses, etc.), especially material incentives to work. Power of dominant elites and the separation of workers from the control of their own labor process were not questioned. Reforms lasted longer in Hungary and Yugoslavia; in both countries, they altered significantly the functioning of their respective economic mechanisms.

The reason because, except Yugoslavia and Hungary, the reforms of Real Socialism were short-lived is that to decentralize decision-making stances was something disturbing to the "homeostasis" of Real Socialism, since the basic pillar of this system was the concentration of power in the elites, which despotically allocated resources and amassed privileges. At the same time that elites of Real Socialism craved for new spaces of private accumulation through the fostering of mercantile relations they feared the decentralization of their power. This contradiction was resolved into an increased role for the second economy, where private accumulation of resources could take place, and into a temporarily stoppage of reforms proposals.

SECTION 3 (1973-1991) – THE FINAL DECLINE OF REAL SOCIALISM

Real Socialism entered the 1970s as a consolidated social system that appeared to the layman as a viable alternative to capitalism. The system achieved stability by frozen into an overarching state apparatus controlled by an elite that maintained a tight grip over society. The economic mechanism faced several problems but it was able to keep growing quantitatively. In the age of *détente*, socialist countries increased the relationship with capitalist countries and this improved the average quality of life of their citizens, especially in terms of the available basket of consumer goods since the oppressive character of Real Socialism's states did not changed.

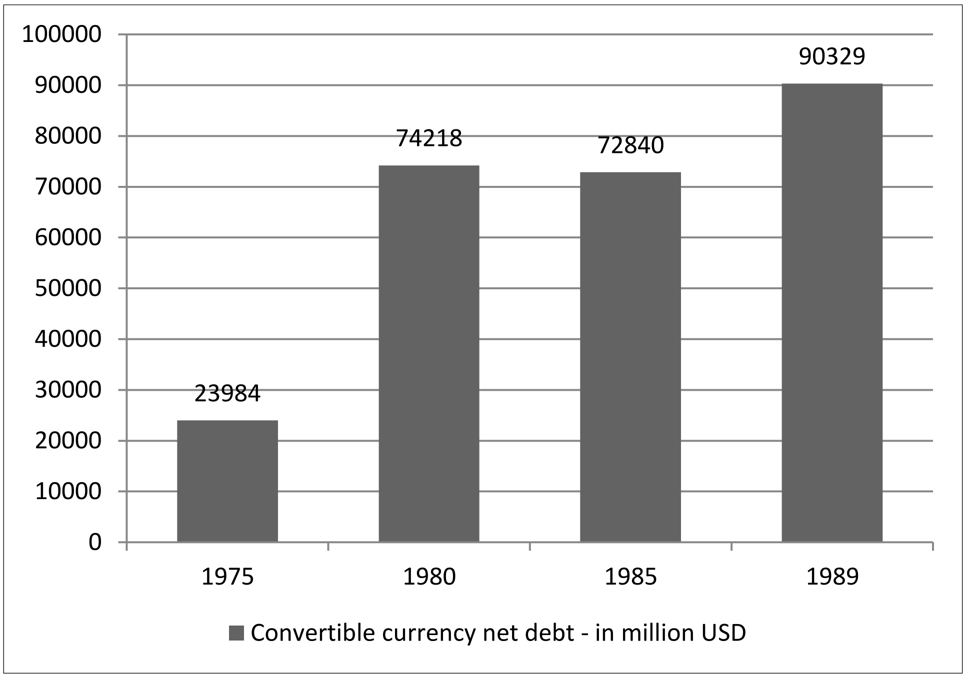
Despite this apparent stability, Real Socialism collapsed in the late 1980s due to its many problems and contradictions and a specific set of historical events. One of the problems of Eastern European countries was the frailty of their balance of payments that was increasingly under pressure during the 1970s and 1980s. This was due to the difficulties that these countries had to generate hard currency through exports. In the age of *détente*, socialist countries increased their financial and trade relations with the capitalist countries and this brought troubles later on since the international market is regulated under capitalist terms. Eastern European countries even made use of foreign indebtedness to finance their external accounts. The strategy of borrowing in the international financial market, which at first seems very strange for socialist countries, was present in most countries of Eastern Europe during the 1970s and 1980s. This fact shows that they were not able to maintain an advantageous relationship with the capitalist global market, which is regulated directly by the law of value.

The adoption of this type of strategy was not an "idiopathic" phenomenon but something entrenched in the manner by which Real Socialism dealt with the question of raising productivity levels. In other words, this was a direct consequence of the policy of the privileged elites to legitimize themselves through the idea that socialism was a better system than capitalism in all spheres, even in regard to productivity levels. That is to say, they founded the construction of so-called socialist societies in an attempt to reach and surpass the levels of productivity and consumption of capitalist countries. Inasmuch as it proposed a "duel" with the capitalist countries, the socialist bloc needed to import technology, production goods and consumer goods precisely from the countries with they competed. Between 1970 and 1981, Eastern European countries increased the volume of imports of goods and services from capitalist countries by nine times. In the same period, gross external debt with the capitalist countries went from US$ 4.6 to US$ 69.1 billion. As a result, socialist countries re-entered the capitalist global market, from which they were relatively isolated in the 1950s and early 1960s (BUNCE, 1985: 36-39).

The late 1960 and the 1970s were characterized by an expansion of international liquidity as a result of the end of Bretton Woods, growth of the Eurodollar market and the oil shock of 1973. In this context of abundant international liquidity, Eastern European countries followed the path of foreign indebtedness to finance their external accounts. Because of the chronic difficulty of these countries to obtain hard currency on the international market, in order to meet its financial obligations they later embarked on monetary tightening and/or negotiations with creditors and international agencies, such as the IMF and the World Bank. The exception was Albania, which did not get into debt in the international financial market, but the rupture of its relations with China after Mao Zedong's death brought serious economic problems for the country (KOTKIN, 2010).

There is a myriad of indicators to analyse the evolution of foreign debt and a country's capacity of payment. One good, although incomplete, illustration is the evolution of net debt. The chart below shows the sum of convertible currency net debt of Eastern Europe (Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, Romania) and Yugoslavia in 1975, 1980, 1985 and 1989 (VIFCES, 1991: 391). The pattern of debt growth followed the vagaries of the international financial market: as liquidity was readily available (1970s and late 1980s) the level of debt increased; otherwise, when channels of financing were severed, countries of Eastern Europe were pressed to adjustments. This fact reveals that the internal logic of Real Socialism, the productivist logic, pushed policy makers to a vicious cycle of resorting to the global capitalist market in order to try to close the gap between capitalist and socialist productivity levels.

Chart 1 – Convertible currency net debt - in million US Dollar



Source: Elaborated with data from VICFES, 1991: 391.

The foreign debt strategy responded to a goal that the leaders of Eastern European countries identified as fundamental: reach and surpass the productivity and consumption levels of capitalist countries. Pressed by domestic troubles resulting from the many problems and contradictions of Real Socialism, Eastern European elites did not consider the risks associated with an import-led growth strategy. The loans obtained in the international market were meant to finance imports of production goods, technology, and consumer goods from capitalist countries and, in this manner, raise labor productivity and consumption levels. To make this financing viable, it was necessary the existence of creditors willing to lend. In the case of the 1970s there was an expansion of finance channels available to socialist countries, such as greater availability of credit from Western sources (TYSON, 1986: 254-255).

The wave of indebtedness indicates that socialist economies were not able to escape the pattern of accumulation prevalent in the capitalist world market. In a sense, this indicate the failure of Real Socialism not only as an economic alternative but as an integration process between countries which shared the same social regime. Theoretically, a feasible alternative to increase productivity and consumption would be neither careless entanglement with the capitalist world market or the pursue of an autarchic route, but rather the deepening of economic relations within the COMECON (Council for Mutual Economic Assistance) bloc. In this way, countries of Real Socialism would be able to exploit economies of scale and scope without resorting to the capitalist global market and its particular logic of accumulation. Although this could do little to reduce the technological gap between the capitalist and socialist blocs, it would, at least theoretically, diminish the dependence ties entailed by the presence of vulnerability in the foreign accounts.

Nevertheless, COMECON's activities remained limited to certain isolated projects, without promoting a genuine integration of the economies of the socialist bloc; in particular a conjoint process of economic planning that included foreign trade and international financial operations. The reason for this lack of cooperative articulation was the political disarray within the bloc that prevented the effective integration of Eastern European economies. There were several reasons for the existence of this disharmony. First of all, the interests of capitalist countries in foster skirmishes between socialist countries in order to prevent a useful coordination of efforts. Nothing older than "divide to reign". Proof of this are the economic favors that Tito and Ceausescu had managed to gather because they drew away from the USSR. Furthermore, the political predominance of the Soviet Union over the Eastern European countries was another factor that divided the socialist bloc. The constant interference of the USSR in the internal politics of these countries fueled the erosion of relations among the so-called "satellite countries" and USSR and fostered hostility towards the Soviets. Another polemic was the presence of Warsaw Pact troops ready to intervene if any of the region's governments were threatened by political forces opposed to Soviet and local elites' interests. This happened effectively in the GDR in 1953, in Hungary in 1956 and in Czechoslovakia in 1968. The possibility of invasion was credible in Poland in 1956 and 1981. These threats and military interventions were some of the important causes for the lack of unity of the socialist bloc.

If in the 1970s Eastern European economies, fueled by external liquidity, maintained a modest but positive level of economic growth, in the 1980s the region's difficulties to sustain even its ordinary pace of growth progressively worsened. On the one hand, foreign creditors and capitalist countries were eager to receive their debt payments; on the other, civil societies demanded increasing sophistication of consumption patterns and opposed the restrictive adjustments and deflationary policies implemented to solve external sector's problems of these countries and generate hard currencies. Moreover, the USSR presented serious difficulties in its economy so that the always expected Soviet aid to the "satellite countries" ended up not happening. In this scenario, the necessity for changes became compelling and it was put on the agenda again after the first round of the late 1950s and 1960s. Hans-Herman Höhmann (HÖHMANN, 1989: 18-19) explained that the unsatisfactory economic situation and the need to increase exports and obtain hard currencies were among the reasons for the 1980s renewal of the economic reform movement in Real Socialism (HÖHMANN, 1989: 19):

> *... the East European economies' hard-currency debt which had soared in the 1970s and had then been reduced (or at least had ceased to grow so rapidly) in the early 1980s, is at present expanding more rapidly again, putting them under persistent pressure to consolidate. Eastern Europe's overall hard-currency debt currently totals some 130 billion dollars. In the light of this high level of debt, the countries of Eastern Europe have been and indeed still are intensifying their efforts to export to the West and to the USSR, with the result that a widening discrepancy has opened up between domestic production and consumption. On the expenditure side, they have been attempting to cope with this pressure for consolidation especially by curbing capital formation, which, in turn, has been restricting the resources available for investment policy for the purposes of modernization and has almost inevitably led to the need to bridge the deficits in capital formation by striving for higher-quality economic processes - and that means by reforms. In view of the increasing importance attributed to foreign trade, an intensive search for new, more effective forms of international economic co-operation has also been launched.*

According to Höhmann (HÖHMANN, 1989: 19), the other reason for the resurgence of the reformist movement was that Soviet *perestroika* motivated new endeavors of economic and political reforms in Eastern Europe. In fact, the reforms in the USSR (*perestroika*, *glasnost*, *uskoreniye*, *demokratizatsiya*) promoted a political effervescence in Eastern Europe and brought about important transformations. As Real Socialism’s political, economic, and social contradictions deepened, the Eastern Europe regimes began a process of reconversion to capitalism. The first case was that of Poland, where the government faced strong opposition from the Solidarity union, the Catholic Church and the population beset by the economic crisis. After came Hungary, where the transition to the new social regime was simpler than in the Polish case, because the economy was already close to capitalism.

Then in the fall and winter of 1989 there was the fall of the Berlin Wall, the “Velvet Revolution” in Czechoslovakia, the meeting between Gorbachev and Bush at the Malta Summit, the pro-capitalist reforms led by the Communists in Bulgaria and the deposition of Ceausescu in Romania. Therefore, 1989 was a year in which Eastern Europe's geopolitical framework was profoundly changed. Following this year, there were also transformations towards capitalism in Yugoslavia and Albania. In the first case, it is somewhat difficult to talk about a reconversion to capitalism, since the country was effectively a market economy since 1965, but further moves in direction to a full changeover of the economy to capitalism were taken. And in the second case, the reconversion to capitalism was led by the Albanian Labor Party (PPSH) itself after massive popular protests at the end of 1990 and beginning of 1991 due to the precarious economic and social situation of the country.

The causes for the demise of Real Socialism lie in its own internal problems (namely, in the political, economic, and social contradictions of each country) and in a particular international state of affairs which combined the entanglement of Eastern European economies with the capitalist world and the changes in USSR. In fact, what made it possible for astonishing transformations to occur at such rapid pace throughout the region were the Soviet reforms from 1985 onwards. These reforms, besides boosting reformist movements in Eastern European countries, included the replacement of the “Brezhnev Doctrine” for a “new political thinking” in the conduct of Soviet foreign policy. This change in Soviet foreign policy granted greater space of action for the “satellite countries” to restore sovereignty and follow their own path, something they had longed for since the end of II World War.

The “Brezhnev Doctrine” was the policy of intervention by Warsaw Pact troops if one of the countries of the Warsaw Pact faced internal or external challenges in respect to the continuation of Real Socialism, so the countries of this pact had a *de facto* limited sovereignty. The “new political thinking” was the idea that international relations were supposed to take a pragmatic approach, and not an ideological one, because in the so-called modern world relations between countries were allegedly characterized primarily by interdependency and not by rivalry. The core underlying interest in this “new thinking” was to reduce military expenses since the Soviet economy was in serious difficulties. The end of potential oppression was what freed Eastern European policymakers to search for a new model for their societies inasmuch as Real Socialism was lagging behind Western European social democracies in terms of average quality of life and this was not take for granted by the population of Eastern European countries. Besides, internal contradictions of Real Socialism were only getting more complex as time passed by and these problems seemed insurmountable if profound reforms did not take place.

The Eastern European reformists promoted a return to capitalism in an abrupt but, in most cases, peaceful transition. As stated by the “new political thinking”, the Soviet Union did not interfere in order to maintain the *status quo* in Eastern Europe. The population of this region, beleaguered by the problems of Real Socialism, saw in capitalism an outlet for greater political freedom, the end of police and intellectual repression, a resumption of the right to travel beyond the borders of Eastern Europe, access to a larger and better basket of consumption goods and the extinction of privileges of the elites that dominated these countries. In this manner, popular support for the transformations was present and a new trajectory was followed by Eastern European countries.

In summary, after the peak of hostilities which was the Cuban missile crisis, the world entered in a phase of conciliation between the capitalist and the socialist bloc, which resulted in some of the Cold War’s landmarks as the Salt Treaty, the Helsinki Conference and the *Ostpolitik* in Germany. In regard to our investigation, the age of *détente* was important because increased the interaction between capitalist and socialist countries, which eventually meant rising difficulties to socialist countries with respect to the management of their external accounts. The countries of Eastern Europe were not prepared to enter the global capitalist market except in a subordinate position, because they lacked the technological and productivity levels that would make them competitive players able to generate hard currencies through trade.

One can argument that this increased relationship with the capitalist countries was not at all a decisive factor in the final destiny of Real Socialism, but the important thing is not the magnitude of the socialist countries' participation in the global capitalist market, but the fact that this was something strange to the normal functioning of Eastern European economies and therefore it was something very difficult to accommodate into the fossilized world of Real Socialist bureaucratic economies. The point is that, once created, the Eastern European economies' external problems could not be permanently resolved since there was not sufficient endogenous technological creation in the socialist countries and sooner or later they had to face the fact that in order to reduce the productivity gap from the capitalist economies they were forced to import goods and services from their so-called rivals. This contradiction was resolved into the constitution of a dependence relationship that reduced the room to maneuver of the socialist bloc of countries.

This dependence relationship was one of the causes for the demise of Real Socialism, along with its own internal economic, political and social problems and a specific set of events in international relations that made feasible the wave of regime changes in Eastern Europe. The internal problems ranged from wasteful economies grounded on a productivist logic to oppressive and repressive states. The international events corresponded mainly to the reforms in the USSR. Eastern Europe had a limited sovereignty since the 1940s and this impeded the forces that claimed for autonomous development to assert themselves. As the Soviet Union granted independence to Eastern Europe, these countries chose to move away from Real Socialism.

CONCLUSIONS

What we saw in this text was that internal contradictions combined with a set of specific external circumstances seal the fate of Eastern European Real Socialism. The most obvious internal contradictions were the authoritarian political regimes and the bureaucratic economic systems. Both formed a prosperous environment for the reproduction of the elites' privileges in respect to the general population. Besides these two problems, there was the question of the quality of relations of production, the prevalence of a productivist logic and the lack of effective integration between socialist countries. The external circumstances comprise, among other things, the increasing integration with the global capitalist market and reforms in the USSR, the center of the socialist bloc.

The "Stalinist model" implemented in Eastern Europe after the II World War brought with itself all the problems that the USSR had been suffering. The "Stalinist model" was sustained by a repressive apparatus which was present even in the labor place. In such manner, the promises that socialism would bring a new society qualitatively different from the preceding one were broken as fast as oppressive regimes were implemented throughout the region. The processes of bureaucratization and of repression over the population soon dominated social life. Over the years, plentiful attempted reforms did not change these features of Real Socialism. At the heart of the matter, Real Socialism's elites did not intend to build a qualitative distinct society but they just aimed to follow a productivist logic of endless quantitative economic growth in order to reinforce its privileges and perpetuate itself in power. The ultimate result was that they lose any remaining popular support because at the same time they spoke out values as equality, workers' empowerment, altruism, common good, and so on, they had a standard of living better than average people. This hypocrisy corroded the legitimacy of these regimes and was one of the important causes of their collapse.

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