

Liviu ȚĂRANU*

**COORDINATES OF THE ECONOMIC STRATEGY
IN COMMUNIST ROMANIA (1953-1989)**

- Abstract -

The entire economic policy practiced by the Romanian Workers' Party / Romanian Communist Party between 1948 and 1989 is treated with indifference at present, historians relegating this topic to a secondary plane. In spite of this, the economic strategies, their application and results must be known in order to understand the entire social, cultural and material complexity of Communism.

Our study approaches one of the aspects of this issue, precisely the financial policies practised by the leaders of Romania during Communism. The impact of these policies is massive, both on the internal social environment and on the foreign relations of Romania, with the western world especially.

Keywords: economic strategy, Communism, credits, foreign debt crisis.

**COORDONATE ALE STRATEGIEI ECONOMICE
ÎN ROMÂNIA COMUNISTĂ (1953-1989)**

- Rezumat -

Întreaga politică economică practică de PMR/PCR în perioada 1948-1989 este în prezent tratată cu indiferență, istoricii lăsând acest subiect într-un plan secund. În pofida acestui lucru, strategiile economice, aplicarea și rezultatele lor trebuie cunoscute pentru a înțelege întregul complex social, cultural și material existent în comunism.

Studiul nostru tratează una din laturile acestei probleme și anume politicile financiare pe care le-au dus cei care au condus România în comunism. Impactul acestor politici este unul masiv atât asupra mediului social intern cât și din punct de vedere al relațiilor externe ale României, îndeosebi cu lumea occidentală.

Cuvinte cheie: strategie economică, comunism, credite, criza datoriei externe

* National Council for the Study of the Archives of the Security, Bucharest, liviutaranu@yahoo.com.

In spite of today's criticism regarding the economic policies of the Communist regime, we must state that the program of the Communists who led Romania after 1945 was founded on the idea of economic progress. This economic process was based, essentially, on industrialisation. From this point of view and according to the rhythm of this process which, eventually, led to an economic growth, we can identify three significant stages in the development of the Romanian economy, corresponding with the time period between 1948 and 1965: the first stage, comprised between 1948 and 1953 stands out through a rather accentuated rate of industrial growth, in relation to the years 1945-1948; it is the time when great masses of people are mobilised on large industrial yards; the second stage, 1953-1957 is characterised by a decrease of the investments in industry and a greater attention paid to agriculture where substantial investments are made; the economy fluctuates strongly, however, during these years; the second stage, 1957-1965, is marked by the massive and continuous growth of investments in industry which leads to annual growth rates of the gross domestic product of 15% approximately, fact which placed Romania immediately after Japan.

The used economic model was the Soviet one, implemented with the support of Soviet councillors.

At the beginning of the 50s, Romania was facing serious social and economic problems. With a population of around 14.3 millions, out of which almost three quarters were engaged in agriculture or forestry, and 9-10% in industry, the social tensions caused by the low standard of living could burst at all tides¹. The gigantic projects of the new governors and the official propaganda caused a great enthusiasm among the masses of young people mobilised for the construction of new industrial objectives, for rebuilding and modernising the infrastructure, as well as for the extractive industry². However, manpower was mostly unqualified, illiteracy was preponderant and the lack of engineers, technicians, specialists caused serious problems to the beginning of these works. The crisis of competent personnel was characteristic of all the fields, as the old technical elite, scarce as it was, was assigned to unqualified labour, in the best case, this if they were not in prisons or camps.

¹ John Michael Montias, *Economic Development in Communist Romania*, Cambridge, 1967, p. 32.

² The level of investments in People's Republic of Romania increased in 1953 by more than 325% as compared to 1949 (20.4 billions lei). The main three branches which recorded growth were: oil industry, ferrous metallurgy and cement industry (Central Historical National Archives, Central Committee fund of the Romanian Communist Party, Chancellery, file no. 31/1954, l. 26).

The lack of professionalism in all the economic structures of the party and of the State led to numerous changes of plans, the consequences being reflected in massive economic losses due to the stock production, poor quality of the products, low productivity of the workers whose lack of material incentive and lack of training created a vicious mechanism which blocked the socialist economy from the first part of Gheorghe Gheorghiu-Dej regime.

Moreover, the beginning of the 50s is characterised by the euphoria of large buildings; scores of huge yards are opened, without taking into account financing possibilities for their achievement and the lack of equipment will soon lead to the stop of works. After 1953, the difficulties encountered forced the authorities to become more realistic and to orient the investments towards the branches which had a solid base of raw materials in country. The front of constructions is narrowed down, the number of large new yards is reduced and investments concentrate, first and foremost, on finishing the already opened yards. Also, the proper attention is paid to the investments in the branches which ensured the production for export.³

The passage to another form of economic policy begins to be felt ever since 1953. Whether it was a coincidence or not, it is now that the first negotiations begin for the dissolution of SovRoms, and Gh. Gheorghiu-Dej makes the first political statements regarding some new relationships between the countries of the block and the Soviet Union. The passage to a new economic policy had been heatedly debated in the Political Office on August 3, 1953, when Miron Constantinescu admitted the serious mistakes they had made: "indeed, C.S.P. [State Committee for Planning] and, first of all, me, as I am responsible for the activity of C.S.P., we played a great part in the mistakes of the economic policy. C.S.P. erred in its proposals regarding the proportions between the investments in heavy industry and the investments in consumer goods industry, in its proposals regarding the proportions between investments and the internal revenue. Also, C.S.P. was mistaken in the planning activity, its attitude being often unprincipled with regard to the different proposals made by several ministries, and often resorting to compromise solutions. The control over the enforcement of the plan was insufficient; it lacked continuity and, sometimes, competence."⁴

In the same meeting of the Political Office, Gheorghe Gheorghiu-Dej emphasised the mistakes that had been made and proposed measures: "in this criticism of our mistakes, we must underline that, first of all, the volume of the investments, in relation to the national income, was much and unjustifiably pumped up, as the conditions of our economic development did not ask for such an effort, as there is the Soviet Union, and there are the popular democratic countries, with whom we maintain strong relations of mutual help. Secondly, we must show that this inflated volume of the investments was unjustly distributed to the branches of the national economy, thus causing the disproportionate, unscientific

³ Central Historical National Archives, Central Committee fund of the Romanian Communist Party, Chancellery, file no. 31/1954, l. 28.

⁴ Idem, file no 43/1953, l. 4.

development of the heavy industry, of the automotive industry particularly. The other sectors benefitted from a series of achievements, but below what could and what should have been achieved if the economy had been guided towards the proportional development of its branches. Also, the achievements of the other sectors were flawed for almost all the attention was focused on the heavy industry. Agriculture was neglected, although it is very important even for the development of industry itself and so were the millions of individual peasants' households which hold an important share in providing supplied to people and industry [...]. Thirdly, what aggravated even more the situation of the economy were the defence duties which grew incessantly, engaging large parts of the national budget in a non-productive sector, without taking into consideration the power of the national economy. Should we had not taken measures on time, we could have run into extremely dangerous economic phenomena. Our duty is now to continue to ensure the development of heavy industry, which will hold the leading position in relation to the other sectors, but allotting to it a percentage of investments in line with the real possibilities of the economy and to ensure a normal, gradual growth rhythm of this sector [...] Essentially, we must apply to the economic policy the measures characteristic of N.E.P.”⁵

Approaching this segment, Gheorghiu-Dej was certain that one could already speak of a new economic policy: “therefore, can we speak of a new course of our economic policy? Of course we can. How must we understand this new course? With the meaning of mending our economic policy, correcting investments by means of measures able to orient our activity towards a proportionate development of all the economic branches, focusing - that is, our financial, material means, our staff - on the agriculture, in order to increase the agricultural production.”⁶

Among the first results of this new policy was the appointment in May 1954 as Vice-Presidents of C.S.P. of the best specialists of the regime: Al. Bârlădeanu, former Minister of Foreign Trade, Gh. Gaston-Marin, former Minister of Electric Power Constantin Atanasiu, Emil Mitescu, Bucur Şchiopu, Roman Moldovan, Serghei Bulgacov, Ion Velea, Cornel Mănescu, Marin Bercovici. In December 1955, Alexandru Bârlădeanu was appointed President of C.S.P. and since May 1956, Gh. Gaston-Marin⁷, intelligent of the mechanisms of planned economy, was the President of C.S.P. for almost ten years.

⁵ *Ibidem*, l. 5.

⁶ *Ibidem*, l. 50

⁷ Born in 1918, in Pădureni, Arad County, Gheorghe Gaston Marin studied between 1929 and 1937 at Petroşani Public High School; between 1937 and 1938 he studied Mathematics and Physics in Sorbonne; 1938-1940 he graduated the Polytechnic Institute of Grenoble, being awarded the diploma of electrical engineer; 1940-1944 assistant at Grenoble Polytechnics. He spoke six languages: Romanian, Hungarian, French, English, Russian and German. He occupied several positions: 1945-1948 Councillor at the Ministers' Council Presidency; 1948-1949 Secretary General and Deputy Minister at the Minister of National Economy; 1949-1954 Minister of Electric Power and Electrotechnical Industry; 1954-1965 President of C.S.P.; 1962-1969 Vice-President of the Ministers' Council; 1969-1982 President of the State Committee on Prices (Florica Dobre (coordinator), *Members of the Central Committee, Romanian Communist Party. (1945 – 1989). Dictionary*, Bucharest, Encyclopaedic Publishing House, 2004, p. 367).

These changes, both in terms of the people and of the working conception, led to the revival of the economy, to its equilibration and to the increase of the share of industry in the gross domestic product. Practically, the next decade - 1953-1963 - was marked, notwithstanding the contrary opinions of several current researchers, by a real and massive economic growth, quantitatively⁸, but mostly qualitatively, growth based on the internal resources of the country, on the modernisation of agriculture and on the creation of a new industry, based on the newest technologies bought for large sums of money from the Occident - from the Northern countries for the wood industry, from U.S.A., German Federal Republic, France and Great Britain for the chemical industry and ferrous metallurgy, from Italy and Austria for the light and food industry⁹.

The Polish model of contracting long-term credits in the Occident for the modernisation of their own industry represented, from 1963 on, the only solution for the leaders from Bucharest for maintaining the rhythm of the industrial growth of investments in this economic branch. The First Secretary of the Romanian Workers' Party, Gh. Gheorghiu-Dej was expressing, realistically enough, the new situation of Romania and the need for change in the development strategy:

“For maintaining our own rhythm and for not resorting, any more, solely to the national income, we will have to resort to credits. We will have to see to the raising of the standard of living as well, but we cannot do this right now. We will

⁸ For instance, between 1960 and 1962, the industrial production grew by 55%, the annual growth rhythm being of 15.8% as compared to the predicted 13%. The most important growths were achieved in the basic branches: ferrous metallurgy, automotive, chemical industry. 62 enterprises and over 120 sections were put into service and many other existing enterprises were extended, reequipped and modernised, (Central Historical National Archives, Central Committee fund of the Romanian Communist Party, Chancellery, file no. 22/1962, l. 5).

⁹ What we should notice is that, after starting to buy from the West certain industrial equipments of the latest generation, in several cases, promptly signalled by the Security, these were deteriorated by the Romanian workers. In an informative note of February 3, 1961, addressed to Al. Drăghici, it was related that on January 11, 1961, the West-German specialist, Peuker Wilhelm, who performed several works in the plastics factories of Bucharest and Orăștie, accompanied by the West-German specialists Eisenbart Otto and Schneiders Helmut from U.F.S. Săvinești and one source of the security bodies, made the following statement: “I am convinced that the equipment delivered from the German Federal Republic to the plastics enterprises will not last for more than 6 months due to the lack of interest manifested by the Romanian workers towards such equipment. For instance, in Orăștie, highly technical equipment, sent from the German Federal Republic, is completely rusted. It had been delivered from the German Federal Republic in a special package, used for sea transport, but upon arrival in Orăștie, the workers unloaded it in the forest near the factory, stole the original package and covered it with inappropriate tarpaulin, fact which caused serious damage. Thus, all the power panels rusted. The bulbs and the resistors were stolen. We would never have thought that in a country like Romania, where workers should take care of the machines as they do of their own belongings, people could manifest such a total lack of interest. They simply trifle with equipment which represents the expression of the latest technique, even in Western countries. When we brought these facts to the notice of the management of Orăștie factory, we could see the indifference on their faces. All of these make me think that the causes should be sought precisely in the current system of Romania (*White Book of the Security*, vol. III, document no. 97, p. 281)

not achieve what we have proposed, but we will achieve the economic development rhythm, we will create a strong basis for raising the standard of living as well. Raising the standard of living will constitute the object of a special study. Let us consider things realistically. We cannot reduce the rhythm, said the First Secretary of Romanian Workers' Party, but then, we must give up the position we had so far [December 1963] and which I believe was a just one. For we have said: we shall live up to our means. We will search, in every way, to use our own means, to be indebted to no one, to gain fame on the market. This is what they say nowadays on the market about us: Romanians do not really want credits.

We should not go and beg for credits, but use the current state of facts. [...] Therefore, let us not deceive people's trust. We must not focus our means on toys, but on things to be actually felt by workers when we think of the standard of living. We should act so that people feel it. We should put it on the carpet.

Of course, I am taking into consideration that all of these must be done in connection with work productivity, we will not treat them sentimentally, but according to the economic rules and laws. [...] So, if we want to maintain a high growth rhythm of the production forces, we must resort to long-term credits. We definitely must do it. I am speaking of credits for investment goods, not for sports encouragement, not for out and home trips, but for those investment goods which create export goods to pay our obligations."

Gh. Gheorghiu-Dej was suggesting, given the difficult situation of CMEA, that an undeclared but more and more fierce competition was led between the popular democratic countries, especially in the field of industrial development: "In this regard, we have talked to our companions about this travel we have made, we had time, we talked before and after, and it feels like something is telling us: you are late, hurry up."

The conclusion of the leader of the Romanian Workers' Party was final and was founded on a series of contacts which the Romanian authorities had especially with the American officials. "We must make a frame design, Gh. Gheorghiu-Dej was claiming, we must establish a program which would be comprised in the future plan, an all-encompassing program related to this policy. I am not bowing to the dollar, however, we will have to evaluate things on the long run and it is possible to make around one billion dollars, over one billion dollars yearly for several countries which can offer modern equipment to us, this would be very good. Our import balance amounts to 120 million dollars per year."¹⁰

All these statements must be related to a certain fact - in August 1963, Mircea Malița, Deputy of the Minister of Foreign Affairs of Romania, had a series

¹⁰ Central Historical National Archives, Central Committee fund of the Romanian Communist Party, Chancellery, file no. 59/1963, leaves 14-16.

of meetings and discussions with officials from the State Department regarding the economic relations between Romania and U.S.A.

The Romanian representative carried five talks of major interest with the American Officials from the State Department and from various economic agencies of the American government. Essentially, M. Malița talked about what was of interest to the Romanian State - equipment, machines, patents, licences. The fields of interest for a tight collaboration between the two countries were: chemistry, petrol, cellulose, paper, rubber, radio and television.

The fact that the Romanian delegate was received with a lot of interest at different levels of the American administration proves that the leaders from Washington were looking for an improvement of the relationships with some of the countries of the Communist block. In fact, Mircea Malița made certain proposals, immediately accepted by the American authorities regarding the visit of a large delegation of the Romanian government - delegation led by Gh. Gaston Marin, President of C.S.P. - which was illustrating the strong tendency of strengthening economic relationships.¹¹

Based on the results of the travel to U.S.A. carried out by the Deputy of the Minister of Foreign Affairs, M. Malița, and given his reception, subsequently, the Minister of Foreign Affairs, Cornel Mănescu, First Secretary of the Romanian Workers' Party, in one of the meetings of the Political Office in the winter of 1963, was arriving to the conclusion that: "at present, there is an extremely favourable combination of circumstances. If we analyse the phenomena that have occurred in the world, especially in the developed countries, we will notice a slowdown in the investments rate growth, a hindrance, a decrease, a lack of growth, the market has become narrower and narrower. This is why everyone wants us. They even started to calculate our investment goods themselves. And this, because they have liquid assets. The capital is a devil of a business. This is why Marx and Engels paid so much attention to it. It must circulate, it must bear fruit. Of course, capitalist countries do not feel at ease to give this capital to socialist countries, to communist countries, but they have no choice. They think: where should I send it, should I throw it in Africa, in Asia, there is some sort of bottomless sack there, something like an abstractionist painter. Where should they put it? For what it's worth, the Communists have some sort of stability. And here some might not get any.

I am not saying that we will surely get it, but big capitalist banks tend to contact us. And we need banking capital.

Therefore, the Political Office should allow our economists to prepare a draft program for the investments to be later included in the five-year plan, investment

¹¹ Mioara Anton, *Ieșirea din cerc. Politica Externă a regimului Gheorghiu-Dej (Leaving the Circle. The Foreign Policy of Gheorghiu-Dej Regime)*, National Institute for the Study of Totalitarianism, Bucharest, 2007, p. 163.

goods for the chemical industry, for the wood industry, for agriculture. And to export from these products not only what we want. Let's not do what Hrușciov said regarding our corn export: why do you export corn and not pork? But corn can be sold anywhere. There are food industry products which interest the French, the English, the Belgians [...]. What is interesting is that developed capitalist countries are willing to grant credit to us and they do not impose any political conditions.”

Gh. Gheorghiu-Dej's successor, Nicolae Ceaușescu continued and amplified this economic strategy. In the 70s, the resort to the financial resources of Western banks acquired major proportions. The impact on the external equilibrium of the country on average and long term was an unhappy one. In the international context of the time, marked by two oil crisis, the current account of Romania deteriorated greatly, especially in 1978 (-759 mil. dollars), reaching in 1980 a deficit of 2,420 mil. dollars. Although both import and export recorded considerable growths between 1976 and 1980, the differences between import and export became greater and greater, to the latter's detriment. The government from Bucharest proceeded to large imports of machines, modern equipments and tools, manufactured in the Occident, supported with foreign credits, from BIRD or from other Western banks. Therefore, the external debt grew rapidly.¹²

The greatest part of the credit for development were contracted on average and long term, however, part of the credits contracted between 1976 and 1978 became due in 1980-1981. Due to the large sums that had to be paid to the Western creditors, which could not be met with the current returns from the Romanian exports, the Romanian State, reached in the spring of 1981 payment delays in amount of 1,143 million USD.

Apart from these delays in the payment of credits, the “oil invoice” which had to be paid by Romania for the crude oil imported at a price raised by the oil crisis of 1979 and contracting short-term credits (which raised from 4% to 22% in 1980), all of these contributed to what the economists called “the foreign debt crisis”. The triggering factor was linked to the foreign context as well: Poland, an important country of the Communist block, ceases payments in 1980. The result was not waited for too long: Western banks became very cautious in their relationship with the countries of the CMEA, practically cutting their access to financing.

Although, the leaders of Romania were advised to discuss with all the Western creditors regarding the re-scheduling of the foreign debt, justly in order to prevent a possible insolvency, Nicolae Ceaușescu refused or postponed any

¹² N.N. Constantinescu (coordinator), *Istoria economică a României (Economic History of Romania). 1939-1989*, vol. II, Economic Publishing House, Bucharest, 2000, p. 375. [Chapter 12 prepared by Gheorghe Stroe, *Băncile, circulația monetară și creditul în perioada 1948-1989 (Banks, Currency and Credit between 1948 and 1989)*].

dialogue on this topic. The inevitable happened in the autumn of 1981, and the Romanian State had to begin negotiations with FMI and with the crediting Western banks.

Unfortunately, the call for urgently paying all the short-term debts (perceived as an interference with the internal affairs) annoyed Nicolae Ceaușescu who decided that Romania will fully pay its foreign debt. The result was positive in terms of the decrease of the external debt and of Romania's credibility on the financial markets, but for the Romanian economy this decision was a deathblow. The importation of raw materials and modern technologies especially was reduced drastically, leading to a decrease in the quality of industrial products, as well as to a flawed operation of most of the Romanian enterprises. These were joined by the abrupt decrease in the standard of living, as many of the consumer goods that should have been available on the internal market were exported.

In order to shorten the period for the payment of the external debt, Nicolae Ceaușescu decided to sell on the Western market 80 tons of gold from the Treasury of the Romanian National Bank. This amount was to be redeemed after the liquidation of the external debt. In the first part of the year 1987, the gold was already sold and more than a billion USD were received, immediately used for the payment of the external credits, to which 7-11% interests were paid.

Although in the following years the currency reserve could have ensured the redemption of the sold gold, until December 1989 only 21 tons of the sold gold were redeemed.

Gheorghe Stroe, former Director of the Romanian Bank for Foreign Trade and Vice-President of C.S.P. at that time, was qualifying the act of selling the gold from the treasury as an "error", such measures being used only in case of calamities or war. This mistake was doubled, in the opinion of the same economist, by the second decision through which the sold gold was only partially redeemed.

In 1987-1988, extravagant amounts were paid in the account of the foreign debt: 356 millions USD in 1987, 4,252 millions USD in 1988 and 1,790 millions USD in 1989.

On March 31, 1989, the foreign debt was fully reimbursed. At the end of 1989, the bank accounts of Romania had liquid assets in sum of 1.8 billion USD and had to receive debts in amount of 2.9 billion USD from several developing countries. In December 1989, Romania had no foreign debts.

Was this of any good to us? Unfortunately not.

The anticipated payment of the entire foreign debt was one of the least inspired economic decisions before December 1989. It was, according to Adrian Vasilescu, a breach of the banking rules, drastically sanctioned by the representatives of the international financial market.

For 15 years Romania was removed from the international circuit of capital. The consequences of this financial quarantine were felt for a long time and the

economy of Romania became even more closed than it had been so far. The “debtor’s euphoria” of the 70s was followed by the fever of the anticipated payment of all the foreign debts by desperate means, including even massive sales of food products and gold. This weakened both the economy and the population.

And what ensued was by no means encouraging. The reserve gathered in 1989 of 1.8 billion dollars was exhausted in only several months in 1990 when a new reversal occurred in the commercial balance of Romania: exports decreased and imports grew massively. And the exchange store was left almost empty again. In the summer of 1992, Romania was again on the brink of insolvency.¹³

To sum up, we believe that the two moments presented above (the ones from August 1953 and December 1963) represent real marks of the change in the economic strategy of Romania after eliminating the Muscovite wing of the Romanian Workers’ Party. It is clear that the economic program of Romania after 1965 did not undergo changes in substance, but in amplitude only. The lack of equilibrium between investments, short-term debts, the development of industries based on raw materials imported at extravagant prices, the decision to fully pay the foreign debt in a record time, the drastic reduction of the people’s consumption, etc. are the “merits” of Nicolae Ceaușescu’s and of his team of technocrats.

The historical analysis of the economic policy of the Communist regime of 1948-1989, given the complicated situations Romania is facing today, can contribute to the solution of certain current problems of this country. History remains *Magistra Vitae*.

¹³ Adrian Vasilescu, *Valuta din „cămara” Băncii Naționale (The Currency from the “Storehouse” of the National Bank)* (V), in “Ziarul Financiar” (Financial Newspaper), year XI, no. 2668/23.06.2009.