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REGIONALISM AND MODERN EUROPE

IDENTITY CONSTRUCTION AND MOVEMENTS FROM 1890 TO THE PRESENT DAY

Edited by
Xosé M. Núñez Seixas and Eric Storm

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CHAPTER 8

COMMUNISM AND REGIONALISM

Susan Smith-Peter

Introduction

In the November Revolution in 1917, the Bolshevik Party, later renamed the Communist Party, took power of what would become the Soviet Union. In 1945, the Soviets were one of the main victors of the Second World War and they were eager to create a buffer zone between themselves and Germany, and so they turned Eastern Europe into a series of client states that later signed the Warsaw Pact. The hoped-for result of communism was that state control of the economy by a one-party state would be more productive than the vagaries of the market under capitalism and would, in time, lead to the spread of communism at capitalism's expense. In practice, the economies of the countries behind the Iron Curtain lagged behind the West, particularly after the information revolution of the 1970s. One of the major ways that communist states tried to reform their economies was to devolve powers to regions and factories, in hopes that nimble economic decisions could be made using local knowledge. However, a demand for economic regionalism became one of the only acceptable ways to express a covert nationalism within the communist system, particularly in the cases of the Soviet Union, Yugoslavia and Czechoslovakia, which had significant consequences.

This chapter looks at communist attempts to reform by devolving economic powers to the regions between 1945 and 1991 in Yugoslavia, Poland, Hungary, Czechoslovakia and the Soviet Union, some of which led to peripheral nationalism. It views as regions those parts of states that were not yet independent, such as Ukraine or Croatia, even if they later became so. Economic regionalism, or the devolving of powers to the regions, was an important part of the reform impulse within communism, and its failure to meaningfully stimulate the economy when implemented was one of the factors that led to disillusionment with and, later, the collapse of communism in Eastern Europe. In practice, economic regionalism led to conflicts between different groups that could not be mediated by a one-party state. Other chapters in this volume will deal with issues related to cultural regionalism in Eastern Europe and Russia.

Economic regionalism in the Soviet Union, 1917–1945

In the Soviet Union, there were two main institutions of economic regionalism. The first was the soviet, or local workers' council. Although it was co-opted by the Communist Party, at times the idea of the soviet was overlaid with local democratic aspirations

connected to workers' control, rather than the control of the party/state. The second kind of institution was the *sovnarkhozy*, or regional economic councils. These councils coordinated economic plans with the centre while putting forward the needs of their regions. Stalin abolished them in 1932 but Nikita Khrushchev re-established them in the 1950s. In Eastern Europe, demands for more economic regionalism focused on requests to allow the establishment of their own versions of these two institutions. Even when they were allowed, it turned out they were failed solutions because different regions, and even groups within the same region, had different needs that, once articulated, could not easily be reconciled within the one-party state. This led to frustration and anger.

During the Civil War, which lasted from 1918 to 1920, some regions in Soviet Russia attempted to create autonomous regions or even independent countries but were militarily defeated by the Red Army. Both Siberia and the Russian North, on the shores of the White Sea, had a sense of regional identity stretching back to the seventeenth century and groups of regionalists who had defined themselves through scholarly organizations during the late nineteenth century. In 1865, in an early expression of political regionalism in Europe, a proclamation from Siberian regionalists was discovered that declared the need to create a United States of Siberia, to be federated with the United States of America. It had been written in 1863, when Siberian regionalists were disillusioned due to the Russian suppression of the Polish uprising of that year and the realization that the Great Reforms would not be extended to Siberia. This led them, at that moment, to imagine Siberia as potentially independent from Russia and to articulate the conditions under which this could happen.¹ The leading regionalists were arrested, tried and exiled away from Siberia to the Russian North.² During the Civil War, the regionalists in the Russian North and Siberia began by affiliating themselves with the Socialist Revolutionaries, a pro-peasant socialist party that had a large following. Over the course of the war, the regionalists ended up throwing their support behind the Whites, a conservative group of mainly former tsarist army officers that fought the Reds, or Bolsheviks.³ This alienated most of the population of the regions. For example, when, in February 1920, there was a last-ditch attempt to stave off the Bolsheviks by declaring an independent state of the Russian North, no regionalists took part.⁴ In addition, the Socialist Revolutionaries themselves failed to draw upon the rhetoric of regionalism to attract supporters. This mutual distancing made it easier for the Bolsheviks and the Red Army, capably led by Leon Trotsky, to defeat their opponents in both regions and elsewhere.

The Union of Soviet Socialist Republics (USSR) was a federation, created in 1922, and within each republic there was a state apparatus parallel to that of the party. A member of the titular nationality (Ukrainians in the Ukrainian Soviet Socialist Republic, for example) was usually the head of each apparatus, but often an ethnic Russian would be the second in command and in practice the person in charge. In addition, within the Russian Soviet Federated Socialist Republic, there were two main kinds of territorial divisions. The first consisted of republics of mostly ethnically non-Russian nationalities, along with an ethnic Russian core divided into regions (*oblasti*). The Soviets aimed at providing nationalities with the forms of nationhood while continuing to incorporate

them into the larger Soviet state.⁵ Thus, there was an institutional basis for regionalism to develop into nationalism. The Baltic States, which were incorporated into the Soviet Union as a result of the Nazi-Soviet Pact, had been independent countries and retained a sense of nationalism.⁶

Vladimir Lenin, the leader of the Bolsheviks and the Soviet Union from 1917 to his death in 1924, wanted a regional history that focused on how the Bolsheviks came to power there. In a review, Lenin praised highly a history of the Bolshevik takeover of Tver province during the Civil War and the subsequent development of civilized life such as schools and a local press.⁷ This was part of his larger advocacy for historical works that chronicled the Bolshevik takeover of power, such as John Reed's *Ten Days That Shook the World*. In contrast, the emerging discipline of *kraevedenie* (regional studies), formed in the 1920s, focused on the study of the regional culture of the eighteenth and nineteenth centuries.⁸ During the golden age of regional studies in the 1920s, regional historians developed interdisciplinary approaches to such topics as life on the landed estates of the nobility, regional and provincial life, literature and art.⁹

Stalin moved against the cultural and economic bases of regionalism early on in his reign. Between the death of Lenin in 1924 and Stalin's defeat of his rivals by 1929, the Russian Academy of Sciences had been especially important for encouraging the growth of an interdisciplinary study of the regions that was very much in line with the newest European trends. However, one of Stalin's earliest moves was against the Academy of Sciences. In the 1930s, the 'academicians' affair' proved a harbinger of later Stalinist actions, as it involved a trial in which members of the academy were charged with various crimes and imprisoned or shot. Instead of a self-governing academy, it was reoriented to focus on the needs of industrialization.¹⁰ The leaders of what was called the 'old *kraevedenie*' were characterized as bourgeois and enemies of the people.¹¹ Instead of regionally based institutions and publications, the new focus was on industrialization and the history of the working class through Maxim Gorky's *History of Factories and Plants*. This organized the working class to collect oral history and thus come to a Stalinist-approved self-awareness. Factory workers established circles to study the history of their factories throughout the Soviet Union.¹² The question of the existence of regional culture was no longer something that could be asked, let alone answered.

Similarly, in 1932, Stalin abolished the regional economic councils known as *sovnarkhozy*. These had been an integral part of central planning since the revolution. On 15 December 1917, the Bolsheviks had established the Supreme Council of National Economy to control central and local agencies, industrial production, agriculture, finances and the military and to provide central planning. The *sovnarkhozy* administered the economic production of a region, which could be a small district area or a large one covering several provinces. They coordinated their activity with local soviets or workers' councils. By May 1918, there were *sovnarkhozy* in seven areas larger than provinces known as zones, in thirty-eight provinces and in sixty-nine districts.¹³

Economic regionalism, as practiced in the *sovnarkhozy*, meant making an argument that one's region should get more investment funds either due to its industrial or agrarian past; the former should be built upon, the latter overcome, regional planners would argue. At other times, such regionalism could advocate for a devolving of some decision-making authority to the regional or local level. In 1932, Stalin replaced *sovnarkhozy* with central ministries that directed particular industries from the centre but suffered from a lack of coordination at the local level, leading to inefficiencies and duplicated efforts.¹⁴ Stalin chose an intensification of control rather than a regional coordination that might lead to the emergence of alternate centres of power.

During the 1930s, Stalin transformed the Soviet Union. He collectivized farming, establishing state control over agricultural production at the cost of millions of lives and a vibrant agrarian sector. The purges, which reached their height in 1937, led to the death of many military leaders, Old Bolsheviks, intellectuals and others caught up in a web of false accusations and show trials. This weakened the military in the years before the Second World War. Crash industrialization did allow for the Soviet Union to prepare for the coming clash with Nazi Germany. Despite the disorganization of Soviet forces when Hitler invaded the Soviet Union in 1941, by the end of the war, the Soviets had played the crucial role in defeating the Nazis and their sphere of influence in Eastern Europe was affirmed by the United States and the United Kingdom at the Yalta Conference.

The imposition of Soviet influence over Eastern Europe was achieved through local Communist Parties if possible but was imposed by force if necessary. Regional and national political and economic institutions were removed so that communist control would be more complete. Stalin oversaw the imposition of Soviet control over Poland, East Germany, Czechoslovakia, Hungary, Romania, Bulgaria, Albania and, for a time, Yugoslavia.

Economic regionalism and reform communism in Eastern Europe

In Yugoslavia, however, the leader, Josip Tito, had come to power on his own, without assistance from Stalin, and so had an independent power base. There was a similar situation in Albania. Tito had created a federative state, based on the Soviet model, to deal with the nationalities issue. He also had independent policies, including policies on how to deal with regions both politically and economically, and this was one of the reasons for the split between Stalin and Tito in 1948. As a result, Tito presented his more economically decentralized system as an alternative form of communism; since he became the leader of a non-aligned movement, this was particularly influential.

The differences in Stalin and Tito's political policies towards regions contributed to the split. Tito envisioned a Balkan federation led by himself, which Stalin saw as a threat to his hegemony. Tito worked with communist Bulgaria to create a federation that would deepen relations between countries and the regions within them. In 1947, the Yugoslavs and Bulgarians signed the Bled Agreement, which referred to a federation between the countries and a commitment to a new policy in Bulgaria towards its

region, Pirin Macedonia.¹⁵ In this, Tito was responding to pressure from members of the Communist Party of the People's Republic of Macedonia, which was a constituent part of Yugoslavia, who had argued that their control of their own Vardar region was too weak without a tie to Pirin Macedonia.¹⁶ Stalin's subsequent attempt to control the nature of the Yugoslav-Bulgarian federation was one of the main factors contributing to the Stalin-Tito split, as Stalin demanded that any such federation consist of two equal units – Yugoslavia and Bulgaria – while Tito refused to give up the idea of a seven-unit federation in which each republic of Yugoslavia would have equal standing within the federation. Moscow rejected this and begun to shut off aid to Yugoslavia.¹⁷ Tito was able to turn to the West for financial assistance, however, and Stalin's ferocious purges of East European communist parties that followed the split, with the stated intention of removing 'Titoists', only weakened the standing of the Soviets and the communist parties in the region.

The split allowed Tito to implement a broad-based policy of economic regionalism. The year 1950 was a turning point, as the continued Stalinist boycott emboldened him to try decentralization widely. The key institution was workers' councils, which were autonomous but led by communists and which oversaw the self-management of enterprises.¹⁸ The councils were also integrated into the political system, as the councils elected representatives to one chamber of the federal parliament. Tito and others presented the workers' councils as a new model form of democracy that was collective, working class and locally based.¹⁹ In 1952, local committees were introduced at the county or city level that could bargain for investment funds from the centre. This decentralization of control over industry was the most significant feature of the Yugoslav socialist experiment.²⁰ Thus, economic regionalism was at the very heart of reform communism. Stalin was absolutely opposed to such attempts, many of which echoed the workers' councils (*soviets*) and *sovnarkhozy* of the pre-Stalin Soviet era that he had weakened or abolished. The urge to economic regionalism can also be seen in other attempts to reform communism in the late 1950s.

After the death of Stalin in 1953, Poland and Hungary made demands that included more economic regionalism. In 1956, Poland saw calls for socialism with a Polish face, which was part of a nationalist resentment towards the Soviets/Russians that could not be publicly expressed. In September 1956, workers at a Warsaw car factory began forming workers' councils, which threatened communist control. In October of that year, a widespread crisis emerged that was contained only due to the Communist Party of Poland making considerable concessions to Polish nationalism, such as not attacking the Catholic Church in Poland and not thoroughly imposing collectivization.²¹ The situation was different in Hungary.

In 1956, the Hungarian Revolution erupted, fuelled by nationalism. It began with nationalist demands, such as restoring the Kossuth coat of arms, the removal of Soviet troops from Hungary and open elections within a socialist system. It unfolded in a series of stages, but an integral part of the revolution was the creation of powerful regional councils that were sometimes called 'anti-Soviet soviets'. These councils sought to coordinate economic and political activity in their region.²² In late 1956, the Greater

Budapest Workers' Council and several ministries put forth proposals for reform that called for giving more authority to enterprises and restricting the role of the centre to setting the annual budget and major national-level economic targets.²³ The councils exercised the real power in the country outside the capital. On 20 October 1956, the government abolished one-party rule and gave official recognition, as it stated, to 'the democratic organs of local autonomy which have been brought into existence by the revolution', and further stated that 'it relies on them and asks for their support'.²⁴ On 4 November 1956, 6,000 Soviet tanks invaded Hungary. The regional councils attempted to resist by creating an alternate government, but the forces arrayed against them were simply too overwhelming.²⁵

Although the Soviet leader Nikita Khrushchev had agreed to the invasion of Hungary and the crushing of its experiment with regional councils in 1956, in the next year, he reintroduced in the Soviet Union those regional councils (*sovnarkhozy*) that Stalin had abolished earlier. Khrushchev disbanded the industry-based ministries that Stalin had established in place of the *sovnarkhozy*. There were to be 105 such regional councils, 70 of which would be in the Russian Soviet Federated Socialist Republic, while most other republics would have but one regional council each. The exceptions were Kazakhstan (nine regions), Ukraine (eleven) and Uzbekistan (four).²⁶ The regional councils did not coordinate with each other, and each demanded more funding for its own region, regardless of the needs of the whole. The all-union links of the ministries had been broken without anything to take its place. Gosplan, the central planning organization, had information but no executive power. Disorganization of production resulted. Once economic regionalism was instituted, there were no means by which the resulting conflicting demands of the regions could be mediated within the one-party state. The centre called the demands of the regions localism (*mestnichestvo*) and threatened officials with punishment, but this was a result of the system. It could not be curbed until the abolition of *sovnarkhozy* in 1965 and the reintroduction of industrial ministries, which were inefficient but could be controlled by Moscow.²⁷ Culturally, Khrushchev's reign (1953–1964), which was known as the Thaw due to its relatively wide-ranging reforms, also saw the emergence of Village Prose writers, who wrote approvingly of the rural past of Russia, sometimes including discussion of regional distinctiveness.²⁸

While Khrushchev fell, replaced by the more conservative Leonid Brezhnev in 1965, the same 'reform' that ended *sovnarkhozy* also increased the powers of enterprise managers. This can be seen as a retreat from the possibly too democratic implications of the *sovnarkhozy*; giving the manager more powers did not really challenge central control of the economy and there would be fewer opportunities for regional power blocs to emerge. The 1965 reform sought to have managers set more targets for production, rather than have them set at the centre. The hope was that increased profits would encourage managers to respond more nimbly to the market, but as prices were still controlled by the state, it was difficult for a market feedback loop to get started. By 1970, most of the increased managerial powers given in 1965 had been taken back by the centre.²⁹ Some countries in Eastern Europe took up the

technocratic spirit of the reform, giving more powers to managers to set goals and redistribute profits as they saw fit. Managers, it was hoped, would be able to make the system more efficient without changing its fundamental structure. This was not to be. Still, it is important to note that the local remained the level at which reform was seen as needing to take place.

The limits of economic regionalism

From 1953 to 1961, the Yugoslav economy grew more quickly than in other countries in the world, including in the bloc. Workers' councils and communal banks were able to respond to the market and to adjust production accordingly and to increase trade with Western countries. Some enterprises, however, were unable to produce for the market, as uneducated former partisans were their directors.³⁰ At the same time, however, the emphasis was on heavy industry, and the General Investment Fund, which distributed assistance to republics, tended to favour the least developed ones rather than the most.³¹ Further decentralization led to demands for still more, and to increased resentment towards less-developed, generally southern, republics within the more developed northern ones.³² This intensified ethnic resentments. There was also a tension between the micro level of economic development found in the workers' councils and the macro level of the General Investment Fund.³³ What was good for one factory was not necessarily good for the whole country, and the existing mechanisms were not always able to reconcile these differing interests.

The Reform of 1965 was a series of over thirty laws that set out to create a framework for market socialism and to help integrate Yugoslavia in the global economy. The Reform allowed for the creation of small businesses of between three and five employees, ended price controls and allowed enterprises to trade directly with the West.³⁴ While the Reform did stimulate growth in agriculture, it also led to the closure of more efficient banks, and the increase in wages took up most of the freed income of enterprises rather than leading to more investment. Some more farsighted enterprise managers did use the powers they received from the Reform to invest the money to improve the enterprise rather than dividing it up as bonuses for themselves and the workers.³⁵ At the same time, between 1963 and 1966, Yugoslavia entered Point No Point, as John Lampe termed it, when attempts to create a unified Yugoslav country and culture were reversed by continued decentralization to the republics and regions.³⁶ Local and regional interests continually demanded more investment funds, and regardless of the outcome, there were groups that lost or felt they should have received more. As long as the economy was growing, these feelings were more or less manageable.

Czechoslovakia was one of the countries in the Eastern Bloc that was influenced by the reforms of Yugoslavia as well as Poland in 1956.³⁷ In early January 1968, Alexander Dubcek became the new party secretary in Czechoslovakia and introduced a series of reforms that became known as the 'Prague Spring'. People began to talk about the need for more democracy, federalization and economic reform. Many saw a need to have an equal

federation between the more economically advanced and industrialized Czech part of the country and the less developed and more agrarian Slovak part. Economic reform meant decentralization to the regional and local level, as we have seen before. In particular, it meant the introduction of workers' councils, on 1 July 1968. These were not under the control of the Communist Party and their composition and powers varied across the country.³⁸ They did not have long to develop, however. On 10 August 1968, draft statutes were published in Czechoslovakia that called for secret ballots in party elections, the separation of party and state offices and a deeper federalization of the party. Ten days later, the Soviets conducted a massive invasion, which succeeded militarily but not politically, as 'conservative' Czechoslovak communists failed to try to convince society of the need to end reforms. Soviet leader Leonid Brezhnev was forced to deal with Dubcek and the reformers rather than conservatives, and although most of the reforms were annulled, there was a state, although not party, federalization into Czech and Slovak halves on 28 October 1968.³⁹ The subsequent 'normalization' period encouraged Czechs and Slovaks to withdraw into private life, which worked while the economy did well. By 1977, however, what would be a long period of economic stagnation led to dissent, including the creation of Charter 77, which was based on a call for human rights rather than economic reform. The Soviet response to 1968 in Czechoslovakia stripped communism of its intellectual legitimacy. Force, not ideas, was its ultimate justification.

In Hungary, the party introduced the New Economic Mechanism (NEM) on 1 January 1968, which was marked both by the technocratic spirit of the Soviet reform of 1965 and also by the vision of the workers' councils in 1956 Hungary. Enterprises were to have more authority to set goals and were told to focus on increasing their profits. The centre was also to restrict its planning to major national economic objectives.⁴⁰ However, it retained a substantial amount of control over prices, making a focus on profits somewhat theoretical.⁴¹ Even though one of the aims of the NEM had been to bring out into the open the conflicts between managers and central planners, there was no mechanism to adjudicate them once they became more visible, and so the only real option was to reimpose state control.⁴² The reform was ended by 1972 due to pressure from the Soviet Union and the cooperation of a group within the Hungarian Communist Party. Another factor was that some Hungarian workers were dissatisfied with the social stratification that had resulted from the reform's decision to give managers a higher rate of pay if their enterprise did well; in addition, some workers moved to enterprises that paid higher salaries.⁴³ Although most aspects of the NEM ended in 1972, its effects continued to be felt in positive ways, particularly in the willingness to allow for market production in small-scale agricultural production and housing, cars and tourism for foreign currency. As a result, Hungary had a better food supply and consumer choice than other Eastern bloc countries, aside from Yugoslavia.⁴⁴

The alternative socialist vision of Yugoslavia began to run into trouble in the 1970s. Economic regionalism was not enough as the Yugoslavs confronted the transition to information and service economies that began in the 1970s. This shift began in regions in the West, such as Silicon Valley, rather than in countries as a whole, and so the ability of regions to innovate or adapt to new economic systems was crucial. Communism in the

Soviet Union and Eastern Europe, despite a series of attempts, was not able to transition to new sectors such as transistor technology, telecom, robotics and pharmaceuticals, and also did not develop robust service economies. In Yugoslavia, a consumer society was created in which Yugoslavs did enjoy a much higher standard of living than other communist countries in the 1960s and 1970s. This did much to encourage a sense of being Yugoslav rather than Serb, Croatian, and so on.⁴⁵

Unfortunately, the economic base was not capable of sustaining this in Yugoslavia other than through massive loans, paid off by yet new loans.⁴⁶ In 1974, the workers' councils in each factory were further subdivided into Basic Organizations of Associated Labour, which meant in practice that even a trained enterprise manager, who might be more likely to choose investing profits to improve the plant, might be swamped by a multitude of councils demanding different things.⁴⁷ In addition, Tito stepped back from the Reform. Liberal Serbs within the party had been calling to deepen the market orientation of the Reform and to create a modern Serbia and end the feeling that Yugoslavia was really a sort of Greater Serbia. Tragically, Tito and others purged the liberals in the Serbian Communist Party, a process that was complete by 1972.⁴⁸ This would have deeply negative effects in the future, but the short-term goal was to retain complete communist control over Yugoslavia. In 1979, the economy entered a prolonged period of crisis in Yugoslavia, with a 25 per cent decline in real earnings between that year and 1985, as well as a 1,000 per cent increase in inflation.⁴⁹ As the economy unravelled, people began to search for someone to blame.

In Poland, the independent labour union Solidarity showed the transformative power of bottom-up economic regionalism. Through Solidarity, economic regionalism, which reformists had hoped would transform communism, ended up destroying it over time. The lead up to Solidarity began in 1970, when workers in the Lenin shipyard in Gdansk went on strike and at least seventy-five strikers were killed.⁵⁰ The region around the Baltic ports, with Gdansk at its head, would be the centre of agitation for a transformation, and then for a replacement, of communist rule over the next two decades. In 1980, the Lenin shipyard in Gdansk again went on strike. The workers refused to consider demanding workers' councils, which they saw as too open to party control. Their demands included the recognition of free trade unions, pay raises, less censorship and the election of factory managers. Inter-factory strike committees helped to coordinate striking factories and became a sort of independent *sovnarkhoz* of the Baltic ports region. In September 1980, a meeting of these committees met in Gdansk and set up a national coordinating committee. It was named Solidarity. At first, the authorities attempted to deny Solidarity's claim to operate nationally by saying it was only a regional organization.⁵¹ Solidarity, although it began in one region, sought to regenerate the nation, bringing in peasants as well as workers and arguing that Poland should become a 'self-managing republic' in which workers would manage the economy. The strength of Solidarity was such that the imposition of martial law in 1980–1981 and the widespread use of force only temporarily ended the crisis.⁵² It also further delegitimized the regime.

In 1985, Mikhail Gorbachev came to power in the Soviet Union. He would push through reforms that would lead to the end of Soviet power in Eastern Europe and then

the end of the Soviet Union itself. Gorbachev himself was an idealist who believed in the promise of communism and who was of the Khrushchev generation formed by the Thaw and the secret speech denouncing Stalin and his crimes. He was the first general secretary of the post-war generation and no longer felt an unquestioned need to control Eastern Europe in order to contain a possibly resurgent Germany in the future.

Instead, he promised reform that would lead to acceleration in growth and investment. This was particularly necessary, given that the Brezhnev era had been a time of stagnant growth. It is telling that many Russians refer to that era as the time of stagnation (*zastoi*). Gorbachev, in realizing this, sought to revitalize the economy through a restructuring (*perestroika*) of the system. Enterprises were given more authority over how to use their funds, which led, as was the case in Yugoslavia and elsewhere, to spending the money on increased wages rather than on investment in the plant.⁵³ Increased local control might mean more inefficiencies rather than less. At the same time, the system at the top was unwilling to allow for open discussion about the need for a market and market mechanisms. As a result, Gorbachev set about dismantling the system itself in order to carry out reforms.

One of the main ways that the system was challenged was through the policy of openness (*glasnost*), which originally was seen as a way to point out the flaws and inefficiencies of the system. In time, however, it began to undermine its fundamental legitimacy by seeing a flood of revelations attacking Lenin and Leninism as the basis of the state. In addition, *glasnost* allowed for the expression of nationalist sentiments, particularly in the Baltic republics. In 1988, a law allowing cooperatives did lead to the emergence of small-scale economic activity, but it was not enough to make up for the major decrease in state revenue that had resulted from an anti-alcohol campaign, as levies on vodka had formed one of the state's main sources of income for many years. Gorbachev's structural changes began to chip away at the foundation of the state rather than renovate it.⁵⁴

End game

In 1989, Gorbachev made a fateful decision to no longer support the Soviet Union's satellite states in Eastern Europe. He even refused to use Soviet troops in order to prop up communist regimes when they were on the verge of being overthrown. This was part of a larger project of scaling back on spending (the Soviets had withdrawn from Afghanistan in 1989 as well). By that time, it was clear to the people in the various East European countries that capitalism had outproduced communism. Lacking mechanisms to deal with conflict other than the use of force, the various regimes collapsed rather quickly due to the effects of what at first seemed to be localized conflicts, such as a peace protest in Leipzig or the appeal of a pastor to his congregation to prevent officials from evicting him in Romania. Once large groups of people became involved in protests, official groups decided it would be better for them if the state were no longer communist. Other groups followed, and there was a collapse of communist legitimacy, in a process some

have compared to a bank run.⁵⁵ In the case of Romania, the leadership was out of touch with reality, and so there was some bloodshed, while in other states the transition was smoother. If Gorbachev had been willing to use force, the outcome in the end may well have been the same, but the body count would have been higher. In Poland, Solidarity had created a parallel civil society that conceived itself as an alternative to the communist state. Despite their lack of interest in ruling, through a series of events that they themselves had not foreseen, the leaders of Solidarity became the new leaders of an independent Polish state. Poland was different in that there was an organized opposition; in most other East European countries, the opposition was unorganized and thus could not easily participate in the transfer of power. In some cases, former communists rebranded themselves as nationalists and continued to rule. Fundamentally, then, Gorbachev and failed economic policies were the sources of the collapse of communism in Eastern Europe.⁵⁶

In Yugoslavia, the Soviets had little to no influence and, fanned by nationalist political leaders, events unfolded in such a way as to precipitate a bloody war between ethnic communities that shocked the world in the early 1990s. The frustrations that found their outlet were not due to ancient ethnic conflicts, despite the statements of much of Western media, but rather due to the frustrations of a failed program of modernization that had led, by 1989, to an inflation of 2,000 per cent. In addition, unemployment was at 20 per cent and 60 per cent of workers lived in poverty.⁵⁷ Real income had declined by a third since 1979.⁵⁸

The three things that had held Yugoslavia together were Tito himself, the Yugoslav Communist Party and the federal army, but a resurgent Serbia was stronger. Tito died in 1980 and, in 1986, Slobodan Milosevic – the leader of the Serbian Communist Party – along with other institutions at the level of the Serbian republic, began to advocate for a Greater Serbia, which would mean the territorial expansion of Serbia into neighbouring republics and the end of Yugoslavia. Other non-Serb Communist Parties chose multi-party elections and market reforms and sought to contain Milosevic's powers, but the centre would not hold.

In 1989, there was a last attempt at economic reform from the centre that ended the divisions of workers' councils within factories that had hindered earlier reforms and stated that enterprises would have to declare bankruptcy if they could not pay their bills. And yet the whole system was itself bankrupt due to low production and high debt to the West. Price reforms led to extreme inflation. The reforms themselves were destroyed by a literal bank run, as republics could withdraw money from the central bank and did so in the fear that if they did not, there would be nothing left. Serbia finished it off with a withdrawal of 1.5 billion dinar.⁵⁹

The institutions that had held Yugoslavia together were themselves falling apart or turning to other goals. In January 1990, the Yugoslav Communist Party ceased to exist.⁶⁰ More advanced republics, particularly Slovenia, felt that they would be better off as independent states, and they were able to secede in 1991 and the Yugoslav army was not able to force them to return to the Yugoslav fold. Thereafter, the army, as 60 per cent of the federal army's officer class was Serbian, shifted to serving the idea of Greater Serbia rather than Yugoslavia.⁶¹ The road to war now lay open.

Economic decentralization had been a feature of Yugoslavia's economy more consistently than in other East European countries, but it did not produce the hoped-for results. Focused particularly at the level of the individual factory or even a part of a factory, it generally led to a narrow self-interest rather than nimble economic decisions. Like other East European countries, Yugoslavia's economy was deeply troubled by the late 1980s and had not been able to make the transition to a service and information economy. When conflicts arose due to differing interests, the system was unable to mediate them, which was a long-range factor in the collapse of Yugoslavia.

Similarly in the Soviet Union, the most advanced republics, the Baltic States, as had Slovenia, led the way to the collapse of the Union itself. On 23 August 1989, about two million people in the three Baltic republics of Estonia, Latvia and Lithuania formed a 350-mile human chain to mark the fiftieth anniversary of the Nazi-Soviet Pact. This had led to the end of those countries' independent status and to their forcible incorporation into the USSR. In 1990, the countries each declared independence, which set off another metaphorical bank run.⁶² Boris Yeltsin, the head of the Russian Soviet Federative Socialist Republic, itself a federation and the largest unit within the Soviet Union, joined the push towards independence. Gorbachev was willing to allow this. In 1989, Siberian miners struck for a sovereign Siberia, but Yeltsin was unwilling to allow further breakup of what soon became the Russian Federation.⁶³ On 31 December 1991, the Soviet Union ceased to exist.

Conclusion

In conclusion, attempts to reform communism by increasing powers to regions and factories were been stymied by a lack of conflict-resolution mechanisms. In time, the resulting economic weakness intensified conflict, which by 1989 and 1991 led to the collapse of the system rather than its reform. Economic regionalism, lacking a political means by which to mediate conflict it generated, was a source of weakness rather than strength in the Soviet sphere. Rather than leading the way to a radiant future, Soviet-style communism was a cul-de-sac that ultimately led a weakened Eastern Europe back to capitalism.

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