**Socialism and development: seven theses on global integration﻿**

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*The pieces in the dossier*1989 Thirty Years Later *were developed around the workshop “Eastern Europe after 30 years of transition: New emancipatory perspectives from the region,” held in Prague on 25-26 October 2019, organised by the Transnational Institute (Amsterdam) and the Rosa Luxemburg Foundation (Prague), coordinated by Agnes Gagyi and Ondrej Slacalek. In addition to their commentary on the present, these articles also give a virtual tour of the collapsing state-socialist world at the moment of its demise, through the memory of those who lived through it, and implore us to reconsider what critical memory might look like, that is, memory that helps us work toward a substantially different future. ﻿*

Thirty years after the fall of the Berlin wall, an inability to see East European history in a global perspective still remains a major limitation for understanding the significance of socialism and the post-socialist transformation.. Achieving such a global perspective requires us to abstain from Cold War interpretation frameworks, which pictured East and West as separate and opposing worlds, as well as from the reactualization of such frameworks within contemporary geopolitical power struggles. Furthermore, it requires readjusting our focus towards the global dimensions of a deepening socio-economic and political crisis, including possible future mass extinction caused by climate change.

In the following, I bring forth several theses regarding this question, from a perspective situated in Hungary – the East Central European country that came to be seen today as the exemplary case of the “failure” of the liberal program of post-socialist regime change. In addition to a broader tradition of research inspired by a world-systems approach, as well as new approaches on socialism that apply a global methodology, these theses are based on a recent history of debates within new left perspectives that have emerged in the region in the last decades, as well as results of collective research within the Working Group for Public Sociology “Helyzet” in Budapest.

**1. Socialism was a development effort within global capitalism**

As Andre Gunder Frank’s 1977 essay *Long live transideological enterprise!* famously pointed out, despite political differences, socialist economies functioned as integral part of the global capitalist economy. This did not only mean that socialist states engaged in external relations of commerce or finance but also that the socialist development effort followed the priorities of global capitalist competition. Upgrading technological capacity in order to ameliorate terms of trade, and thereby achieve upward mobility in the hierarchies of the world economy, was a necessity that stood at the base of industrialization efforts in socialist countries as well as non-socialist semi-peripheries and peripheries. This development effort, with its priorities and conditions fixed in the external environment of global capitalism, came to be internalized in the form of forced industrialization and urbanization, the exploitation of agricultural resources in order to support technological imports and development, and stood at the basis of the debt spiral that led to the final crisis of socialist economies in the 1980’s.

**2. In economic terms, state socialism’s relations with Third World countries replicated global economic hierarchies.**

While the subordination and continued dependence of socialist industrialization efforts from the core economies – from technological imports under unequal terms of trade to relations of debt – is one of the manifest results of their global integration, state socialism’s relationship with the Global South also needs to be emphasized. While socialist countries politically supported Third World initiatives against the unequal development of the global economy, in terms of crude economic relations, their priority remained to optimize their position within global economic hierarchies. This priority did not simply mean that they joined efforts with Third World countries for global reform with the expectation that it will also contribute to their own development. It also meant that in terms of world-economic flows, they occupied positions very similar to non-socialist semi-peripheries, where unequal relations with core economies were matched with unequal trade with peripheral countries. This tendency was intensified by the growth crisis and increasing debt problems after the 1970’s, when socialist regimes increased Third World cooperation as a means of compensating their losses.

**3. Socialism internalized priorities of global capitalist accumulation in the form of internal hierarchies**

In comparison with non-socialist semi-peripheries or with the social destruction of the post-socialist era, state socialist systems were more egalitarian and accommodated a larger volume of reproductive needs. However, even the most successful years of socialist development, these measures were characterized by a clear hierarchy between socio-economic functions that figured among the priorities of catch-up development (urbanization, industrialization, development of expertise and technology), and socio-economic functions that served as a reproductive base, used as a “cheap” resource for this kind of development (agriculture, rural labour and demography, self-supporting agriculture, self-built housing, kin and community level reproductive cooperations, etc.). The socialist development that created socio-economic infrastructures of high modernity also deepened these internal hierarchies. As the crisis of socialism broke up the systems of redistribution and social welfare that helped bridge those hierarchies, the internalized unevenness of capitalist development showed itself in its bare form.

**4. The crisis of socialist economies was part of the crisis of the post-war global economic cycle**

While contemporary scholarship framed in Cold War terms often understands the crises of socialist economies in terms of the socialist model’s own, specific problems, if we look at the ways socialist economies were embedded in world-economic flows, these crises rather appear as ways through which changing global conditions were internalized in different socialist systems. The end of the expansion period of the post-war global economic cycle, with the intensification of competition and the overproduction problem of core economies, the starting financialization of the global economy, and the structural changes that came to be understood later as the global wave of industrial relocation, flexibilization and neoliberalism, had direct effects on the socialist industrialization effort. The exhaustion of rural demographic resources that stood at its base coincided with the end of cheap oil after 1973, a surge in global money markets due to petrodollars, and the willingness of core economies to invest in Eastern Europe in order to alleviate pressures of overaccumulation and competition for their own markets. An advanced stage of capital need, stemming from the need for technological imports, was met by a wave of capital influx from the core economies. Considered serviceable at first, such loans became highly expensive after the FED raised rates in the early 1980’s, changing the direction of global capital flows in order to alleviate the problems of the US economy. Ensuing debt crises in Eastern Europe and Latin America functioned as a way of externalizing the effects of a global crisis from the core to the semi-peripheries.

In this context, socialist regimes took different paths, but none managed to delay the collapse of state socialism. Within the process of crisis management, one aspect emphasized by recent research is the tendency towards neoliberalization, which appeared in certain segments of economic management and related expertise. Another often-discussed aspect has been the struggle between various segments within socialist management – clashes between political-economic fractions working for liberalization and those fighting to maintain a protectionist model of industrialization are one frequent example. However, beyond debates and political struggles on the top levels of management and expertise, the structural transformation during the crisis years of socialism probably provides an even more convincing argument for understanding the process in the global terms.

More than just elite politics or expertise circulating between East and West, the crisis permeated the whole social structure, resulting in relocations of industry from central to rural areas in search of cheaper labour; the mobilization of womens’ labour as a more flexible and obedient resource; the intensification of industrial agriculture or highly polluting chemical industry as a source for export to gain hard currency; the draining of investment flows into reproductive functions such as housing, and the resulting growth in the number of commutes and informal housing; the overall surge in informal reproductive economic activities to fill the gap between formal incomes and the costs of reproduction. While differences with other global regions may be emphasized, the main lines of this transformation are common: the exhaustion of the post-war global cycle reduces the system’s capacity to accommodate reproduction within capitalist circuits while maintaining profitability. The relationship between accumulation and reproductive needs becomes increasingly conflictual, where capital pushes to maintain profitability through externalizing the costs of its crisis to labour. Beyond efforts to reduce the costs of labour in order to maintain the industrialization effort, the main form in which this struggle appears in Eastern Europe in the last decade of socialism is the reorientation of state expenditure from reproductive functions to debt service to core capital.

**5. Post-socialist transition and Europeanization meant an integration into the crisis management of the global core – in a subordinated position**

Present discussions often address the contradiction between high expectations of post-socialist transition and the disillusionment that feeds contemporary anti-liberal sentiments. From the perspective of world-economic integration, what is important to emphasize here is the connection between core crisis management and East European integration. If the debt crises of socialist economies were connected to global financial politics serving core crisis management, the restructuring of East European economies after 1989 entailed a cheap privatization of assets, the opening of new markets to Western products in parallel with the destruction of local production, and a wave of deindustrialization followed by FDI-based selective reindustrialization on lower ends of the value chain, which raised Western companies’ profits through lower wages. Beyond discourses of ethical norms, European integration constituted a process of institutionalization of neoliberal reforms. In social critiques of European crisis management, the phase when Eastern accessions  happened is described as the transition from embedded neoliberalism to a full-fledged neoliberal model of the EU. This process, widely criticized for its anti-democratic character, was the context of European accessions, advertised at the time as East European countries’ entry into the club of Western democracies.

**6. Illiberalism is a result of post-socialist transition – and part of contemporary capitalist crisis management**

Today, the popular disillusionment with the promises of post-socialist transition, mobilized by right-wing populist propaganda, is pointed at as the root cause of illiberalism in Eastern Europe. Transcending the ideological changes, it is important to mention in this regard the actual alliances and conflicts within the process of global integration that contributed to the rise of illiberalism. One important aspect of this question is the complex and often conflictual relationship between domestic and international capital, and the changing coalitions of economic and political elites along accumulation possibilities opened up by post-socialist integration. Privatization meant not only an opportunity for foreign capital, but also constituted the base for the creation of domestic capital. The sectors in which domestic capital could operate were limited by the conditions of integration. In competitive export sectors, the domestic industry was typically bound to the lower positions of the supply chain. By contrast, in non-tradeables, its competition with foreign investors could be influenced through political decisions, and it constituted a stake in elite economic-political coalitions.

In Hungary, whose turn from liberal to illiberal politics is treated as an exemplary case today, the domestic capital constituted through privatization has a background in socialist technocracy, which supported liberalization and privatization to its own benefit. Throughout the 1990’s, when Hungary counted as an example case of successful liberalization, this type of domestic capital was allied to the coalition of Socialist and Liberal parties and their neoliberal agenda. During the 2000’s, the end of privatization put an end to FDI inflow. The lack of capital was filled by a new wave of public and private debt. In this state of advanced austerity, state investments were substituted by EU transfers. This situation fixed the state’s maneuver capacity within the EU neoliberal agenda to such an extent, that two domestic factions, the capitalists and the major unions, broke up their alliance with the Social-Liberal coalition. The street demonstrations that broke out in 2006 merely marked the political end of the liberal era.

The present national-conservative regime, governing with super-majority since 2010, reorganized the conditions of accumulation using the space for maneuver provided by the 2008 crisis. Symbolically, it promised an “economic freedom fight” that will save Hungarian development from Western subordination. In its economic policy, the regime developed a double strategy that built on boosting export sectors through FDI from core countries – most importantly, German automotive industry relocating after 2008 – and at the same time engaged in recentralizing capacities and subsidizing domestic capital accumulation in non-tradeable sectors. While the reindustrialization in the export sector helps to keep the balance of payments in order, the reorganizations in non-tradeables contribute to the capitalization of a state-based new oligarchy. The success of the “illiberal” model can be described as a balance between providing ideal conditions for Western capital to compensate for its crisis through cheaper labour and favourable subsidies, and simultaneously creating the space for maneuver for domestic capital. Contrary to descriptions that emphasize the political contradiction between European liberalism and Orbán’s illiberalism, the major tension this system produces is between this double requirement of extraction and the capacity of labour’s reproduction. This tension becomes manifest in a crisis of outmigration, labour shortage, housing and care crisis, and a new boost of informal reproductive practices. The authoritarian nature of the regime – the characteristic the liberal criticism tends to focus on – serves to suppress and control that tension in order to maintain the flow of extraction.

**7. The climate crisis obliges us to differentiate developmentalism from reproductive struggle**

In theory, the three main currents of anti-systemic movements of the 20th century – social democracy, communism and national liberation – all aimed to disrupt the dictate of capital accumulation over reproduction. However, as they gained power after 1945, all three currents found themselves in a position where their power and their capacity to accommodate reproductive needs was conditional to maintaining and fulfilling relations of integration into global structures of capital accumulation. Where they succeeded in broadening local labor’s share in global capital’s profits *within* those conditions, they were celebrated. Where they failed to do so – and all failed to do so after the expansion period of the post-war cycle ended – they were accused of betrayal.

The story about Western social democracy losing its worker base and re-aligning with neoliberalism resonates the strongest in contemporary discourses about the crisis, in line with the position of Western experience in global hierarchies of knowledge. On the progressive side of Western politics, recently there has been a return to social democratic ideas. Claims that project these ideas as a solution to the global crisis portray the past capacity of Western social democracy to capture a significant share of global capital’s profits for Western labour as a future possibility for the whole world. Such claims express a failure to consider the fact that this achievement was only possible in the core, and was conditional on the growth in profitability that was bound to end once the post-war cycle was exhausted. They also omit the burden this growth put on peripheral economies, ecology and climate. These claims are important in that their Eurocentric, backward-looking perspective still dominates the mainstream of progressive thought in the face of climate change. The idea of a just transition linked to green growth (new jobs provided through green capital’s expansion) is frequently featured in this narrative.  But what about the regions and people to which green capital’s expansion is necessarily detrimental to? The Austrian Conservative-Green alliance shows a darker face of the same political line: combining the reproductive accommodation of the few with pro-capital policies and anti-immigration measures. This direction has been strongly criticized by anti-growth climate politics that emphasize the need to liberate green transition and economic justice from the condition of profitability.

Meanwhile, the political tradition of national liberation comes back in today’s climate debates in terms of distributing shares in emission cuts between “developed” and “developing” nations – namely, in the question whether core polluters should bear most costs, and if peripheries still have the right to energy access and industrialization. These debates have brought forward new, increasingly clear formulations of what a globally just green transition that combines emissions caps with non-capitalist peripheral industrialization may look like (see, for example, this [policy paper](http://unionsforenergydemocracy.org/resources/tued-publications/tued-working-paper-8-up-from-development/) for energy transition in India by India’s New Trade Union Initiative).

The climate crisis also re-actualizes the historical legacy of state socialism in a new light. Most importantly, it makes clear the difference between left politics that struggle for the accommodation of reproduction needs within the predicaments of capitalist growth, and the politics of reproductive autonomy.

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This approach brings us back to the original questions of the socialist project: the general aim and tactical conditions of building reproductive autonomy in the midst of capitalist crisis. In terms of memory, it points our attention to the historical drama of that project’s incorporation into the capitalist logic, already within the history of state socialism. In terms of our current political orientation, it shields us against new attempts at developmentalist competition that promises to increase local labour’s share in capital’s profits as part of a growth-based power struggle – and leads to the destruction of reproductive potential globally.