

# The Alternative Economy: Informal Exchanges and Criminal Activities from the perspective of the Communist regime's institutional framework\*

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**Abstract:** *The Alternative Economy: Informal Exchanges and Criminal Activities from the perspective of the Communist regime's institutional framework.* Shortages plagued Romanian communism from the very beginning to its inevitable downfall in 1989. People developed strategies to overcome it, based on informal exchange, creating an alternative economic system. Many of these activities involved stealing from the workplace, embezzling, abuse of position, and smuggling. It also involves a certain level of trust between individuals, allowing them to co-operate despite the risks. The authorities tried through surveillance and sting operations to reduce the extent of these activities, which were hindering the official economy. They went as far as infiltrating queues to gather information on the state of mind of the population.

**Key words:** *shortage, 'blat', alternative economy, Miliția, second economy, informal exchange*

**Rezumat:** *Economia alternativă: schimburi informale și activități criminale din perspectiva cadrului instituțional al regimului comunist.* Penuria a fost una dintre caracteristicile de bază ale comunismului românesc pe tot parcursul său, de la instaurarea regimului și până la inevitabila sa prăbușire în 1989. Oamenii au dezvoltat strategii pentru a o depăși, bazate pe schimburi informale, dând naștere unui sistem economic alternativ. Multe activități implicau furtul de la locul de muncă, delapidări, abuzul poziției sau chiar traficul. De asemenea, era necesar și un anumit nivel de încredere între indivizi, care să le permită să colaboreze în ciuda riscurilor. Autoritățile au încercat să restrângă fenomenul prin acțiuni de supraveghere și flagrante, deoarece afecta economia oficială. Au recurs inclusiv la

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infiltrarea cozilor de la magazine pentru a culege informații despre starea de spirit a populației. În acest articol propunem conceptul umbrelă al 'economiei alternative' care să cuprindă și să descrie aceste fenomene.

**Cuvinte cheie:** penurie, 'blat', economie alternativă, Miliția, economie secundară, schimb informal

### Introduction

Andrei had been standing in line for five hours, hoping he would be able to finally buy milk for his family. This was not his first time this week and from the position in the queue it did not seem that it would his last. It was frustrating, since the other people talked about fresh merchandise that had been brought early that morning. This Andrei was a fictitious character, but his experience was most certainly lived by someone in Communist Romania. Such episodes can be identified with relative ease in both archival documents and in the stories of interviewees.

Shortage was an inherent trait of communist regimes. It influenced the economy and society, becoming part of everyday life in Romania. It was felt by people in terms of consumption and services, impacting on quantity and quality the same, going as far as living conditions and work life. Shortage was the result of a centrally planned economy and a system incapable of managing economic and social issues efficiently. One truth derived from this historical experience is that it is impossible to plan or control people's needs through so-called scientific means. This, in turn, led to the unapproved creation of an alternative economic system. While it often operated against resources of the state, it was always outside the law and with officially acceptable social norms.

Historiography offers us several theories for explaining the origins of shortage and its impact on everyday life under communism. Firstly, we should mention Pavel Câmpeanu's interpretation, which stresses on intent, presenting it as a coercive strategy used by authorities to control the population<sup>1</sup>. While, indeed, the shortage put a strain on everyday life, there is far too little evidence in the regime's documents that this was part of a well-thought-out strategy. We agree with Câmpeanu's assertion that it generated social tensions, however, as this paper aims to illustrate, old interactions were replaced by a new kind of trust, based on a legitimate, mutual, but clandestine need to overcome shortages.

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<sup>1</sup> Pavel Câmpeanu, *România: Coada pentru hrană. Un mod de viață* (București: Editura Litera, 1994).

Secondly, we have the widely established interpretation that the shortage was the result of the system's flaws. The regime was focused on investments in the heavy industry sector and increasing rates of accumulation, very often neglecting consumer goods and services. While most European communist countries tried to reform their economies and societies in later decades, to a certain extent, Romania mostly kept in line with the principles of Stalinist modernization. Other than the Soviets, Romania was the only other country to fully collectivize its agriculture. When the global economy was moving towards a post-industrial trend, Romania was heavily investing in metallurgy and other oil-based enterprises. This led to inefficiency in selling obsolete products abroad, eventually to a cash drain, and to the economic crisis of the 1980s. Furthermore, the regime's tight grip hindered initiative and innovation, and the rotation of cadres during the last decade only led to an even more inefficient bureaucracy.

Instances of endemic shortage can be identified as far back as the first two decades of communism in Romania. While nostalgics would have us think that the late '60s and '70s were a golden age, this could not be farther from the truth. Documents created by the regime itself illustrate such a reality, in which local and regional bureaucrats were unable to find palpable solutions. This was mostly due to their ideological conditioning, but it also stemmed from the inflexibility of the planned economy, which left fewer options as one went down the chain of command. In this study, we will be focusing on how shortages impacted society and how this led to involvement in informal exchange and the creation of an alternative economic system.

Our research is based mostly on documents found in the archives, especially those of the Securitate and those kept under the care of the National Archives section in Cluj. We have looked over informative notes and bulletins focusing on the state of mind of the population in Cluj County. These were written by officers of the secret police or informants imbedded in queues. Moreover, they contain a lot of details on the operations of the Miliția, which still has most files classified. Starting from the examples identified in the documents, we can construct an image of how certain exchanges worked in the alternative economy and even some of the extent of such activities. Of course, there are limitations and traps to this approach. Mainly, we must keep in mind that the authorities were the ones telling the story with their own objectives. Thus, we are reading how the regime saw the alternative economy and how it saw fit to deal with it in the future. Documents from the National Archives are not as hostile and are rather focused on how the

bureaucracy worked. Yet, we can identify some local cases, as well as how shortage came to be the main characteristic of economic life.

Interviews are one rich source, but they also raise a large number of methodological issues. Individuals are sceptical in sharing experiences of informal exchange, especially when recorded, but were friendlier when involved in a relaxed conversation. Alena Ledeneva associated the reaction with an attempt at preserving their public self, as law-abiding and moral citizens<sup>2</sup>. However, this is contradictory, as Katherine Verdery believes that those involved in the alternative economy hold pride due to a sense of personal resistance<sup>3</sup>.

The Russian language has the word 'blat' to explain or illustrate a broad set of behaviours and interactions between individuals. These usually involve grey or illegal activities, condemned by authorities and official discourse. Alena Ledeneva has written extensively on the subject, bringing into attention both the characteristics of 'blat' and the methodological limits<sup>4</sup>. Both Ledeneva and Sheila Fitzpatrick have linked the term to a sort of 'second economy', a system functioning in parallel with the official distribution<sup>5</sup>. It seems that those who entered 'blat'-based relationships got caught up in a vicious circle, as it was always impossible to establish the value of an exchange<sup>6</sup>. Yet, it was far more complex, as 'blat' could be used as a means of gaining or maintaining social status. There were three types of people involved in 'blat'. Firstly, there were those with social skills who could easily manipulate others, allowing them to create large networks. Then there were 'blatmeisters', individuals who could arrange transactions. And lastly, there were 'tolkachi', people who used their abilities within and for the planned economy, they were usually employed in an enterprise. Ledeneva has also identified four situations which involved 'blat': everyday needs of consumption, periodic needs such as holidays, circle of life needs, and the needs of others<sup>7</sup>.

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<sup>2</sup> Alena Ledeneva, *Russia's Economy of Favours: Blat, Networking and Informal Exchange* (Cambridge: Cambridge University Press, 1998), p. 60.

<sup>3</sup> Katherine Verdery, *What Was Socialism and What Comes Next?* (New Jersey: Princeton University Press, 1996), p. 29.

<sup>4</sup> Alena V. Ledeneva, *Russia's Economy of Favours*.

<sup>5</sup> Sheila Fitzpatrick, *Stalinismul de Fiecare Zi: Viața Cotidiană în Rusia Sovietică a anilor 1930* (București: Editura Corint, 2016).

<sup>6</sup> A. Peter McGraw, Philip E. Tetlock, "Taboo Trade-Offs, Relational Framing, and the Acceptability of Exchanges", in *Journal of Consumer Psychology*, Vol. 15, No. 1, (2005), p. 3; Alena Ledeneva, *Russia's Economy of Favours*, pp. 39-40, 55, 60.

<sup>7</sup> Alena Ledeneva, "<Blat> and <Guanxi>: Informal Practices in Russia and China", in *Comparative Studies in Society and History*, Vol. 50, Nr. 1, (2008), pp. 122-123.

The Chinese have their own term called *guanxi*, although it holds a very different social value. The communist model built in China encourages a type of informal interaction heavily infused with moral teachings of honour. Here, the interest of the collective outweighs that of the individual, due to the value put on loyalty, not betraying the trust of those who know you. Those who do not keep in mind such aspects risk compromising their status and social bearing<sup>8</sup>. Like 'blat', its Chinese equivalent can play a role in business, where it brings reciprocity, so as all sides gain something<sup>9</sup>. Both concepts define types of personal networks which often help to make things happen in a heavily bureaucratized system<sup>10</sup>.

In the Romanian case, it is difficult to find one single word to describe such a broad set of social interactions. One could rely on the well-known '*pile, cunoștințe și relații*', which ends up as PCR, the name of the Romanian Communist Party. It covers exchanges between people and the bureaucrats of the state apparatus. As Cătălin Augustin Stoica argues, it ends up rather describing abuses of power, position, and privilege<sup>11</sup>. It leaves out informal exchanges outside the formal economy or grey and black-market activities, focusing more on how people could trick the bureaucracy with the help of functionaries. To this extent, we will use a new broader concept, the alternative economic system, or shortly the alternative economy.

This umbrella notion is meant to catch all the mechanisms and practices used by the population in their struggle against shortages. This type of economy was not organized by the classical principles: production -> distribution -> consumers. Rather, it high-jacked goods and resources getting them to the population via informal exchanges. To some extent, this served to the exacerbation of shortages, further pushing people into the grasp of the alternative economy. As we shall see in examples from documents and interviews, the interactions were complex, involving both collaboration and trust, as well as favours and risks. Unlike a normal economy, informal exchanges do not always involve money. Currency is usually replaced by favours or other goods and services.

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<sup>8</sup> Jan-Der Luo, Yung-Chu Yeh, "Neither collectivism nor individualism: Trust in the Chinese *guanxi* circle", in *Journal of Trust Research*, Nr. 1, Vol. 2, (2012), pp. 57-58.

<sup>9</sup> Silvia Ranfagni, Simone Guercini, "Guanxi and distribution in China: The case of Ferero Group", in *The International Review of Retail Distribution and Consumer Research*, Vol. 24, Nr. 3, passim.

<sup>10</sup> Alena Ledeneva, "<Blat> and <Guanxi>", p. 120.

<sup>11</sup> Cătălin Augustin Stoica, *România Continuă: Schimbare și adaptare în comunism și postcomunism* (București: Humanitas, 2018), Capitolul 3.

The last historiographical debate we should mention regards the regime's attitude towards the alternative economy. Some argue that the authorities tolerated it because it satisfied some of the population's needs and reduced shortages. Others hold that the regime was hostile towards it because it undermined the official economy, constantly highlighting inadequacies. In addition, because it operated on stolen goods, it could at times interfere with an already struggling production system.

We believe that the confusion often stems from a misinterpretation of Hungary's 'second economy' during the 1980s. It came to be known as part of the New Economic Mechanism, but was part of a longer phenomenon which began with the 1956 Revolution<sup>12</sup>. The reforms which started in 1968 eventually led to the creation of a second system operating within a legal framework set up by the regime. Its purpose was to compensate for the shortages generated by the failure of the distribution system. However, the 'second economy' created an alternative which only served to put pressure on the authorities for improvements<sup>13</sup>.

In Romania, there were no such reforms, despite early promises from Ceaușescu, something which Michael Shafir called 'simulated change'<sup>14</sup>. Apart from the short-lived 'mandatar' experiment, the regime always kept a firm grip on the means of production and distribution, thus hindering any attempts at private initiative<sup>15</sup>. This coupled with shortages led to the development of an 'alternative economic system', somewhere where people could have informal exchanges of goods and services. Alena Ledeneva argued that there was a self-destructive relationship between these two economies. In time, the regime's inability to provide for the population eroded its legitimacy<sup>16</sup>. Moreover, more people ended up in the 'alternative economy' it started to become part of everyday life. Towards the end of the communist period, it became hard to distinguish those few who had never engaged in informal exchanges.

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<sup>12</sup> Istvan Benczes, "From goulash communism to goulash populism: the unwanted legacy of Hungarian reform socialism", in *Post-Communist Economies*, Vol. 28, Nr. 2, (2016), pp. 4-5.

<sup>13</sup> Anna Seleny, *The Political Economy of State-Society Relations in Hungary and Poland: From Communism to the European Union* (Cambridge: Cambridge University Press, 2006), pp. 39-40, 64, 72.

<sup>14</sup> Michael Shafir, *Romania: Politics, Economics and Society: Political Stagnation and Simulated Change* (London & Boulder: Frances Pinter Publishers & Lynne Rienner Publishers, 1985).

<sup>15</sup> Petre Opreș. "Experimentul mandatorilor, <micii capitaliști> din comerțul României și spaima de îmbogățire (1967-1969)", in *Contributors*, 18 iunie 2019, accessed on 9 October 2019, [http://www.contributors.ro/economie/experimentul-mandatarilor- micii-capitalis ti"-din-comertul-romaniei-si-spaima-de-imbogatire-1967-1969/](http://www.contributors.ro/economie/experimentul-mandatarilor- micii-capitalis ti).

<sup>16</sup> Alena Ledeneva, *Russia's Economy of Favours*, p. 3.

### **Embezzlement and stealing:**

Given the state's monopoly over the means of production, individuals could only use stolen or smuggled goods or available resources at their workplace. It is quite easy to observe the regime's attitude towards such activities. The documents of the Securitate reveal a strategy aimed at stopping informal exchanges through targeted police stings and other similar actions. The regime was anything but tolerant to such activities which undermined its monopoly on the economy and society, thus prompting it to invest resources in stopping the 'alternative economy'.

A 1978 report from the procurature in Cluj illustrates part of this activity. Over one year, there were 2.780 criminal files opened to people who broke the law. In 1979, in Cluj County alone, there were 4.742 distribution units (shops and/or cooperatives), as well as other smaller units and 9 warehouses. For the surveillance of the distribution system, the Securitate employed 187 informants and had 147 people under observation, with 47 being taken to court. In addition, they organized 182 inspections by the economic police and another 1.200 by officers of the Miliție. The main crimes they looked for were embezzlement, forgery, abuse of power, and position<sup>17</sup>. This clearly serves to show that the regime was trying to hold a firm grasp on both the distribution system and the 'alternative economy'.

The regime was even less forgiving when it came to precious metals and foreign currency racketeering. It seems that between 1975 and 1978 the number of such activities had increased. In 1975, the authorities arrested 231 people for related crimes and by 1978 the yearly number went up to 300. The growing figures were the result of intensified preventive activities which were targeted against: "illicit trade in animals, industrial and agricultural products, foreign goods, intermediation of real estate transactions for profit, as well as selling illegal goods in shops or stealing from workplace". One of the best-known examples was *Operation Fermitatea*, which led to 368 people being accused of involvement in the racketeering of foreign goods or currency<sup>18</sup>.

Another 1972 report helps further expand on the regime's stand on the 'alternative economy'. In the summer of that year, the Miliția took preventive measures at 45 units and 22 transports, identifying two cases of theft. Eight of the trucks presented irregularities in the quantities they were carrying. In another place, two people were caught trying to steal a

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<sup>17</sup> Arhiva Consiliului Național pentru Studierea Arhivelor Securității (ACNSAS), Fond Starea de Spirit a Populației, D 018306, Vol. 1, Raport, ff. 5, 10-14.

<sup>18</sup> *Ibidem*, ff. 26, 29, 80.

10-litre canteen of milk cream and 5.5 kg of cheese<sup>19</sup>. These reports, mentioned so far, illustrate the regime's intolerance towards informal exchanges, taking active measures that stop and discourage them.

The situation remained much the same throughout the entire decade and were constantly surveilled by the Miliția and Securitate. Inspections and stings remain frequent and can be easily traced in informative bulletins and notes. An aspect constantly underlined by the authorities was that those taking part in the 'alternative economy' stole from the state. This was extremely disruptive to production, as it took the precious resources and time of those involved<sup>20</sup>. This is one of the main reasons the authorities cracked down so frequently on informal exchanges, not only the preservation of the rule of law.

The Miliția and Securitate acted based on the penal code and other carefully drafted laws. In the first two decades, the communist regime maintained the 1936 Penal Code, as it very much allowed them to prosecute most activities of the 'alternative economy', especially stealing from the workplace<sup>21</sup>. The 1968 Penal Code brought several changes as it introduced more ideological definitions for these crimes. Most notably, they added the crime against patrimony, which included: oil, gasoline, diesel, parts for irrigation, or electrical systems. Additionally, by using a word such as patrimony, articles 145 and 165 defined these crimes as an act of sabotage against the national economy and was punished with a jail sentence of between 5 to 20 years. It is also now that illicit commerce became a double crime. On the one hand, it was an unsanctioned economic activity, on the other hand, it often used stolen or smuggled goods<sup>22</sup>.

Some examples can be found in the documents of the People's Council, going as far back as the 1950s and 1960s. These came in the context of the massive but severely flawed expansion of the state distribution system. In one case, the employees of the 'URSUS Restaurant' in Cluj had cooked 100 portions of soup with the ingredients for 57. Further investigation revealed that this was the case for other meals as well. The unregistered profits were pocketed by the employees. Similarly, at the 'Cina restaurant' minced meat was mixed with extra rice, creating

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<sup>19</sup> ACNSAS, Fond Starea de Spirit a Populației, D018306 Vol. 27, Buletin Informativ 25.06. 1972, ff. 215-216.

<sup>20</sup> Katherine Verdery, *What Was Socialism*, p. 29.

<sup>21</sup> 1936 Penal Code, <https://lege5.ro/Gratuit/heztqnu/codul-penal-din-1936>, accessed on 27<sup>th</sup> June 2017.

<sup>22</sup> 1968 Penal Code, <http://www.monitoruljuridic.ro/act/cod-penal-din-21-iunie-1968-em-itent-marea-adunare-na-ional-publicat-n-buletinul-oficial-nr-38070.html>, accessed on 27 June 2017.



more cabbage rolls, with an estimated value of 517 lei, which again was taken by those involved<sup>23</sup>.

These two cases were the most striking, but the authorities identified this as a widespread behaviour. These instances actually show us two phenomena, firstly, the problems of the distribution system, and secondly, a pattern of criminal activities constructing an 'alternative economy'. It is also evident that those working in the distribution system could always benefit from this, given their access to consumer goods. This was aptly described by Gheorghe Florescu in his memoirs, as the corruption that had plagued the system was mostly concentrated between those in leadership positions and truck drivers<sup>24</sup>.

In August 1973, it was discovered that employees at the 'Restaurant No.1' of the Consumption Cooperative had made an agreement to steal ingredients while also pocketing part of the profit. Similarly, at a coffee house in Apahida, a nearby village, the manager and an employee sold their own coffee (10.5 kg) keeping the proceeds. At a shop in 'Piața Mihai Viteazu', the administrator sold chicken that he had introduced illegally at a higher price as well as selling rotten meat. It seems that all these examples brought a profit of around 1,274 lei<sup>25</sup>.

As seen above, food was about the most sought-after goods in the 'alternative economy'. Another interesting example can be identified at a butchery section of the State Agricultural Enterprise in Cluj. Here, in 1974, it came to light that some of the workers would steal meat and derived products. During a sting operation of the Miliția a worker was caught trying to deliver 247 kg of pig's meat and 2.5 kg of Italian salami without proper paperwork. The subsequent investigation revealed that he was working with another employee who was providing the foodstuffs. The profits were split between the two, around 4,600 lei<sup>26</sup>.

Sugar was once a luxury good, worth even more than gold, thus it comes as a little surprise that it played a part in the 'alternative economy' as well. It was very often scarce in shops, making it an ideal target for profiteers. One interesting case was that of drivers caught in the autumn of 1975 while trying to steal 275 kg of sugar from a truck. The transport

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<sup>23</sup> Arhivele Naționale, Serviciul Județean Cluj (ANICSJC), Fond Sfatul Popular al Regiunii Cluj, Secțiunea Secretariat-Administrativ, Dosar nr. 6/1963, Procese Verbale de ședințe ale comitetului executiv, Vol. 1, 269-305.

<sup>24</sup> Gheorghe Florescu, *Confesiunile unui cafegiu* (București: Humanitas, 2008).

<sup>25</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018306 Vol. 22, Buletin Informativ 09.VIII.1973, ff. 90-91.

<sup>26</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018306, Vol. 15, Buletin Informativ 1974, f. 86.

was registered with a load of sugar from a truck. The transport was registered with a load of 8 tons in 80 industrial-sized bags. The culprits had stopped the truck between the two villages and cut some of the bags, draining small quantities from each one and then patching them back. The three bags that resulted from this operation were to be sold for 5,800 lei, a quite a hefty sum of money<sup>27</sup>.

Alcohol has constantly played an important role in cultures around the globe, making it quite sought after and represents a perfect opportunity for profit. Yet again, we can find an example in Cluj during the communist period. The waiter of the buffet in a village had bought 26 liters of rum with the intent of selling it. He was helped by his wife, the administrator of the buffet, who had a surplus of 5,300 lei. At their home the police found 270 litres of vodka, ready to sell it<sup>28</sup>.

Yet foodstuffs were not the only goods sold in the 'alternative economy' or stolen. Fuel was also scarce in the shortage of communism, especially given the regime's preoccupation for energy in the heavy industry sector. The most common cases were those of drivers stealing from their cars, something which made sense given their nearly unlimited access to fuel. One such example was identified at the Paper Mill in Dej, where an employee was arrested for stealing 496 litres of gasoline from the workplace in 1973. His punishment was not all that bad, getting only warning from the police. However, it seems that he was not discouraged and went on to illegally sell 200 litres of gasoline<sup>29</sup>.

Then again, not all cases were as simple, some involved more complex operations on multiple individuals. Of course, the promise of bigger profits held higher risks and involved far more effort. The construction sector offers many such opportunities. One interesting example comes from the local division of the Romanian Train Company. Between 1970 and 1973, a group of 12 people managed to steal around 144,162 lei from the workplace. They would usually forge paperwork and cover for each other when taking materials. Later, they would either sell them or use them in illegal construction works making even more profit<sup>30</sup>. Similarly, in February 1977, a control by the economic police at four car shops in Cluj revealed that the mechanics working there used the tools

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<sup>27</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018306 Vol. 17, Notă informativă 22.X. 75, f. 110.

<sup>28</sup> *Ibidem*, f. 200.

<sup>29</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018306 Vol. 15, Buletin Informativ 22.02.1974, f. 120.

<sup>30</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018306 Vol. 16, Buletin Informativ 27.12.1973, ff. 314- 315.

and components they had at their disposal in private enterprises, pocketing the proceeds<sup>31</sup>. This kind of practice was very widespread. As one interviewee recounted, he helped his boss renovate his home using materials from work. For this, not only was he well paid, but it also served to gain trust and favour within the hierarchy<sup>32</sup>.

The 'alternative economy' was even more complex and was not made up only of those stealing from the workplace for survival or profit. Another consistent facet was smuggling and racketeering. Here we have to distinguish between the two types. Firstly, there were those dealing in rare, but not illegal goods, that were smuggled into Romania or acquired abroad to be sold back home for a profit. Secondly, there was the commerce of gems and metals, on which the state had a total monopoly. Thus, any private endeavour in this sector was illegal and prosecuted as a crime. The main difference between these two was that the first operated in a grey area, while the second one was clearly part of the black market. Yet, both involved a lot of risk, as the authorities tried curbing all activities outside the economy it controlled.

Smuggling consumer goods was usually conditioned by a person's access to foreign ties that would act as suppliers. We can create two more categories. Firstly, there were people who were actively involved in smuggling through contacts in border regions. Secondly, there were those who travelled abroad or knew someone who did. However, they worked on a lesser level since this was very limited. We have identified several examples which illustrate these activities and behaviours.

In November 1973, two women were approached by the Miliția in the Cluj train station as they were acting suspiciously. The officers found that they were in possession of unusual quantities of goods: 733 packages of condiments (Vegeta), 91 bracelets, and 300 vinyl wallets, all worth 15,000 lei. Further investigation into the case revealed that the two women had come from Arad, where in the local market they acquired the goods<sup>33</sup>. This example illustrates the first category, getting supplied from regions close to the border.

As we have already mentioned, some had a more direct supply source. For example, a lady that travelled abroad more often would acquire goods for supposed personal use, but would instead sell them at

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<sup>31</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018306 Vol. 30, Buletin Informativ 10.03.1977, f. 165.

<sup>32</sup> Interview with I.O., 01.03. 2014.

<sup>33</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018306 Vol. 16, Buletin Informativ 12.XI.1973, f. 167.

a higher price back home<sup>34</sup>. In another case from Cluj, a coffee shop employee came under suspicion from the Miliția in 1976. The husband of a friend, who was legally working for the Romanian state in Germany, would send her goods which she would then sell under the counter<sup>35</sup>. Of course, we should not picture a transaction between strangers. Most likely, these exchanges were initiated only after trust between individuals was established. This alleviated the feeling of threat that the other could be an informant. In a sense, this shows that while the regime isolates people through fear, people living in a society cannot be fully atomized.

Many of those travelling abroad would keep much of their daily allowance to buy goods for family and friends<sup>36</sup>. They were forced to employ this strategy because Romanian citizens were not allowed to own foreign currency, so they could only use what was given to them by the state. One wife wrote to her husband, who was working in Syria for ARCOM<sup>37</sup>, if he could buy and send her a pair of Levi's blue jeans, a rather rare piece of clothing under communism<sup>38</sup>. This example has a double meaning. On the one hand, it could concern the authorities of an isolationist regime that some of its citizens would wear clothing not found by others, it could shatter the image they tried constructing. On the other hand, it illustrates how difficult it was to travel abroad and the level of surveillance imposed on those who were given such privileges.

Communist regimes and Romania's even more so tried controlling as many aspects of everyday life as possible. This was made easy by the large surveillance system they had constructed and the repressive institutions. All citizens who had the slightest interactions with foreigners were to write informative notes on the Securitate, detailing what types of conversations they had. Of course, most insisted on the benign nature of these interactions to not incur further scrutiny<sup>39</sup>. Moreover, going abroad was very much the privilege of a few individuals who could be trusted not to defect. The regime's interest stemmed from its inherent need to keep people in the dark regarding standards of living and consumption in other countries, especially those in the West.

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<sup>34</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018306 Vol. 17, Buletin Informativ 18.VIII.1975, ff. 21- 21v.

<sup>35</sup> ANICSJC, Fond Întreprinderea de Porțelan Iris, Dos. 84/1973-1978, "Plecări în străinătate în interesul serviciului 1973-1978", ff. 149, 176-179.

<sup>36</sup> ACNSAS, Fond Obiectiv CERO, D 2800, Vol. 2, ff. 64-65.

<sup>37</sup> Antrepriza Română de Construcții-Montaj, cu sediul la București.

<sup>38</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018306, Vol. 31, Buletin Informativ 19.VII.1976, ff. 52-52v.

<sup>39</sup> ACNSAS, Fond Obiectiv Iris, D 2800, Vol. 1., ff. 116, 117-118, 119, 170-171, 172-175, 178-181, 182-185.

We now arrive at the second great category mentioned in this segment, smuggling gems and precious metals. This activity was both illegal and dangerous due to the regime's monopoly on this type of commerce. It should not be seen as a common occurrence, since it did not really appear out of everyday needs, but rather was the result of certain individuals trying to increase their income or others wishing to store gains from other activities, as was the case of Gheorghe Ștefănescu. Thus, we can place smuggling somewhere between the grey and the black market, as it deals with goods under the monopoly of the state, making them illegal.

Through the law passed on 12<sup>th</sup> August 1946, the circulation of precious metals was defined as all transactions or deposits of any such good, either personally or through others. Article 5 forced all jewellery owners to declare these possessions on the National Bank, although those for personal use were exempt, unless they had historical value. Articles 13 to 18 banned not only commercialization, but also private manufacturing of precious metals. To prevent thefts, body searches. Anyone caught breaking the law would be sentenced to between 15 days to 3 months of prison time and a hefty fine (50,000 – 500,000 lei). To underline these strict rules, sentences in such cases were to be passed in a maximum of 30 days, no matter what time of year it was. The most important instances could be punished with between 6 months to 2 years imprisonment and a fine of 100,000 – 10,000,000 lei. Those who reoffended could get a sentence of between 3 to 5 years and a fine of 1,000,000 – 20,000,000 lei<sup>40</sup>. One year later, in August, the regime passed another decree, regarding gold and foreign currency, all such possessions were to be surrendered to the National Bank. Only foreign citizens and diplomats were excepted. Punishment was between 5 to 25 years imprisonment, while the fine was to be decided based on the severity of each case<sup>41</sup>. Further laws passed later, Decree No.210 in 14<sup>th</sup> June 1960, put even more restrictions on owning foreign currency and other precious metals<sup>42</sup>.

The last relevant law passed was in 1978, and it underlined the regime's need to obtain foreign currency which it could later use in

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<sup>40</sup> Law no. 638 from 21st August 1946, <http://www.legex.ro/Legea-638-1946-92.aspx>, accessed on 4 August 2017.

<sup>41</sup> Law no. 284 from 15th August 1947, <http://www.legex.ro/Legea-284-1947-103.aspx>, accessed on 4 August 2017.

<sup>42</sup> Decree no. 210 from 14th June 1960 regarding the regime of foreign currency, precious metals and gems, <http://www.monitoruljuridic.ro/act/decret-nr-210-din-14-iunie-1960-privind-regimul-mijloacelor-de-plata-straine-metalelor-pretioase-si-pietrelor-pretioase-emitent-marea-adunare-nationala-136.html>, accessed on 4 August 2017.

transactions on international markets. The use of precious metals in Romania was going to be part of the planned economy and was to be decided by the State Council. In addition, once more, the National Bank was going to play an important role, which would be the only institution that could sanction the commercialization and use of precious metals<sup>43</sup>.

Despite strict legislation and constant surveillance of the Miliția and Securitate, this sector of the 'alternative economy' continued operating and was far more widespread than one would dare believe at first. In this respect, we would like to showcase a couple of such episodes from the 1970s, that we identified in the documents of the former secret police. We have already mentioned one of the most notable, that of Gheorghe Ștefănescu, who tried to keep his profits as gold and other valuables, since money is easier to trace and is always subject to official policies that might lower its value.

The role played by foreign citizens in this type of trade was extensive, this was due to the strict consumer conditions imposed by the regime on the local position. Often, they would act as suppliers for groups of sellers in Romania. Some would get directly involved on a constant basis, while for others, especially tourists, it was a spur of the moment, most notably selling foreign currency to the brave.

One such case was identified on 22<sup>nd</sup> June 1972, when at the restaurant of the *Napoca Hotel* in Cluj a foreign citizen was trying to sell jewellery to clients. Two Miliția officers were sent to keep him under surveillance, but he quickly noticed them and left for the park where he hid the merchandise. The officers found objects made of gold, weighing around 1,238 kg<sup>44</sup>. Unfortunately, there was no further information about this case, leaving us with a lot of questions unanswered. Yet, the example is relevant as it illustrates the risks smugglers were willing to take.

In the autumn of 1972, the Miliția in Cluj identified a supposed network which sold gold jewellery acquired from foreign tourists. The case was cracked when the officers arrested an individual who then turned to his supplier and from there on the authorities just followed the thread. The starting point of the operation was in Arad county, with the main suppliers being Italian citizens who would regularly bring large quantities of gold<sup>45</sup>. This was facilitated by an agreement signed on 13<sup>th</sup>

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<sup>43</sup> Law no. 30 from 22nd December 1978, <http://www.legex.ro/Legea-30-1978-657.aspx>, accessed on 4 August 2017.

<sup>44</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018306, Vol. 27, Buletin Informativ, 23.06.1972, f. 211.

<sup>45</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018306, Vol. 24, Buletin Informativ, septembrie 1972, f. 33.

January 1970 between Romania and Yugoslavia, which legalized small commerce. Selected individuals were given special border-crossing permits giving them the right to acquire goods. However, as stipulated in Article 6 of the agreement, valuable metals, jewels, and pieces of art were strictly forbidden<sup>46</sup>.

Some cases of commerce with valuable materials involved stealing from the workplace, although there were usually small quantities. Although we identified at least one notable example. In February 1974, a control by the economic police, it was discovered that a jeweller from the 'Metalurgia Cooperative' there were 79 grams of gold missing. He was making jewellery using materials and equipment from work, but as the investigation revealed, there were people involved in Alba County as well<sup>47</sup>.

In 1977, the police identified four individuals who were trying to sell gold jewels (rings, earrings, lockets, etc.) at state-owned shops, 'Bijuteria'. Of course, they are put under arrest, but what is remarkable here is the lack of fear or caution on their part. It also serves to illustrate that the authorities were keeping these units under constant surveillance, and between 28<sup>th</sup> February and 4<sup>rd</sup> March 1977 they caught 7 people carrying 310 grams of gold<sup>48</sup>.

In another example, the Miliția found that a retired engineer had created in his home garden a small treasure made up of commemorative coins and other gold objects<sup>49</sup>. This further illustrates the type of behaviour shown by Gheorghe Ștefănescu and others like him, hoarding valuables in times of crisis or to buy goods, services, and even favours. Then again, lacking much other information, it is possible that this engineer was just hiding the objects he planned on selling them to the 'alternative economy'.

### **Abuse of power and position:**

Very much similar to stealing from the workplace was abusing one's position. The 1968 Penal Code defined embezzlement as the unlawful use of trafficking by a functionary of money, valuables and

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<sup>46</sup> Accord from 13th January 1970 between the governments of the Socialist Republic of Romania and the Socialist Federal Republic of Yugoslavia, <http://www.monitoruljuridic.ro/act/acord-din-13-ianuarie-1970-intre-guvernul-republicii-socialiste-romania-si-guvernul-republicii-socialiste-federative-iugoslavia-privind-micul-traffic-de-calatori-in-zona-de-frontiera-emitent-21495.html>, accessed on 4 August 2017.

<sup>47</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018306, Vol. 15, f. 110.

<sup>48</sup> ACNSAS, Vol. 30, Buletin Informativ 01.02.1977, f. 4v; Buletin Informativ 03.03.1977, f. 141.

<sup>49</sup> ACNSAS, Fond Starea de Spirit a Populației, Vol. 15, f. 232.

other goods under their care<sup>50</sup>. The description is relatively vague and leaves enough room for interpretation, something reflected in documents by the large number of crimes treated as embezzlement. Punishment was quite severe, from 1 to 15 years of prison, and from 15 to 20 years if there were victims<sup>51</sup>. However, the abuse of position was slightly different and split into two categories: one that threatened the interests of individuals and the one against public property. The latter was clearly subject to harsher punishment, between 6 months and 5 years imprisonment, as well as the confiscation of personal property<sup>52</sup>.

As we have already mentioned, the regime made active efforts to identify such crimes, especially through sting operations by the Miliția and Securitate. Towards the end of the 1970s, the authorities initiated 'Operation Fermitatea', which aimed against small crimes, as well as corruption within the state's bureaucracy<sup>53</sup>. These actions were based on law No.18 from 1968, regarding the origins of goods obtained illegally. Article 1 stipulated that all assets exceeding someone's income could be verified. The third article stated that verification should be made by a special commission, which would be activated in three types of situations: if work colleagues called on the authorities; if the suspect wished to prove their innocence; if the legal institutions requested it. The commission functioned under the jurisdiction of the county courthouse and it was made up of two judges, a prosecutor, a delegate from the county financial administration, a deputy, and a secretary. The law pretty much remained the same, with a few minor modifications in 1971<sup>54</sup>.

The most renowned case uncovered by 'Fermitatea' was that of Gheorghe Ștefănescu, made even more famous by the movie *Secretul lui Bacchus*. It follows the story of a journalist who tries to determine why mineral water Here is so scarce, only to discover that the administrator of a shop and his boss were using it to make extra quantities of wine for

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<sup>50</sup> Codul Penal din 1936, <http://www.monitoruljuridic.ro/act/cod-penal-din-21-iunie-1968-emitent-marea-adunare-na-ional-publicat-n-buletinul-oficial-nr-38070.html>, accessed on 4 August 2017.

<sup>51</sup> *Ibidem*.

<sup>52</sup> *Ibidem*.

<sup>53</sup> Florel Manu, "Cazul Ștefănescu: Execuția unui <capitalist> român", in *Historia*, <https://www.historia.ro/sectiune/general/articol/cazul-stefanescu-executia-unui-capitalist-roman>, accessed on 4 August 2017.

<sup>54</sup> Law no. 18 from 1968, regarding the control of the provenience of certain personal belongings, <https://lege5.ro/Gratuit/g43tmmjs/legea-nr-18-1968-privind-controlul-provientei-unor-bunuri-ale-persoanelor-fizice-care-nu-au-fost-dobindite-in-mod-licit>, accessed on 4 August 2017.



personal profit<sup>55</sup>. Real-life Ștefănescu had constructed a flourishing alcohol business. His activities can be split in two large periods: firstly, between March 1971 and March 1974 when he gathered financial resources; secondly, from 1974 to 1978, when he made his biggest deals. His web of bribery and connections was comprised of managers, administrators, and even cellarmen. Unlike the movie character, Ștefănescu did not mix water with wine, but types of wine, the 7 lei one to the 9 lei type, selling at the latter's price, using the same technique for more expensive brands as well<sup>56</sup>. If in the movie he was discovered by a journalist in real life he was caught because he bought gold, as he was denounced by someone else.

We can identify smaller scale examples in the documents of the Securitate. One such case was that of a section boss from a hospital in Cluj. He was accused in 1972 of fraud on public property, forgery and using forged documents. His section was in charge of embalming dead people and there was an 80 lei tax that had to be paid, of which 50% was left to be shared among the personnel as a stimulant. The numbers were calculated based on the number of extra hours of work put in by each employee. It seems that during the summer of that year the number of dead people had been quite big and the amount exceeded 50% of the normal income, and all such surplus had to be given over to the state. To avoid this, the section boss had created fictive employees and even put himself on extra hours. Over the span of three years, the doctor had embezzled 32,090 lei, part of which he shared with his colleagues<sup>57</sup>.

Such strategies of tricking the system were quite widespread, so it is easy to identify another case. At a cooperative farm, in 1976, through the forgery of documentation, again someone created fictive people who apparently were working from home on one of the cooperative farms in Cluj County. During the investigations it was revealed that a foreman was behind everything. Together with his concubine, who was herself in a small leadership positions, and the chief accountant had created fictional workshops. They managed to steal money and other goods valued up to 30,000 lei<sup>58</sup>.

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<sup>55</sup> <http://www.cinemagia.ro/filme/secretul-lui-bachus-4451/>, accessed on 4 August 2017.

<sup>56</sup> Florel Manu, "Secret comunistă cu iz de băutură", in *Historia*, <https://www.historia.ro/sectiune/portret/articol/secretul-lui-bachus-o-poveste-comunista-cu-iz-de-bautura>, accessed on 4 August 2017.

<sup>57</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018306 Vol. 27, Notă Informativă 19.05.1972, ff. 100-101.

<sup>58</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018306 Vol. 31, Buletin informativ din 18.08.1976, ff. 170-170v.

In 1973, a secretary working at a local shoe factory, 'Clujana', stole 32,484 lei, as she was the one responsible for the travel expenses of commuters coming from nearby villages. During a couple of years, she stole enough money to buy furniture and other decorative objects for her home<sup>59</sup>. In an unrelated case, a 27 year-old man was managed. To steal through forgery an even bigger sum, 69,342 lei<sup>60</sup>. Similarly, in 1976, a cashier working at the County Hospital managed to steal the money kept guarantees from other employees, all through a simple trick of not handing over the entire sum she had received<sup>61</sup>.

Some operations were more complex and were both aimed at higher profits as well as better hidden from the scrutiny of the authorities. In 1977, the Miliția identified a group of 9 individuals who used forgery to steal 30,598 lei. However, this was at first glance, in reality, it seems that just one individual had convinced the others to sign fictitious certificates which they later used to get 5,200 lei from the state<sup>62</sup>.

Forging paperwork or trying to trick the system was not always linked to immediate material gains, for some it had to do with migration. Given the high rate of growth of the big cities, they became even more attractive to young people living in the countryside. This phenomenon can be observed as early as the 1960s, continuing up to the very last years of the regime. However, authorities often proved incapable of keeping up with the rhythm and the growing needs of the population, so the easiest solution was to try and limit migration to the more important urban centres. The files of the People's Regional Council in Cluj are very revealing, as during the meetings it was mentioned that there was a need to immediately reduce the number of migrants. However, these attempts were stifled by the managers of factories, since they needed the workforce to match increasing production quotas<sup>63</sup>.

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<sup>59</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018036 Vol. 22, Buletin informativ din 04.08.1973, f. 76.

<sup>60</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018036 Vol. 17, Buletin informativ din 1.XII.1975, ff. 177-178.

<sup>61</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018036 Vol. 31, Buletin informativ din 19.X.1976, f. 303.

<sup>62</sup> ACNSAS, Fond Starea de Spirit a Populației, D 018036, Buletin Informativ din 30.XII.1976, Vol. 31, ff. 481-481v.

<sup>63</sup> ANICSJCN, Fondul Sfatului Popular al Regiunii Cluj, Secțiunea Secretariat-Administrativă, Dosar nr. 6/1963, Procese verbale de ședințe ale comitetului executiv, ff. 664-667.

Some local enterprises falsified hiring paperwork so as individuals would receive approval to move to Cluj. The People's Council very much doubted that workers could not be found in the city and accused the Miliția of standing idle instead of trying to find those who did not have the proper documentation<sup>64</sup>. From here, it is obvious that alternative means were used not only by people, but by the bureaucrats in charge of state enterprises, who themselves wanted to overcome a shortage of employees.

The phenomenon was so widespread in later decades that it even became the subject of movies. Probably the most well-known example is *Bulletin de București*, a romantic comedy from 1982, which was laden with propaganda. The plot followed a mainstream line, a girl wants to move to the capital of Romania, but after finishing her studies she will be assigned to a farm in the countryside as a specialist. To avoid this, she tries to arrange a marriage with another student, that is from Bucharest. As they go through the pains of living a household existence under communism, they fall in love and end up happily ever after on a farm, striving to build socialism as a real family<sup>65</sup>.

### **Conclusions:**

Shortage was the spectre that haunted Romanian communism and came to define it. The regime proved unable to create and manage efficient production and distribution systems. The command economy leads to inflexible mechanisms, hindering the adaptability of regional and local authorities to the needs of state enterprises and of the people. While some would argue that this was the reality of the last decade of communism, we can follow this phenomenon from the very beginning. The 1980s, however, did show more severe shortages, increasing the level of everyday misery.

In this context, the population looks for the means to supply itself, giving way to the 'alternative economic system'. Since it operated in parallel with the official economy and that it used stolen goods or resources from the workplace, it was ill perceived by the regime. Even more so, it represented a threat to the legitimacy it held in society as the main provider of goods and wealth. The existence of an alternative based

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<sup>64</sup> *Ibidem*, ff. 664-667.

<sup>65</sup> <https://www.cinemagia.ro/filme/buletin-de-bucuresti-328/>, accessed on 7 December 2017.

on informal exchanges, hindered the regime's ability to exercise control and placed people's loyalties towards each other.

We tried to outline a new concept which can be used to illustrate the shape taken by informal exchanges in Romania. While it would have been tempting and easy to use the Russian term 'blat', this shortcut would have meant importing and adapting it to a different cultural reality. While both communist regimes unwittingly encouraged the development of the 'alternative economy', the background differed. The terror in Romanian did not reach that of Stalin's Soviet Union, thus giving people a milder perspective. This is not to say that informal exchanges were devoid of risk for individuals, most such activities were defined as crimes and punished accordingly. In Romania, people use the expression 'pile, cunoștințe și relații', which means connections within the bureaucracy that can help you. However, this is limiting and leaves out many of the behaviours mentioned in the paper. Thus, we came up with the idea of the 'alternative economic system', which encompasses a broad range of activities and favours.

The regime in Romania was anything but tolerant towards this sector. Firstly, as already mentioned, unlike the case of the 'second economy' in Hungary, this 'alternative economy' was not created legally by the authorities. It was rather the result of individual solidarity and initiative in the face of shortages and hardship. Secondly, it mostly operated through crime, as it could get resources only through theft or smuggling. Thus, the Miliția and Securitate, illustrated by the examples we presented, ran constant operations in trying to catch those involved. Unfortunately, this research has far been limited at this level and we did not follow-up on the prosecution of cases and the fate of those caught. It is although possible to reflect on this by looking at the execution of Gherghhe Ștefănescu and the imprisonment of Gheorghhe Florescu.

We managed to group the activities of the 'alternative economy' into three categories, based on their spread and shared characteristics. Embezzlement and stealing from the workplace were the most widespread. These were often determined by access to resources, the risks involved, and possible gains. Smuggling was the result of a combination between demand and the imperfect isolationism of the regime. Lastly, trafficking precious metals, jewellery, and foreign currency was also a common enough practice, sometimes mixing techniques and characteristics from the previous two.

The aim of this paper is not to present the social and economic landscape of communist Romania as one dominated by ill-conceived criminality. Rather, we aimed at illustrating how the shortage led to strategies which meant breaking the law, mainly due to constraints. People were not morally bankrupt, but they had to live in a grey world created by a regime which itself was continually undergoing a process of decay. Thus, the social stigma carried by the 'alternative economy' of communist times should rather be seen from a historical perspective, than a moral one.

