

Labour Focus on Eastern Europe

Alexander Buzgalin
Russia After the Elections

Jeremy Lester
Zhirinovskiy's Party: the LDPR

Petr Biziukov
Political Situation in the Kuzbass

Vadim Borisov
Soviet-Style Privatisation

Atilla Agh
Eastern Europe's New Elites

Jane Hardy & Al Rainnie
Poland's Economic Transformation: The Role of Foreign Direct
Investment and Small Firms

Peter Gowan
German *Ostpolitik* and the Revolutions of 1989/90



a review
of European
affairs

47

CONTENTS

- 2 **Alexander Buzgalin** Russia after the Elections
- 17 **Jeremy Lester** Zhirinovskiy's Liberal Democratic Party: Programme, Leaders, and Social Base
- 31 **Petr Biziukov** The Social and Political Situation in the Kuzbass
- 37 **Vadim Borisov** A Very Soviet Privatisation: An Account of the Chelyabinsk Metallurgical Complex
- 42 **Jane Hardy & Al Rainnie** Transforming Poland: The Role of Foreign Direct Investment and Small Firms in Poland's Economic Transformation
- 58 **Attila Agh** From Nomenklatura to Clientura: The Emergence of New Political Elites in Eastern Europe
- 78 **Peter Gowan** Review Article: *In Europe's Name* by Timothy Garton Ash
- 95 **Reviews** David McNally, *Against the Market* and Elmar Altvater *The Future of the Market* (Andy Kilmister)
Istvan P Szekely and David Newbury (eds) *Hungary: An Economy in Transition* (Nigel Swain)
Glyn Ford (ed) *Fascist Europe: The Rise of Racism and Xenophobia* (Bill MacKeith)
- 112 Notes on Contributors

Russia After the Elections

Interview with Alexander Buzgalin

Perhaps you could first bring us up to date on developments on the left in Russia during the past year.

During the summer of 1993 we had a very positive process of cooperation inside the Congress of Left Democratic Forces. You remember that this is an umbrella organisation containing Medvedev's Socialist Party of Workers (SPW), our Party of Labour, New Left groups, a number of parliamentary deputies and a whole range of Trade Union interests and workers collectives. At the end of the summer period we decided to organise a second congress of the movement, which was originally scheduled for November, which would seek to create a more coherent and cohesive political bloc of forces. When this decision was taken, of course, the old parliament was still in existence, but we were pretty sure that new elections would soon be called, probably no later than the spring of 1994. As preparation for the congress we prepared a number of draft documents and programmes, so as to clarify some of our basic positions on a number of key issues. In the build up to the congress we experienced some difficulties, but these were mainly of an administrative and organisational kind at this particular time.

One of the key aspects of the preparations for the congress was a suggestion by Boris Kagarlitsky that the Party of Labour and the SPW would formally merge and form a united party organisation. There were a few voices of dissent raised against this suggestion, but on the whole the vast majority seemed to be in favour of the idea.

In late September, of course, all aspects of political life in Russia were suddenly thrown into confusion by Yeltsin's sudden dissolution of the parliament; what, in effect, amounted to a presidential coup d'état. The forces on the Left were instrumental in campaigning and protesting against the actions of the President and we came out clearly in favour of the old parliament. Some of us as well organised a gathering

of intellectuals and established a committee in defence of democracy and civil rights in Russia.

Problems of left unity

At this stage in the proceedings, then, a fair degree of unity was able to be maintained. The one really important issue that needed to be decided upon was whether we would feel able to take part in the elections called by Yeltsin for 12 December 1993. Certainly, this was the issue that caused an enormous degree of heart-searching inside each and every one of us, given the manner in which these elections had been called. I would say that there was not really any serious internal party friction on this issue; it was more a question of what our individual conscience dictated. After all, we were all perfectly aware of the unconstitutionality, the illegality and even the immorality of the proposed elections; yet, on the other hand, it represented the best opportunity for us to get our policies and our ideals across to the Russian public at large and many of us felt that it was a political opportunity that couldn't really be missed in the present circumstances. After a lot of deliberation, then, a majority of us decided that we wouldn't repeat the pre-revolutionary Bolshevik experience of boycotting elections to this so-called Duma and that we would therefore, if somewhat reluctantly, participate in the forthcoming campaign.

During the first weeks immediately after the coup, the Party of Labour and the SPW started, in an almost clandestine, underground manner, to prepare our strategy for the elections. Normal, open discussions and preparations at this time, you have to appreciate, were almost impossible.

As a result of these discussions an agreement was reached to set up a common Democratic Left electoral bloc, which would bear the official title of the All-Russian Union of Labour - a name suggested by Kagarlitsky and agreed to by the leaders of the SPW. It was also agreed that a joint commission would be established, which would include a dozen or so members who would then go on to head the party electoral list. As you can see, then, at this stage, our cooperation was going quite well and all the negotiations were producing, what appeared to be, quite concrete results.

We first became a little concerned when it became apparent that the leaders of the SPW were not really wanting to discuss concrete

questions of policies, nor even specific electoral tactics with us. Whenever we approached them on these matters we were simply told 'not to worry'.

Shortly afterwards, the SPW held a congress in Moscow, at which there were approximately 70-80 delegates and it was during this congress that we received the first indication of a very considerable change of line on the part of the SPW. In the address given by Ludmilla Vartazarova, the other main leader of the SPW alongside the well-known ex-dissident, Roy Medvedev, now announced that the SPW believed that the proposed electoral bloc had to consist of a much broader range of forces. An exclusive democratic left alliance, she said, would not stand much chance of doing very well, and to this end she announced that the SPW had already made contact with a number of national-patriotic forces, most notably with the Union of Renaissance (led by Dmitrii Rogozin), the Union of Cossacks, as well as with the Union of Oil Producers. As you can imagine, myself and the other leaders of the Party of Labour were very much taken aback by this announcement.

Had you had no indication whatsoever that the SPW had been engaged in discussions with these national-patriotic forces?

Boris [Kagarlitsky] had earlier heard a few rumours, but these had not been verified, and if truth be told, we simply didn't take such rumours very seriously at all. They were almost too incredible to believe. After thus discovering what the SPW had in mind, we were now left to decide whether we would continue to be part of this new proposed bloc, or alternatively, whether it would be feasible to create a brand new democratic left bloc of forces, without the participation of the SPW. Denisov, a leading member of the SPW, tried to convince us that it was more than feasible to campaign for a form of socialism that went via a patriotic, even monarchist road; but, of course, there was never any doubt that we would reject this new SPW line. One only had to hear the speeches of the representatives from the Union of Renaissance to understand how ludicrous such an alliance would turn out to be. This is an organisation that believes in the traditional values of pre-revolutionary Tsarism - an autocratic state power, the predominance of the Russian Orthodox Church and so on. It was simply incredible that the SPW could believe that such an alliance, no matter how temporary,

could bring any success.

For a while, our contacts with the SPW remained open as we sought to dissuade them of their new strategy. But when it became apparent that they were set on this new course, we broke all links with them completely. Also, as it proved impossible at this late stage to organise another electoral bloc, we finally made the decision that we would not therefore participate in the elections; and on reflection, with the benefit of hindsight and having seen how the election campaign has gone, maybe it was no bad thing not to be a participant this time round. Of course, the one very bad consequence of what has taken place in recent weeks, is the deep rift that has emerged within the Congress of Left democratic Forces. It is going to take a long time, I think, for many of us in the Party of Labour to reconcile ourselves to the recent actions of the SPW. Certainly, at the moment, there is little desire to re-open serious contacts with them. A sense of trust between us has been lost. Who knows where they will look for allies and support in the future. Maybe even Zhirinovsky will be considered a viable ally!

In the meantime, the Party of Labour is currently engaged in attempts to provide the platform or the nucleus of a new strong party organisation; an organisation that will seek to encompass within its ranks a strong social democratic element on the right, and a strong communist element on the left, made up of those disaffected forces within the current Communist Party of the Russian Federation who are not very happy at Zyuganov's leadership. At this stage, I cannot say if these initiatives will be any more successful than those taken in the past, but there does at least seem to be more enthusiasm amongst a whole range of different forces for the creation of such a strong, well-defined left wing party. Indeed, the initiative largely came about following the request by a section of the Social Democratic Party (a fraction known as the United Social Democrats) to formally merge with the Party of Labour. The one immediate danger of this, however, concerns a long-standing personality clash that has existed between Boris Kagarlitsky and Pavel Kudyukin, one of the leaders of this Social Democratic fraction. They have had many personal and ideological conflicts over recent years, and only time will tell whether these can be amicably resolved. And the same also goes for many other members of the two parties.

The left and the Communist Party

As for the disaffected members of the Communist Party (CPRF), who have also shown an interest in working more closely with the Party of Labour, this group is led by Boris Slavin, who is a member of the party's Central Committee. At the moment, the splits inside the Communist Party are quite deep and they themselves are engaged in a heated dispute as to whether they should be instrumental in setting up a National Salvation Front-type organisation (mark two) or whether they should re-discover their more genuine socialist-oriented legacy. Certainly, if Zyuganov continues to get his way it is more likely that the Communist Party will remain too nationalist, and too statist for us to work closely with it, and we will have to content ourselves with working exclusively with the Slavin-led fraction. But if Zyuganov is defeated, or he makes a fundamental alteration to his past line of approach, then I think it might be possible to have a much closer form of cooperation with the Communists.



Zyuganov

You have mentioned the deep divisions inside the CP and the hostility felt by some members towards the Zyuganov leadership.

The kind of leadership that Zyuganov has given to the Communist Party is very much in line with the essential ingredient of Russian politics at this moment in time. There appears to be a popular perception that what is needed above all else is a strong leader. The one thing that most Russian people want, it is said, is a good and kind Tsar. Zyuganov, therefore, has tried to present himself in this kind of light. He has consciously portrayed himself as a viable alternative to the others that would like to think of themselves in this particular way; namely, Yeltsin and Zhirinovskiy. He believes, as does Yeltsin and Zhirinovskiy, that this kind of strong, authoritarian, yet at the same time, paternalistic kind of leadership is in perfect conformity with Russian political traditions. Of course, it is precisely this kind of attitude and approach that is so dangerous. It both engenders and perpetuates the objective situation that we are currently facing, which is one of almost total institutional and administrative chaos. Instead of seriously trying to

overcome the deleterious effects of this political vacuum that exists in Russia today, people like Zyuganov (and Yeltsin and Zhirinovskiy) are attempting to gain some kind of personal political gain out of it. And it is this, more than anything else, that has alienated many people inside his own party, and which certainly prevents us from having any kind of cooperative partnership with the Communists. Instead of trying to resolve the political crisis in Russia, they are seeking to make capital out of it.

When do you think this issue will be resolved inside the Communist Party? You have mentioned that the fraction led by Boris Slavin is more and more veering towards the Party of Labour and the kind of democratic left agenda that you have. If your plans to create a new party are indeed realised, would you make it a condition of membership that individuals would first of all have to give up their membership in other political organisations?

This is a very complex issue. We would try and have a status that would at least informally allow a form of dual political membership. Having said that, however, it seems to me that this would be an impossible situation vis-a-vis Zyuganov's Communist Party. The most likely outcome would be the expulsion from the Communist Party ranks of those members who sought to join a new political movement. But for many people I know who sympathise with the idea of creating a new left party, this kind of outcome would, I think, have a number of advantages. I know full well how hard it is for committed activists to voluntarily renounce their membership of the Communist Party. Psychologically, therefore, it would be much easier to cope with the consequences of a forced expulsion, rather than be faced with the onus of resigning one's membership. In this kind of situation as well, it is also very important that any new party that is created provides full scope for a communist fraction to exist, using the "communist" label. At the very least, this would be a mark of political respect for those who might be forced out of the Communist Party.

How much support do you think you currently have within the ranks of the Communist Party? How big is the Slavin fraction?

At this stage I certainly don't want to over-exaggerate the potential support. It is most likely that only a few people would feel inclined at

this moment in time to risk losing their membership of the Communist Party. At the moment, however, numbers are not all that important. If a new party is created its main task will be to demonstrate that it has the potential to be an important political force in the country and that it has strong links with trade union and other workers' organisations. If we can really show that such a party has a political future in the country, then the situation inside the Communist Party will, I am sure, change very dramatically.

Workers' movement

The country at the moment, it seems to me, is at an important crossroads as regards the potential development of a workers movement. Social conditions are bad throughout the country, but not yet catastrophic. There is neither widespread hunger nor widespread unemployment. The government's shock therapy reforms were not instigated to their full potential effect, because of the fears that were aroused at the potential social devastation that this would cause. If the government is emboldened to cross this social threshold and unleashes the full social effects of its reform policies, then a dangerous situation will be created whereby an enormous amount of people will be faced with a stark choice: either to engage in a direct form of struggle or starve. This, then, would create one type of scenario for a more active kind of workers struggle. From a personal point of view, it is not a scenario that appeals to me. I have never been one to support the slogan 'the worse the better'.

Alternatively, the present period of economic stabilisation might continue apace, in which case this also opens up enormous possibilities for workers to better define their own specific interests and demands within the workplace. Greater economic stabilisation will also open up new avenues of possibilities for trade union movements to better represent the interests of their workers. The real campaign at the moment, then, must be waged in conjunction with the trade unions. We must help trade unions find their feet again and we must get them prepared to make the most of any upturn in the economy, no matter how small that upturn is. And at the same time, we must win the struggle to be seen as the most effective political arm of the workers movement. If we can achieve that ambition, then we really can become the basis of an important political movement.

You said once that while the workers had seriously been effected by the economic reforms of the past couple of years, they had nevertheless not developed a classical working class consciousness towards those reforms and their effects, a fact largely attributable to the legacy of the Soviet system within the workplace. That is to say, under the old system workers had a very contradictory consciousness of their position within the workplace or the factory etc. They were partly free marketeers, trying to do deals of one description or another on the black market; they were partly imbued with a consciousness more applicable to a feudal-type situation in the way that they were tied to the workplace; and, of course, they were partly imbued with a socialist consciousness and an appreciation of the social and welfare guarantees that went hand in hand with that system. In short, then, their conscious understanding of their position was very disjointed and contradictory. Do you now think that the situation has changed over the past year? Is it now more possible to agitate amongst the workers for traditional socialist or working class causes?

You see, it is necessary to stress that there are two meanings of the term 'socialism', especially as regards applying the concept to the working class. If you discuss the notion of socialism in the context of some kind of nostalgia (i.e. the restoration of those basic principles of social and welfare justice that existed in the old system), then I think that a large element of the working class would come out in support. This, after all, is the foundation stone of the support for Zyuganov and his Communist Party organisation; though it is important to stress that many others receive a large degree of their support because of their espousal of some kind of status quo ante in terms of social welfare - and I am thinking first and foremost here of Vladimir Zhirinovskiy and his Liberal Democratic Party. As regards this all-pervading sense of nostalgia, it is interesting to note that no member of Yeltsin's team dares to make any kind of criticism of the late Brezhnev era today. They are more than aware of the fact that any reference to the Brezhnev era now conjures up images of stable, good times for the vast majority of people. Now, the objective truth of this is neither here nor there. The point is, the feeling of nostalgia for the old times is constantly gaining ground amongst many elements of the working class. For the most part, of course, we would tend to see this backward-looking phenomenon in largely negative terms.

The negative side of this popular mentality is the extent to

which workers fail to take on board the other conception of socialism that is more in line with the beliefs of the Party of Labour. As you are more than well aware, the ultimate conviction of our party is a belief in the value of self-organisation, in the workplace and in society at large. So, the real question for us is: how can we realise this idea in practice? How can we advance from a condition in which workers rightly expect a decent standard of living in terms of their basic welfare etc to one in which their desire (not to mention their capacity) to directly participate and control the institutions they belong to, also becomes second nature to their way of thinking. In other words, then, how can we turn them from being passive recipients of welfare hand-outs from the state, into active organisers and shapers of their own conditions in areas that far transcend the level of welfare. And the question is not only how this will happen, but perhaps more importantly, who will bring about this fundamental transition? For the vast majority of workers there is still a deeply embedded inclination to believe in the 'good and wise leader'; or, of course, the 'good and wise Tsar'. A belief in their own capacity and ability to implement fundamental change is still largely lacking. So, the real problem that we have is that even if we convince a large element of the workers in the correctness and rightness of our cause, they still expect that these changes can only come about through the actions of some kind of small elite group or party.

These, then, in essence, are the basic conditions for agitating amongst the workers in the current conditions. There is undoubtedly a perceptible growth in the support for a basic kind of, what I would call, 'primitive socialist ideals' or the traditional model of 'state socialism'. But we are still a long way from a popular acceptance of, and belief in, the more advanced and mature socialist ideas of self-organisation and self-management etc.

Political party formation

One thing that very much struck me about the election was that it hadn't really contributed, in any fundamental way, to the process of party formation in Russia, which is one of the things it was supposedly designed to do. The electoral 'blocs' that have been created are still very amorphous and there is very little ideological or even policy cohesion about them. And as for establishing a real social base of support for themselves, this is not evident at all.

Yes, this is absolutely correct and the reasons for this are very simple. The real essence of the electoral campaign is the struggle that is taking place for the redistribution of places within the remit of the new political elite that has been established in our country over the past couple of years. This is basically what the whole 'campaign' is about. Following the collapse of the old system, the nature of our political (and, of course, economic) elite slowly but surely changed very significantly, in response to the qualitative changes that were made in the structures of power. The election, then, provides an opportunity for a re-groupment inside that new elite, as well as opening up new avenues for entering that elite. This is why the political leaders of the parties and the blocs have supported the electoral process. They are basically thinking of their own individual opportunities in the post-October situation, rather than thinking in more substantial terms about what the party or bloc as a whole can hope to get out of the election. In other words, then, the parties represent nothing more at the moment than a kind of service for the interests of the political elite. Their function is to help smooth the way for their foremost representatives to play an enhanced role within the elite, and that is all. Now, of course, this may also be the case with your own parties in the West. But this is by no means the sole, exclusive role of parties in the West. They also perform other valuable functions which our parties here in Russia have not even begun to think about, let alone try and put into practice.

The Zhirinovsky phenomenon

What about Zhirinovsky and his Liberal Democratic Party? He has somehow amassed a veritable fortune to fight this election campaign and he has clearly used that money to very great effect on the prime time television slots that he has bought for himself. Is there any information at all at this stage as to who has been providing him with such huge financial handouts?

Yes, this is a very interesting and a very important question. First of all, there can be no doubt that the continued growth in the popularity of Zhirinovsky and his so-called Liberal Democratic Party is a very dangerous phenomenon for our country; and what's more, we must be clear that the neo-fascist orientation has a strong potential and really-existing social base in the current circumstances. Recognition of

this is extremely vital to take on board, and this factor is perhaps ultimately a much more important issue than the question of his party finances. In what ways can we explain the continuing rise of Zhirinovsky and the phenomenon that he represents? Firstly, he is a perfect embodiment of that element in our political culture that has sought to highlight the importance of the strong authoritarian-type leader and the mass apathy and conformism that accompanies this kind of focus on the individual embodiment of power. He is very much attuned, in other words, to our specific political-cultural heritage. Secondly, his rise is largely attributable to the fact that other political and social forces have consciously sought to take advantage of his existence and have sought to make a great deal of political capital out of him. This kind of practice, it has to be said, is a constant feature of a fundamental crisis situation of the kind that we are currently living through (and exactly the same kind of phenomenon was at work in Italy and Germany in the 1920's and 1930's). Some forces try to use him for their own political ends, while others utilise him as some kind of ultimate last refuge. Let me explain here more precisely what I mean. The first political group that sought to deliberately use Zhirinovsky for their own political advantage were the communists. They saw in Zhirinovsky a strong populist opponent of Yeltsin; someone who could mobilise a large element of opposition to the neo-liberal course that Yeltsin and his entourage had embarked upon, and they therefore thought that if they could somehow be tied in with this form and style of opposition, a lot of positive advantages would ultimately come their way. Consequently, they gave him a lot of implicit encouragement and more than a fair share of financial support to keep him going and to help him build up a firmer organisational and institutional basis for the movement which he led. For me, this was not only a serious tactical or strategic error on the part of the communists, it was nothing less than a criminal mistake. Any such tactic like this is always prone to backfire, and this is precisely what has started to happen.

At the same time, the neo-liberal forces have also sought to play a similar kind of strategy for their own particular ends. For the neo-liberals, Zhirinovsky is precisely the kind of 'bogey' figure that they need to portray the opposition in a certain kind of light. They essentially worked on the basis that if Zhirinovsky could be perceived as the only serious opposition to themselves, then the vast majority of rational-thinking individuals would always give them the benefit of the

doubt in any such comparative polarity. In other words, if Zhirinovskiy had not existed they would have had to create him for themselves. The fact that Zhirinovskiy did exist took this task out of their hands and they consciously sought to boost his image and his standing as a direct means of making themselves look far more respectable, and of course far more 'democratic' in the ordinary public's eye. After all, if the basic choice comes down to Gaidar or Zhirinovskiy, they thought, who in their right mind would opt for Zhirinovskiy?! Moreover, the support that Zhirinovskiy gave to the new constitutional project was very important. On the one hand, it supplemented the fear element that the neo-liberals have been trying to use to their own advantage by fostering the image of a 'President Zhirinovskiy' in a couple of years time, in possession of virtual unadulterated power. And on the other hand, it emphasised Zhirinovskiy's own claims that he was by no means a puppet of the communists, since their main aim in the election campaign has always been to secure a 'No' vote in the constitutional referendum.

As for the kind of social or class support behind Zhirinovskiy, once again the analogy with the 1930's in Italy and Germany readily springs to mind. In order, but they nevertheless The new economic elite that has grown up over the past few years - and here I am thinking more of the new corporate elite that has maintained strong links with the state rather than the financial speculators - desperately needs political order and stability. If Yeltsin is unable to provide it (for example, because of the lack of a genuine mass social base of support and because of the contradictions amongst the different elements that have supported him up until now), then people might assume that Zhirinovskiy might well be better placed to deliver it. And even if at the moment he hasn't reached a position of being the main challenger to Yeltsin's throne, he has attained a kind of stature in the political life of our country that makes him a prominent actor on the political stage. For that reason, there are many members of the economic elite that are currently seeking to stay in Zhirinovskiy's good books; i.e. they are 'hedging their bets' and one way of doing that, of course, is by providing him with financial donations to support his election campaign.

Does he also have strong links with the Military Industrial Complex?

This is something that I haven't been able to investigate very closely. The Military Industrial Complex, like other socio-economic groups emerging out of the old Soviet order, is now a very fractured and divided organism. There is very little cohesion at all amongst its members, and this is one reason why it has lost a good deal of its previous influence. Certainly some key elements of this social group have managed to preserve good contacts with political organisations like Civic Union. But to what extent the neo-fascist political tendencies have managed to develop their own influential contacts with them is something I am not in a position to comment on; though, of course, it is something that needs to be looked in to.

You have spoken before of the fundamental lack of cohesion that currently exists in all social elements and strata of society and also of the enormous divide, or even chasm, that separates distinct social groups in society from those parties and organisations trying to carve out a political existence for themselves.

Yes, this is a very important phenomenon. The period between the initial announcement of the elections and the end of the process of gathering sufficient signatures for different parties and blocs to be registered for the campaign proper was an absolutely crazy and totally chaotic time. If you look at the different attempts to forge common blocs, you really do witness the most incredible alliances trying to be established. From a socio-economic perspective these attempts at alliance-building were so contradictory as to be unimaginable. Just look at the Socialist Party of Workers and their prospective allies in the so-called Fatherland bloc! This really does seem to indicate that the political realm is currently very autonomous from the economic realm. There is very little concrete relationship that unites the two realms together in an objective sense.

Is this an image that is being repeated across the country as a whole, or is the regional situation somewhat different from that in Moscow?

I would suggest that what we have is the kind of contradiction that is not unfamiliar in some, or even most other, countries. On the one hand, the real life of the country is that which is observable in the regions and not in Moscow. On the other hand, the real life of the country is

determined by Moscow! It is also the perception of this fundamental contradiction from the perspective of the regions themselves that gives added weight to many of their separatist demands. What makes these demands largely unrealisable, however, is the lack of any regional-based unity vis-a-vis the centre. For as long as the regions do battle with the centre on an individual basis, the centre will always come out on top. This was very apparent, for example, during the September - October crisis.

The left after the elections

Do you see the outcome of these elections as a good strategic opportunity for the democratic left in the coming months?

No, certainly not. This kind of view is based on the old notion "the worse the better", and it is the kind of view that I have never accepted, and nor do I think that the democratic left in Russia should operate according to the logic of this idea. The defeat of the centre ground in these elections, ultimately represents our own defeat as well. The main task in the immediate future, therefore, as far as I see it, is to re-establish the basis of a democratic opposition, not a specifically left opposition. In other words, ideological sectarianism must be put aside for the time being, until such time as basic democratic norms and conditions can be reestablished in our political life. What this means first and foremost is the creation of a very broad anti-Fascist Front and/or bloc of real democratic forces. The necessity for the creation of this type of front or bloc stems from two main factors.

Firstly, it is important to recognise that the policies, the ideology and the recent practical steps initiated by President Yeltsin have ultimately led to a very considerable discrediting of the very idea of democracy, both as a value and as a set of political mechanisms, in our country. His own responsibility for the situation we now have must not be ignored or downplayed in any kind of way. And secondly, the period of shock therapy economic reforms (which in reality has always been a policy of shock without the therapy) has directly engendered the lumpenisation of vast swathes of our society, which has therefore created the main social base for the growth of the Zhirinovskiy-type phenomenon. By "lumpenisation" here, I am not only referring to the depths of poverty that now exist in the country; I am also referring to the tendencies and the behavioural patterns that

pervade many elements of our society, including the behaviour of our intelligentsia. The real, long term danger, therefore, is not so much Zhirinovsky himself, (who has probably reached the zenith of his political career), so much as the social conditions and the social reality that gave rise to this kind of individual and which will continue to give rise to these kinds of primitive and aggressive political patterns.

It is for these reasons, therefore, that I see the real task now as being the creation of a broad-based democratic movement that is able to transcend, for the time being, serious ideological divisions; a movement also that is not tempted to strike bargains with extreme nationalist groups or statist elements. If you like, we have to revert back to an idea that was quite popular a couple of years ago; namely, what is needed now is a large force that can occupy the political ground between the tendency represented by Yeltsin and the extreme nationalists. Both these tendencies represent the foundation stones, upon which someone like Zhirinovsky has been able to construct his popular image.

What do you think will be the post-election position of the Communist Party?

Yes, this is going to be one of the most crucial things in the immediate future. I would like to think, of course, that they will take up a definite position of outright opposition to Zhirinovsky and all that he represents. But I am not at all sure that this is what will happen. Most likely, they will continue their strategy of seeking to utilise someone like Zhirinovsky for their own particular gains, and this, as I have indicated to you before, is an extremely dangerous and foolhardy tactic in the present circumstances...

The real point that I want to emphasise, however, is the need at this moment in time to give priority to the democratic struggle over the left ideological sectarian struggle. There are not sufficient forces on the left (no matter how loosely the notion of a left is interpreted) for them to carry the fight to the neo-fascist, populist, authoritarian forces on their own.

Alexander Buzgalin was interviewed in Moscow on 13 December 1993 by Jeremy Lester.

Jeremy Lester

Zhirinovsky's Liberal Democratic Party: A Profile

Origins

Right from the start the Liberal Democratic Party (LDP) - firstly of the Soviet Union and then later of Russia - has been the centre of intrigue, confusion and a great deal of suspicion. The party first came to light in the summer of 1989. Its original founder was Vladimir Bogachev, who had formerly been a member of the Democratic Party. Zhirinovsky, who had earlier had connections with the Social Democratic Movement, teamed up with Bogachev sometime later.

The founding congress of the new party took place at the end of March 1990, and it was here that suspicions were aroused as to how genuine the organisation was. While all other emerging opposition parties to the ruling Communists were still being publicly denounced and harassed in the media and by the state, the Liberal Democrats were being feted on national television news broadcasts and were being favourably covered in such newspapers as *Pravda*. Representatives of the party were personally received by the then Prime Minister, Nikolai Ryzhkov, and by the Chairman of the Supreme Soviet, Anatolii Lukyanov, and there was even an official invitation to attend the 1990 Revolution Day celebrations and military parade.

At the close of the Constituent Congress, the party's charter and programme were officially approved and it was announced that the Soviet Union, for the first time since the October Revolution, now had

an official "opposition party". Branches of the party were established in more than thirty regions of the USSR and the membership base was said to be three thousand. Of the two leading figures in the party, it was Zhirinovskiy that emerged triumphant as the official chairman; Bogachev was given the innocuous title of Chief Coordinator.

Relations between Zhirinovskiy and Bogachev became increasingly acrimonious at this time. In early October, during a congress of the Liberal International in Helsinki, Bogachev formally expelled Zhirinovskiy from the LDP, accusing him of collaborating with the KGB and promoting Communist activities. These allegations were backed up by the fact that earlier in the summer of that year Zhirinovskiy had committed the party to membership of a political alliance of forces that went by the name of the Centrist Bloc. The bloc was never really important but it received a lot of attention, both in the Soviet and in the Western press at this time, due to its close association with conservative elements inside the ruling CPSU, the KGB and the armed forces. Zhirinovskiy was also accused of long having been a paid informer of the KGB, dating back to his student days.

Bogachev's expulsion of Zhirinovskiy from the Liberal Democrats failed to stick. Towards the end of October Zhirinovskiy and his supporters organised a conference of the party and, with Zhirinovskiy supporters in full control of the proceedings, it was now Bogachev's turn to be expelled. Zhirinovskiy was re-instated as the party's chairman and the conference changed the party's charter and the composition and organisational set-up of the party's decision-making bodies, all to Zhirinovskiy's personal advantage. From now on "Liberal Democratic Party" and "Zhirinovskiy's Party" were synonymous. As for the charges of KGB collaboration, Zhirinovskiy at first turned them to his own advantage by repeatedly asserting that it was only thanks to this organisation that the Soviet Union had any security and stability. In the aftermath of the demise of the USSR, he has tended for the most part simply to deny the allegations.

It is very apparent, however, that charges of this kind are not going to go away and indeed will be used as a weapon by his political opponents to discredit the populist image that he has built up for himself. Speaking in January 1994, for example, the Mayor of St. Petersburg, Anatolii Sobchak, confirmed that the LDP was a creation of the old CPSU and KGB (*Literaturnaya gazeta*, 12 Jan 1994). At a Politburo meeting shortly after the formal abolition of Article 6 of the old Soviet

constitution (leading role of the party), Gorbachev is supposed to have said something along the lines that: "A multi-party system is in the offing, so we must act before the event. We ourselves ought to set up the first alternative party, but one that would be malleable." Sobchak also went on to say that the purpose in creating such a directed form of multi-party system was to compromise any truly democratic or liberal parties that might emerge in the future. This account was denied by Gorbachev himself, although no evidence was offered to refute the claims made. What makes the whole thing even more unfathomable, however, is why someone like Sobchak should only release such information *after* the December 1993 elections. It was clear Zhirinovskiy was doing very well in the campaign and that he did represent a serious threat to the pro-Yeltsin forces. When pressed on this point, however, Sobchak failed to respond.

If the Liberal Democratic Party was only one of approximately forty groups sponsored by the KGB and the conservatives of the CPSU in the Centrist Bloc alliance in the summer of 1990, why did Zhirinovskiy's party emerge from the collapse of this alliance with a significantly enhanced recognition, whereas all the other groups failed? Principally perhaps because of the colourful reputation that Zhirinovskiy was able to carve out for himself. Zhirinovskiy has always consciously sought to portray himself as an arch defender of Russian national interests and even bad publicity has its advantages. He has always been prepared to be deliberately provocative and shocking in order to keep himself in the public eye.

The real turning point in Zhirinovskiy's (and his party's) political fortunes was his candidacy in the June 1991 presidential elections. When he was nominated in April of that year, the party had less than fifty active members in major Russian cities and regions. But he won third place behind Yeltsin and Ryzhkov, with a poll of 7.8 per cent (representing some six million Russian voters). The Russian press increasingly gave a lot of attention to "the Zhirinovskiy phenomenon", and it was from this period that many commentators both in Russia and abroad began to equate his charismatic potential with that of Hitler in the days of the Weimar Republic.

One final thing to note about Zhirinovskiy's leadership of the party in the last months of the Soviet Union is his conviction that the party must preserve a unique identity for itself and not submerge itself in broader alliances and blocs, over which it would have minimal

control; the party would sympathise and tacitly support the efforts of other like-minded groups to coalesce into broader, heterogeneous blocs and alliances (such as the Soyuz group, for example), but they themselves would not be part of the alliance. Throughout the September-October 1993 crisis, when most analysts would have predicted strong support from Zhirinovsky for the deputies fighting it out in the White House, he not only remained publicly neutral but even offered himself as a mediator in the dispute; and for many, it was this perceived neutrality which very much buttressed his appeal to the Russian electorate.

The party programme

According to the first party programme, adopted at the inaugural congress in March 1990, the Liberal Democratic Party saw itself as the logical successor to the liberalism of the Cadets (Constitutional Democrats), the Octobrists and the Trudoviks. The programme emphasised the party's belief in a law-governed state, a multi-party system, a market economy structured around private ownership and free enterprise and regulated through normal taxation measures, and a thorough de-ideologisation of society (*Moscow News*, no 17, 1990).

Only at its second congress in October 1990, when Zhirinovsky took complete control, did the official programme start to reflect some of the more dominant themes that have since become the trademark of Zhirinovsky's speeches and campaign rhetoric. In the political part of the programme, the emphasis was now very firmly placed on the need to preserve the integrity of the USSR, but only in a form which could emphasise Russia's traditional dominance as a natural empire. In conjunction with this, the need for a strong centralised power structure, dominated by an authoritarian executive, was seen as the only viable form of power set-up that could ensure the continuation of the country's great power status.

It was this programme that largely fixed the parameters of Zhirinovsky's presidential campaign in June 1991. Throughout the campaign there was a constant emphasis on the need to re-create the essence of the traditional Russian Empire, which would remove the Soviet-era ethnic and national divisions of the country and replace them with a territorial-based system of provinces, firmly controlled by "governors" personally answerable to the central power structure. A decentralisation of the economy was still favoured but this decentral-

isation would be fostered, he said, not in the hope that the regions would prosper, but in the assured knowledge that they would all "choke on their new-found autonomy and would then come begging to the state to bail them out once again". His campaign also focused on foreign policy issues. The old East-West axis of foreign policy would be replaced by a emphasis on the North-South relationship, the implication being that Russia should ally itself with the prosperous countries in the north (North America, Northern Europe and Japan) in a common effort to keep the poorer south in a condition of subservience. Finally, there was the extra-programmatic dimension to his presidential campaign which focused on his populist appeals to halve the price of vodka, etc.

In the intervening period between the June 1991 presidential and the December 1993 parliamentary elections, the party's programme underwent further considerable changes. In the text that was issued in the run-up to the December ballot, the main policy proposals of the LDP were now divided into six sections covering domestic policy, the economy, social policy, the environment, foreign policy and the armed forces.

In the section on "domestic policy", the main emphasis was on the need for an all-powerful executive (i.e. explicit support for Yeltsin's own constitutional project) and on the eradication of ethnic and national states on the territory of Russia. In terms of social policy, the programme was brief to the point of being meaningless, although the general focus was on the need to preserve the welfare benefits of the former Soviet system. Women, meanwhile, were encouraged to renounce their aspirations for equal opportunities in the employment sector and were encouraged to "return to the family". As regards the armed forces, the party's basic message was summed up by the principle: "He who does not want to feed and house his own army will be feeding and housing a foreign one". Concern was also raised at the "ill-conceived disarmament programme" of recent years. And on the environmental front, there were a number of vague and banal platitudes concerning the state's duty to protect the country from various types of pollution and ecological genocide.

By far the most detailed sections dealt with the party's provisions on foreign and economic affairs. The earlier policy of moving from an East-West to a North-South axis was re-endorsed, with specific "spheres of influence" according to economic interests. The United States, for example, would continue to be granted a special stake in

Latin America and the Caribbean. Europe would be allowed a free role vis-a-vis West Africa; Japan and China would have carte blanche over South Asia and "Oceania". And Russia's exclusive sphere of influence would include the rest of the Commonwealth of Independent States (CIS), as well as Afghanistan, Iran and Turkey. Four countries, meanwhile, - India, China, Iraq and Germany - were singled out as potential special partners for Russia. As for Russia's relations with Europe as a whole, the programme was adamant that she could never be a subordinate part of Europe, but was an independent geo-political unit in her own right.

It was in the domain of economic policy, however, that the party programme had shifted considerably in the intervening two years. An interim economic programme had been drawn up in 1992 by two economists, Atropov and Dergunov, and it was this that formed the basis of the official electoral programme. The programme was far less "liberal" than it had been previously, and now fully encapsulated many of the populist appeals that were standard elements of all Zhirinovskiy's speeches. Firstly, Russia was encouraged to look to her own resources for extricating herself from the economic crisis and should no longer rely on "enslaving credits from outside". Secondly, unemployment was to be prevented at all costs. Thirdly, privatisation should be restricted to small enterprises and the service sector only. Foreign ownership should not be allowed and the enterprise collective as a whole should be the main recipient of any de-nationalisation policy. Fourthly, housing should be distributed freely and there should be no strictly private ownership of land. And fifthly, key economic sectors in industry, agriculture and science should be given special state assistance in the form of subsidies raised through a targeted system of taxation.

In a further list of specific measures, twelve points were cited as representing the core programme of the party's desire to improve the material situation of the Russian population.

1. Aid to other countries should be suspended, which would enable a 30 per cent improvement in people's living standards.
2. Defence industry conversion should be immediately halted and defence industry output on the world market should be maintained; thereby producing another 30 per cent improvement.
3. Yet another 30 per cent improvement would ensue if crime and corruption was effectively tackled and if the top 5,000 mafia-style gangs were eliminated.

4. The influx of refugees from other countries must be immediately stopped and a strong visa-regime introduced.
5. All persons without Russian citizenship should be barred from trading in Russian cities and villages. This would allegedly bring down prices that are being artificially inflated by speculators and "re-sellers".
6. The taxation system should be revamped to favour producers.
7. The old Soviet system of state orders in key sectors of the economy should be restored to overcome the disruption of ties between enterprises.
8. Loans from foreign states should be terminated; old debts should be suspended and the Russian government must make all efforts to recover debts.
9. The export of precious raw materials should be immediately stopped.
10. The education of foreign students must be limited so that Russians have primary access to institutions of higher learning.
11. State preferences for those in acute need (pensioners, invalids etc) should be retained.
12. Military aid should be reduced to the sale of equipment for maximum profits. (Programme details in *Liberal*, nos. 8 and 9, 1992.)

Membership and support base

The first thing to note when discussing the party's membership is that published statistics pertaining to membership figures of all political parties in Russia are often highly inaccurate. It is not so much the actual figures that should concern us here so much as the social orientation of those who have felt committed enough and politicised enough to become formal members of the party. When the party was first founded, the membership base was estimated at between two and three thousand. In an interview with *Moscow News*, Zhirinovskiy himself indicated that it was a party, like all others at this time, primarily composed of intellectuals. He did, however, go on to specify that a good many members were office workers, students and pensioners.

Speaking in the aftermath of his relatively successful presidential campaign in the summer of 1991 and in the aftermath of the failed August coup, Zhirinovskiy now acknowledged a considerable shift of orientation: "From the moment of our formation we relied on the classic liberal democratic formula and gambled on figures in culture, science and the intelligentsia. We have now made adjustments. Now more and more ordinary simple people and working people are joining us. I think

this is because the CPSU is virtually banned and for the past few years it has no longer been representing poor people's interests. A section of the business community also supports us. And young people are also very active. Of the six million people who voted for me as Russian President, sociologists consider that five million were young people." (*Sovetskaya Rossiya*, 2 October 1991)

A study on party social composition by Mikhail Savin and Aleksandr Smagin, published in *Nezavisimaya Gazeta* (18 December 1993), immediately after the December 1993 elections, cites figures that date back to April 1993 and to the LDP's annual congress. Total membership of the party, it was then claimed, had reached approximately 100,000. Of these, the main social base (40 per cent) was made up of professional and skilled technical workers, such as engineers. Other major social groups accounted for a maximum of 20 per cent. More than two-thirds of the membership possess some form of higher education, and there was a 90 per cent male bias in the rank and file. Some 50 per cent of the party members were in the middle-age bracket (i.e. 30-50 years old); 15-20 per cent were over fifty; the rest were under thirty. The authors concluded figures such as these do not represent a socially-marginalised base of support.

These figures also compare quite well with preliminary findings on the composition of the party's electoral base of support at the December elections. In a survey conducted by Yurii Levada of the All-Russian Centre for Public Opinion and Market Research (in *Izvestia*, 30 December 1993), the overwhelming base of support came from two very specific, if different, male-dominated sectors. Firstly, there was a good deal of support from what can be termed the old Soviet working class; that is to say, people who are middle-aged or older, mostly from the cities in the Russian heartland, with average skills and average wages acquired from state-run industries, who are very frightened of their future prospects, and who are also anxious about the growing crime figures, the loss of the country's former great power status and who prefer strong to weak government. These are people who have defected from the Communists, largely because of the populist and nationalist appeal of Zhirinovskiy himself. And secondly, there was also a large degree of support from the young generation, who have been drawn to the novelty-effect of the party's and the leader's appeal, and the sense in which it represented the most explicit kind of protest vote. According to Levada's own analysis, the survey suggests that there are

very large doubts concerning the long-term stability and allegiance of many sectors of the electorate that ultimately voted for the LDP and for Zhirinovskiy. Indeed, he has suggested that up to one-third of those who voted for the party indicated that they had only made up their minds on election day itself and that they were already having some regrets. However, given the correlation between the actual social composition of the party membership and its wider electorate, this assumption about the volatility of the party's support base might be a little over-optimistic or a case of wishful-thinking on Levada's part. It should also be noted that the one thing that Levada's study failed to report was the very high levels of military support for the Liberal Democrats. Russian troops serving on the Tajik-Afghan border, for example, gave the party a remarkable 43 per cent of the vote; while servicemen of the Black Sea Fleet also put the party first with 19 per cent of the vote. (*The Guardian*, 14 December 1993)

Returning to the study by Savin and Smagin in *Nezavisimaya gazeta*, it is also interesting to cite their findings as to the reasons why people actually joined the party. 60 per cent of one sample they polled said they joined because they felt close to the party's programme. A similar number also joined because of Zhirinovskiy's personal standing. 50 per cent were of the opinion that only the Liberal Democrats could get the country out of its current crisis. And one-in-ten were motivated to join the party for the purpose of directly engaging in political activities. In the final part of their analysis, the two authors, drawing on their experience of their earlier studies of the party, suggest their own reasons for the LDP's success in the December elections. Unlike Aleksandr Yakovlev, who put Zhirinovskiy's success down to his effective negative criticism of the Government during the election campaign itself, and unlike Yegor Gaidar, who explained his victory as a result of the divisions in the pro-Western "democratic" camp, Savin and Smagin were adamant that the most important reason was the way in which Zhirinovskiy was able to portray himself and his party as the true bearer of Russian national interests. His drawing attention to the national degradation of Russia since the demise of the USSR, the loss of status for the country, and the way in which its citizens were treated as second class subjects in other areas of the CIS, all carried a heavy resonance with the Russian voters.

On top of this, the Liberal Democrats were the only party which focused very concretely on Russia's geo-political interests. The party

effectively and successfully highlighted the way in which the basic social rights of ordinary people had been undermined as a consequence of the shock therapy reforms. The party's support for Yeltsin's new constitution appeared to give it a positive image in favour of order and stability and wanting a firm basis for constitutional rights (which in turn helped to deflect much of the potential criticism from his "democratic" opponents). The LDP also benefited from their perceived neutrality in the October 1993 uprising and the military-backed destruction of the old parliament.

Party structure and finances

One factor that is regularly cited by commentators who have experienced LDP meetings at first hand is the highly disciplined nature and structure of the party organisation and the enormous authority that is reserved for Zhirinovskiy himself. This also comes across very strongly when one reads the party's charter. Although there are no explicit references to Communist-style democratic centralism, the Liberal Democrats have clearly modelled their internal operations on the former CPSU. The activities of the different sectors of the party at different levels of the organisational hierarchy is highly reminiscent of the CPSU, and it is surely no accident that the top decision-making bodies of the party carry such names as Central Committee and Secretariat etc.

When it comes to the very important question of party finances, one enters once again a very murky world of intrigue, secrecy and suspicion. According to the party's charter, the primary source of finance is the one per cent membership levy on members' monthly income. The party also earns income from the sales of printed material (most notably from its own newspaper *Liberal*), from cultural events and from contributions from lower-level organisations (which is meant to account for 30 per cent of the party's overall finances). Finally, the charter also mentions that the party engages in a variety of economic activities and also relies on "voluntary contributions". This latter aspect that has been the subject of much discussion and innuendo, especially following the publication of its electoral expenditures which showed it to have been one of the richest parties in the December campaign. On television broadcasts and advertising alone, for example, it spent something approaching one billion roubles for additional air-time, above and beyond the statutory one hour of free air-time paid for by

the state. This amounted to nearly three hours of peak broadcasting time on television; a figure second only to the pro-Yeltsin bloc Russia's Choice. (*Izvestia*, 10 Dec 1993) As the necessary laws governing the electoral campaign did not make any provision for party financial glasnost, one can only speculate about where such phenomenal sums of money might have come from.

According to most informed opinion, the LDP relied on four main sources of "voluntary contributions". Firstly, they have continued access to laundered funds from the former CPSU and the KGB. Secondly, they have connections with a number of prominent mafia organisations. Thirdly, Zhirinovsky himself has amassed a veritable fortune in libel suit victories against journals and periodicals who have publicly labelled him a Nazi and a Fascist. (The *Moscow Guardian* was forced to close after such a legal suit.) And fourthly, the party has considerable access to large-scale foreign donations. This can either stem from sympathetic business contacts that Zhirinovsky himself has astutely fostered over the past couple of years in those countries with a comparably strong nationalist opposition force. Or it stems directly from governments who would be keen to see Zhirinovsky capture the reins of power in Russia, and the two countries most often cited here are Libya and Iraq.

On this last point, however, it should be stressed that many of the pro-Yeltsin contenders in the December election forfeited the opportunity of embarrassing the Liberal Democrats on this issue of

Distribution of Seats in the State Duma

Parliamentary Faction	Total Seats	From Party List	% of Party List Vote	Single Member Constituencies
Russia's Choice	76	40	15.4	36
LDP	63	59	22.8	4
Agrarian Party	55	21	7.9	34
Communist Party	45	32	12.4	13
Shakrai's Party	30	18	6.8	12
Yavlinsky Bloc	25	20	7.8	5
Women of Russia	23	21	8.1	2
Democratic Party	15	14	5.5	1

foreign financing. This was largely because they themselves were embroiled in a financial scandal of their own, which was linked to the oft-repeated allegation that groups such as Russia's Choice were using American taxpayers money for much of their advertising campaign; an allegation largely substantiated by America's own Agency for International Development (*Izvestia*, 30 Nov 1993).

The party in parliament

If one analyses the territorial base of support for the parliamentary caucus of the LDP, a number of factors become immediately apparent. The party did extremely well in three areas of the Russian Federation: (a) in the Far East, in areas such as Petropavlovsk, Kamchatka, and the district of Primorsky, all of which responded to the party's well targeted promise to exclude foreign access to fishing and other trading rights; (b) in those regions dominated by the old military industrial complex, specifically Ulyanovsk, Rostov-on-Don, Omsk, and the Urals region; and (c) in those areas of the CIS where there are large Russian minorities, such as Narva in Estonia.

Many of these areas have traditionally been opposed to the neo-liberal, pro-Western policies of the Yeltsin regime since the end of 1991. The party also gained a majority in more traditionally "neutral" areas in central Russia. In the Volga city of Saratov, for example, the party achieved a staggering 57 per cent of the vote; in the north-western city of Pskov it gained 40 per cent; and in Belgorod it won 36 per cent. Another significant feature of the party's showing, especially bearing in mind its long-stated ambition to do away with the ethnic-based divisions of the Federation, was the relatively high level of support it achieved in such republics as Bashkortostan and Chuvashia. In both these republics the titular nationality constitutes a minority of the population, but it had been previously assumed that the republican, non-Russian elites, had acquired a very secure domination over the territory under their control and had achieved widespread support for their campaigns to acquire more autonomy from the central authorities. Finally, one should also note that the LDP (along with the Communists and the Agrarians) performed especially well in those constituencies dominated by villages and small towns.

The overwhelming majority of the LDP fraction in the state Duma are ethnic Russians, with the remainder classifying themselves as Ukrainian (4 deputies), Georgian (1), Greek (1) and Belarussian (2).

All but seven deputies have higher education and the occupational profiles range from academics and entrepreneurs to military employees and a couple of workers. The parliamentary fraction, like the party as a whole, is male dominated, with women accounting for only five deputies. (Figures from *Rossiiskaya Gazeta*, 28 December 1993) Apart from Zhirinovskiy himself, the only other previously nationally known deputy associated with the party is Anatolii Kashpirovskiy, who likes to call himself a "doctor-psychologist", but is more commonly known for his role as a television hypnotist, who claims he can cure all types of illnesses. Other luminaries include Aleksandr Vengerovskiy, a former member of the CPSU, who is the self-styled "prime minister" in the party's "shadow cabinet", and who was also elected one of the three deputy speakers in the Duma at its first session in January 1994. In addition, five members of the fraction were elected to chair committees of the Duma. Mikhail Lemeshev, for example, is the chairman of the Ecology committee; Vladimir Gusev oversees the committee on Industry, Construction, Transportation and Energy; Sergei Kalashnikov heads the Labour and Social Support committee; Nikolai Astafev is chairman of the Natural Resources and Exploitation of Nature committee; and Viktor Ustinov is chairman of the Geopolitics committee - the latter being a special creation of the Duma, designed to appease the parliament's refusal to allow Zhirinovskiy chair one of the far more influential foreign policy-oriented committees dealing with defence, security or international affairs.

The two most prominent economic experts in the parliamentary fraction are the aforementioned Mikhail Lemeshev, who is a consultant to the Russian Academy of Sciences, and Aleksandr Kozyrev, a Vice-President of the International Association of Economic Historians. Lemeshev and Kozyrev are described as having no formal membership of the LDP outside parliament; something also true of Kashpirovskiy and no less than twenty-one of the other deputies elected on the party list. Moreover, two deputies elected on the party list continue to hold sole membership in other parties (Viktor Vishnyakov, for example, is a member of the Communist Party of the Russian Federation and Vitalii Zhuravlev is a member of the Social Justice Party).

This issue of the formal non-affiliation of so many members of the parliamentary fraction to the wider party organisation clearly raises a very important question as regards the future potential of the party and its overall effectiveness in the parliamentary domain; that is to say,

how much cohesion and discipline will Zhirinovsky be able to maintain over his members? According to Andrei Zavidiv, Zhirinovsky's former running-mate in the June 1991 presidential elections, the answer is "very little". Possibly up to half of the fraction, he has insisted, will have equally strong affinities with the Communist Party; up to a quarter will be more inclined to support the neo-liberal reformers of Russia's Choice; and the rest will remain independent of any direction given from above, be it from Zhirinovsky or anybody else in the party hierarchy. Clearly, then, one must wait and see whether the "debt of gratitude" to Zhirinovsky for being elected on the LDP list will ultimately outweigh other interests and allegiances individual deputies might have.

We will also have to wait and see if the fraction as a whole can develop any permanent or long-lasting allies in the parliamentary arena. As stressed earlier, Zhirinovsky has always believed (and with even more conviction after last December) that he and his party should be considered the number one contender in the struggle to personify the cause of Russophilism and Nationalism; a cause he believes has sufficient popularity and strength to jettison him to the presidency. It is a mantle, however, that many others (and not least Yeltsin himself these days) have not forfeited an equal claim to. It is small wonder, then, that Zhirinovsky is reportedly not too happy at the prospect of former Vice President Rutskoi re-entering the political scene. Taking the credit for getting him out of prison was one thing; listening to pundits describing Rutskoi as still the best possible leader of the nationalist cause is another thing entirely.

Petr Biziukov

The Social-Political Situation in the Kuzbass.

Introduced and translated by Simon Clarke

Most of the little information that reaches the West about the political developments and the workers' movement in Russia concerns the political activity of the various self-proclaimed leaders of the working class in Moscow. However, despite their rhetorical differences, these various leaders share a common feature, the lack of any organised working class base to substantiate their leadership claims. However, the strong electoral performance of the Communist Party and its allies in the December election, the continuing deterioration in the economic position throughout the country, and the collapse of the liberal reform programme raises the question of whether Russia will see the birth (or re-birth) of a mass workers' movement. The article which follows is an appraisal of the political situation in Kuzbass on the eve of the local elections.

The Kuzbass is the coal-mining and heavy industrial region in Western Siberia in which the 1989 miners' strike began. The 1989 strike, followed by a similar strike two years later, was the single most significant event in precipitating the collapse of the Soviet system. In the wake of the strike a network of Workers' Committees was established, at the head of which stood the Kuzbass Regional Union of Workers' Committees. In parallel with the Workers' Committees, which became the political arm of the independent workers' movement in Kuzbass, an Independent Miners' Union (NPG) was established at the end of 1990, although it was not until 1992 that the NPG established any effective presence on the ground. In the meantime the leadership

of the Kuzbass Workers' Committee had fallen into "liberal" hands, strongly supporting Yeltsin in his struggle with Gorbachev, and subsequently supporting Yeltsin's reform programme. Alongside the new workers' movement, the official miners' union also saw a substantial renewal of its leadership at all levels, and retained the vast majority of its membership, which includes all categories of employees, against the competition from NPG, which only organises underground workers.

The alliance between the NPG and Yeltsin has gradually weakened as the NPG leadership has been progressively squeezed out of the corridors of power, and the government has failed to deliver on its many promises. At the base the NPG works increasingly closely with the official union, and with the management of the coal industry and the regional political authorities, pressing the interests of the miners by pressing the interests of the industry and the region as a whole in Moscow. However at regional level the NPG and Workers' Committee retain their predominantly political activity and their "democratic" orientation, which has led to their marginalisation.

The mining industry has been hit as hard as any branch of production by the crisis of non-payment, and many miners have not been paid for months. A wave of strikes just before the December elections persuaded Gaidar to tour the mining regions, and to sign a commitment to meet the backlog of payments to the mines. The result of the elections and the subsequent resignation of Gaidar meant that the agreements appeared not to be worth the paper they were written on. Amid strike threats and spontaneous walkouts, a general one day miners' strike was called for 1 March 1994, but in Kuzbass the strike was a flop.

Although Kuzbass has become notorious as a coal-mining region, and as the base of the new workers' movement, miners are only a small minority of the Kuzbass working class, and the national and regional government since 1989 has assiduously sought to reinforce divisions between the miners and other workers. Thus the regional government has always been in the hands of "reformed" former Communists, led by Aman Tuleev, who stood against Yeltsin in the 1991 election to the Presidency of Russia, getting more votes than Yeltsin in Kuzbass. Despite compromising himself by visiting the putchists immediately after the 1991 coup, Tuleev remained the dominant political personality in Kuzbass, opposed initially by Mikhail Kislyuk, a

former member of the Regional Workers' Committee, who then became one of Tuleev's deputies after the 1990 local elections, and after the August 1991 coup became Yeltsin's Chief of Administration in Kuzbass. However, in a characteristic about turn, Kislyuk and Tuleev settled their differences in the autumn of 1992.

The general situation in Kuzbass can be characterised as "expectant". Practically all the subjects of political life are expecting something: some - the most advantageous moment; others - the first steps of their opponents; a third group - they themselves don't know what they are waiting for. There are two reasons for this expectancy. The first is the lack of clarity in the position of Moscow. Up to now nobody has been able to understand in what direction the central government in Moscow will act. The second is that nobody knows how the situation in Kuzbass will develop after the elections to the local councils. These elections will take place at the end of March. Moreover it is not only the local bureaucrats, but also those in Moscow, who are holding fire until the results because "nobody wants to take the first step".

This prudence is to be explained above all by the results of the Russian elections, in which power was not at all passed to those into whose laps it was planned that it would fall. Neither central nor local bureaucrats want to enter into a confrontation with the future organs of local representative power. Judging by the results of the December elections in Kuzbass the best chances are those of deputies of a pro-Communist orientation. Women of Russia took 9.2 per cent of the votes in Kuzbass, the Communist Party 8.3 per cent, and the Agrarian Party took 4.9 per cent. Altogether their share of the vote in Kuzbass amounted to 22.4 per cent. Zhirinovskiy's LDP took 25.6 per cent, while Gaidar's Russia's Choice took only 11.9 per cent of the votes.

Of course the results of the election to the regional Duma will not strictly reproduce those of the Russian election. In the first place the question arises at the oblast level of who will manage to get the votes of the Liberal Democratic Party, which has neither leaders nor ideas (not even the most fantastic in relation to Kuzbass). Moreover there is the figure of Aman Tuleev, who managed to amass 75.7 per cent of the votes in his own region in the election for the Federal assembly, outstripping by 55 per cent his rival Alexander Aslanidi, representative

of the Kuzbass Workers' Committee, who got only 19.5 per cent of the votes. Finally, Tuleev's allies, whom he backed in the election, were extremely successful. There is therefore good reason to expect that Tuleev and his associates will be very active in the local elections and have every chance of success. Representatives of the enterprise directorate also have a good chance of success, despite the collapse of Civic Union in the Russian elections, primarily because of their paternalistic programmes and promises, which are very well-received by the electorate. Above all they will pick up many of the votes which in the Russian election went to Zhirinovskiy and his party. The candidates of a "democratic" and pro-market orientation have little chance. Apart from their failure in the December elections, their situation is even worse because at the regional level they have practically no candidates who could put up even weak competition against Tuleev and the directorate.

The regional administration has been very active in creating regional structures which can take the place of central structures in particular circumstances. A Siberian Agreement was signed two years ago by representatives of all the local authorities in Western Siberia. The significance of this Agreement was demonstrated during the events of October last year in Moscow, when the participants in the Agreement considered the possibility of creating a consolidated budget for Western Siberia with a single decision-making centre. Apart from this, regional tendencies appear in the continual attempts to create local management structures for enterprises in the region. Two years ago there were attempts to create territorial-administrative organs of enterprise management, which now take the form of the creation of financial-industrial groups. Such groups have already been created for the chemical and metallurgical industries of Kuzbass. But the administration has had the greatest difficulty in creating a regional structure of management for the coal industry.

The directors of coal enterprises have been the most active opponents of this, preferring to exploit their contacts with the far-away Moscow bureaucrats of Russia Coal, extracting grants and subsidies from them, while escaping any effective control over the expenditure of this money. The alliance between enterprise directors and Moscow bureaucrats has existed for a long time, but now it has weakened because of the attempts of the directorate to transfer all their difficulties to the responsibility of the centre. Evading responsibility,

they forced their Moscow patrons into a corner. During the January strikes in the mines of Russia Coal the following figures were published: the government debt to the industry of 590 billion rubles under the tariff agreement of 1993 was completely covered on 1 February 1994. However in addition to this the Kuzbass mines had not received a total of more than 450 billion rubles, which was owed to them under contracts concluded by the leaders of coal-extracting enterprises without any reference to Russia Coal. However, in the majority of cases in the course of the strike the demands for payment of this money were addressed to the government and to Russia Coal. Not wanting to bear responsibility for the directors' failings Russia Coal began a campaign to put pressure on the directors, which was supported by the local administration, primarily in the form of financial controls imposed on a number of mines. One cannot say that the series of controls inflicted any perceptible damage on the directorate. Only in one case, that of the mine Polyisaevskaya in Leninsk-Kuznetsk, did the matter go as far as the removal of the director. However the attitude of the directors to the Moscow bureaucrats became strained and it was really this that led to the creation of a financial-industrial group among coal-mining enterprises at the beginning of 1994. So far its activities have not been very significant, but in any case the directors have created a basis for the consolidation of their relationships with the regional bureaucrats. They can obviously make their final choice of variant - Moscow or Kuzbass, later.

When we turn to the workers' organisations the most significant feature is a sharp decline in the level of their activity. The Workers' Committees have in practice gone off into the political arena and are unable to play a serious role. The Independent Miners' Union is going through a severe internal crisis connected with disagreements between its primary organisations and the governing bodies at city and regional levels. The clearest such crisis has arisen in the Kemerovo city organisation, in which a number of primary organisations of the union are trying to create an alternative regional organisation which would not be a part of the NPG Kuzbass, but would affiliate directly to NPG Russia. The trade unions which form part of the "official" system of the FNPR have taken up a position close to the pro-Communist organisations, without forgetting to maintain their support for the enterprise directorate with which they retain close links. Beginning in the autumn of 1993 the FNPR trade unions repeatedly organised short

strikes in enterprises of various branches of production, including coal mining, with political demands. Three times, beginning in November 1993, conferences of representatives of labour collectives were called within the framework of the regional committee of the FNPR. In fact these turned into a forum for anti-Presidential and anti-government forces, now and then taking up communo-patriotic positions.

The majority of labour collectives find themselves in a state of helpless expectation. They respond to strike calls with a uniformly low level of activity, connecting with them either purely formally or as a consequence of intolerable circumstances. Hunger-strikes have become a new weapon in the workers' struggle, to which the miners' leaders have begun to have recourse. The main reason for choosing this step was the fact that it is impossible to count on the organisation of a mass strike today. The main reason for strikes and protests is the non-payment of wages. However, even paying out a part of the back-pay extinguishes the strongest of protests. This happened in February when, after the leaders of the NPG in Mezhdurechensk and Prokop'evsk had begun a hunger-strike, a government representative arrived with money for the mines of South Kuzbass and both the hunger strike and the pre-strike situation were cancelled. Despite this the mines of North Kuzbass did not receive any money, and so they turned to the same measures in March.

On the whole the level of dissatisfaction among the workers and population of Kuzbass is very high. The higher than average prices, pay which is wiped out by inflation as a result of the regular and long-drawn out delays in its payment, the absence of any prospect of the stabilisation of economic and political life constantly increases the potential for dissatisfaction. It is important to note that although workers' organisation and activity is at a low ebb, the workers in most enterprises in Kuzbass already have the experience of conducting strikes. True, at the moment strikes do not extend beyond one branch of production. But the logic of events shows that in the nearest future a wider strike will become realistic. Moreover, an inter-branch or general strike will very rapidly assume an anti-government character. In this context the leaders of the FNPR and Communist political activists have the greatest chance of finding themselves at the head of this strike. However, one cannot exclude attempts to re-create or re-build the system of workers committees, but this time without the dominant role of the miners. Kuzbass looks set for another hot summer!

Vadim Borisov

A Very Soviet Privatisation

The Chelyabinsk metallurgical complex is one of the largest enterprises in the Urals, employing 40,000 workers. It was privatised at the end of 1992 according to the second variant allowed by the Privatisation Law. According to this variant 51 per cent of the shares are distributed amongst the employees of the company, and the remaining 49 per cent remain in the hands of the Regional Property Fund to be sold at auction. The Chelyabinsk Metallurgical Kombinat became the joint-stock company Mechel. At the same time 86 senior and middle managers, including the General Director, formed their own company, Tomyet. The avowed aim of Tomyet was to accumulate shares in Mechel, supposedly to retain control of the company in the hands of the labour collective. However, they forget to tell the labour collective anything about their noble aims.

Information about the activity of Tomyet only began to emerge when the City Prosecutor's Office launched an investigation into the privatisation of Mechel, following a leak from a worker activist, A. Dyskin, who had previously worked as an assistant to the General Director of the Kombinat. It emerged that Tomyet had a wide network of connections. Several Moscow-based commercial firms, including the Lefortovskii Bank, had transferred 1.837 billion rubles (more than 3.5 million dollars) to Tomyet for the purchase of shares in Mechel. The Director of Tomyet, Boris Vanshtein, also had an agreement with the Moscow firm Start, which provided a further two billion rubles, nominally for the development of the production of consumption goods, but which according to the contract could be used for other purposes.

Tomyet also had close commercial relations with Mechel. The City Prosecutor, Anatoli Bragin, announced that he had traced a payment order from Tomyet of almost 300 million rubles for over 150,000 tons of steel, whose market price would be almost 2 billion rubles. It was not difficult to put two and two together. Nor is this kind of commercial intermediation unusual, encouraged by the anti-monopoly legislation which prohibits monopolies from selling above the price indicated in special price tables.

Tomyet bid for 19 per cent of the shares in Mechel. In addition it signed a trust agreement with the Regional Property Fund, supported by the head of the district administration, according to which a further 20 per cent of the shares were vested in Tomyet until December 1994.

When information about the activity of Tomyet emerged the newly founded independent trade union "Labour Solidarity" set up a workers' initiative group which called a conference of the labour collective against the opposition of management. The conference, on 24 February 1993, voted its lack of confidence in the official trade union and decided to prepare for a conference to re-elect the trade union committee, whose President, Sergei Komyakov, was a member of the enterprise's Privatisation Commission. However this initiative petered out, primarily because it proved impossible for the initiators to organise meetings in the shops against fierce management opposition. Rumours have circulated that the leaders of the workers organisation will be executed. This is not an idle threat, since execution has become a standard penalty for those who interfere in mafia business. Some of the activists said that they have come to fear a knock on the door. Meanwhile several activists were transferred to low paid menial work, such as washing dishes in the canteen, and one of them started a hunger strike in protest at the activity of the management. At the same time management tried to defuse opposition with a general pay increase. As a result Komyakov and his colleagues eventually secured re-election.

Despite this lack of success, the workers' activity was well-publicised, and they were visited by Tom Bradley, the Moscow representative of the AFL-CIO. He suggested that the workers form their own independent trade union, and invited the leaders to an AFL-CIO seminar. More tangibly he arranged for a lawyer specialising in privatisation to come from Moscow to advise the workers of their rights.

The publicity generated by the prosecutor's investigation and the activity of the workers' group forced the resignation of the General Director of the Metallurgical Kombinat, R. Maksutov, who had worked there for thirty two years, and who resigned most reluctantly, saying that he could not imagine life without it. He was replaced by Prokudin, who was also one of the co-founders of Tomyet, but left it at the end of July 1993 explaining that in April he had signed a contract with the regional Property Fund, on the instructions of the Property Committee, according to which he would take control of the Kombinat at the first shareholders' meeting. Until then he would be a state employee, and so was not permitted to participate in any commercial structures. Nevertheless he insisted that Tomyet was not a criminal organisation. "In my opinion", he said, "the ideas of the founders of this company were saintly, to keep the shares in the hands of the labour collective, of those who have worked in the Kombinat for many years and who have the right to a closed subscription. We could not allow a packet of 20-30 per cent of the shares to fall into the hands of people far from the Kombinat, so that they can impose their will. We did not want to and could not put the collective at risk." However, despite such paternal concern, and the best efforts of the City Prosecution Service, nobody seems to know what has happened to all the metal which at one time filled all the spare space in the Kombinat from floor to ceiling. Nor can anyone explain why the highest grades of metal, suitable for export, were sent out to commercial organisations incorrectly labelled.

The struggle for the workers' rights appeared to enter a new phase with the formation of the "Association for the Defence of the Interests of the Worker" (OZIT), formed by a new alliance of the STK, the official trade union and the workers' committee. The main aims of OZIT were to protect workers' interests in the process of privatisation and to ensure their maximal control over profits and the distribution of dividends. However, although some people saw OZIT as a "direct attack on the handful of conspirators", its leaders insisted that they wanted to work closely with the administration.

The President of OZIT is hardly a worker activist. Vladimir Oleychik was General Director of the Kombinat for two years, before moving to become Deputy Director of the Metallurgy Scientific Research Institute. He is also a People's Deputy in the Oblast Soviet and, by chance, the Chairperson of the partnership "Klyuch", which is involved in many fields of metallurgy. In reality Klyuch is a commercial

organisation which can profit from work carried out by the Institute. Oleychik explained his commitment to repay his debt to the Kombinat by protecting the labour collective to the last. To this end he believes that it is necessary to restructure the Kombinat. "The model is very simple," he said, "The monster should be divided into twenty separate small plants. All of them will be independent and they will pay between 30 per cent and 50 per cent of their profit to a common fund every year", although he did not explain why independent organisations could make such payments. Whether or not his model would protect the workers, it would obviously create twenty times as many opportunities for commercial intermediaries.

The engineer of one of the shops criticised Oleychik's plan: "Somebody wants to divide our elephant into a lot of rabbits. Probably it will be easier for some python to eat them one after another." This seems an increasingly likely outcome as the growing crisis makes it more probable that the enterprise will be sold off at auction. Nevertheless Oleychik proposes that every worker in the Kombinat should delegate his voting rights to Oleychik, as President of OZIT. "In practice this means", he said "that the shareholders should entrust the president to represent and defend their interests in Mechel. Who cannot guarantee that some kind of new but much more sophisticated Tomyet will not appear tomorrow in the Kombinat, to uncover which will not be so easy. A system like that of OZIT can to some degree neutralise dangerous games." Oleychik not only had the full confidence of the workers, but also of the factory administration, who were so concerned about his health that they sent him for treatment in Oklahoma at a cost of \$35,650, despite the fact that he had left the enterprise two years before. If he can secure such health care for all the many workers who suffer injury at work he will no doubt have earned their confidence.

OZIT is not the only organisation vying for the confidence of the workers. The labour collective conference established a joint-stock company, along the lines of Tomyet, which was originally named Doveriye (Trust), but was renamed Soglasiye (Agreement) to conceal its commercial character. Tomyet itself held a conference and offered to establish its own Partnership of shareholders working in the Kombinat, although the conference collapsed in disarray when workers began to ask what is the purpose of such an organisation. Instead the conference approved a proposal from the workers' committee that it

should set up its own Partnership, and also organised working groups to prepare for the first shareholders' conference.

The workers' committee is now planning to elect one of its own members to the Board of Directors, to carry out the policy of its Partnership, and it is very likely that A. Dyskin, whose leak to the City Prosecutor brought everything into the open, will become the "People's President" of the Workers' Partnership, although for now he is keeping in the background. The City Prosecutor has now sent his papers to the Court, recommending that criminal proceedings be instituted against Tomyet. The case will be in good hands. The Deputy Chairman of the Oblast Arbitration Court is the father of Tomyet's lawyer.

Meanwhile, what of the official trade union, which is well known as one of the few unions to have left the old official structures. A comment of V. Karasev, a leading worker activist, should suffice: "Our official trade union of workers of the mining-metallurgical industry left the FNPR and on this basis declared itself independent. But our trade union leaders forgot one simple fact: if one cuts up a piece of shit, it is still shit".

Economy and Democracy

Economy and Democracy is a new international English-language publication from Moscow, edited by the Russian socialist, Alexander Buzgalin. It is part of a scientific socio-political series under the title *Third Course*. The goal of this theoretical and analytical series is to investigate a "third way" between neo-liberalism and neo-Stalinism. The issue contains articles on economic theory, self-management, role of planning and market, and problems of transition by Alexander Buzgalin, Bertell Ollman, J. Vanek, Robin Blackburn, Vadim Belotserkovsky, Andrei Kolganov, Tamas Krausz, Paul Larsen, and others.

The 200-page publication costs £10 and can be ordered from:

Alexander Buzgalin
Economic Department
Moscow State University
119899 Moscow, Russia

Jane Hardy and Al Rainnie

Transforming Poland?

**The role of foreign direct investment and small firms
in Poland's economic transformation.**

Introduction

In 1990, under the influence of institutions such as the International Monetary Fund, and advisors such as Jeffrey Sachs, Poland attempted to "jump" to a market economy. Privatisation was to be the centrepiece of the strategy, with the emphasis on the speed and immediacy of the reforms. Two related phenomena were seen to be crucial to this process, firstly the engine of growth in the form of foreign direct investment from Europe would upgrade outdated and obsolete capital. Secondly an entrepreneurial spirit would spontaneously be engendered, leading to the growth of small firms, which would be in the vanguard of the march towards marketisation.

We suggest that not only has the contribution of foreign direct investment (FDI) and small firms (SME) been overstated to date, but also argue that there is unjustifiable optimism about the role they can play in the transformation process, particularly in the case of small firms. Furthermore, the vast majority of jobs that small firms will create will be low paid, low skilled and highly marginal. The majority of the literature on transformation suffers from an implicit division of labour which juxtaposes privatisation, small firms and foreign direct investment, and this tendency to concentrate on one or other of these issues can provide only a partial and misleading analysis. We suggest that far from being separate elements of the transformation process, they are inextricably linked in a complex set of relationships.

Our analysis is based on the assumption that current initiatives represent no more than a rapid acceleration of moves towards a more market based and outwardly orientated economy, the seeds of which were sown in the failed reforms of the two decades prior to 1989. The attempts to attract Western capital and technology in the 1970s failed to revive a stagnating economy, and resulted in mounting debt. In the wake of the economic crisis of the late 1970s and early 1980s, an attempt was made to introduce what was known as "market socialism", the most significant aspect of which, as far as this article is concerned, was the attempt to devolve more power to firms, granting greater autonomy to management, as well as encouraging the faster growth of SMEs. Moreover, the legacy of those reforms crucially affected the current trajectory and velocity of transformation.

Transformation : The Reality

Privatisation, foreign direct investment and small firms lie at the centre of the strategy for transformation. It is widely held that not only will these facilitate the transfer of ownership from public to private sector, but that they will also inject a new dynamism into the economy. We assess the current progress and potential of all three phenomena and the links between them.

Privatisation

After a painfully slow start to privatisation using the British case by case approach, the government adopted a more rapid method which took two basic forms. Firstly commercialisation when a state owned company is transformed into a corporation solely owned by the Treasury, and the shares then sold to private investors. Secondly the more widely used methods of liquidation, when the state owned enterprise as a legal entity disappears, either because the business is merged or sold to another company.

Two further aspects of the programme need some discussion. Sectoral privatisation is a good example of the way in which a generally pragmatic view has been taken. This approach is unique to Poland and has been described as an instrument of soft but applied industrial policy. Whilst it is not a privatisation path in itself, like public offerings, leveraged buy-outs or the transfer of funds, it can lead to any of these paths and is intended to coordinate action in a sector as a whole. The

programme was driven at least in part, by a desire to stop the process of cherry picking, with Western firms buying up the most advanced units in each sector. This strategy far from being hostile to foreign direct investment, was an attempt to focus and channel activities after the chaos of the period immediately after 1989, when spontaneous privatisation involved existing managers, often in conjunction with foreign partners, taking over existing productive capacity for a nominal sum. It should be noted that this strategy covered only twenty sectors of the economy, leaving the remaining eighty excluded from this particular approach.

Mass privatisation is the most recent initiative aimed at restructuring the better run and more profitable state owned companies (defined as those servicing their debts on schedule), and a bill to this effect was passed by the Sejm (parliament) in April 1993. Ten to twelve National Investment Funds comprising both Polish managers and foreign consultants, will initially own 300 companies. The mass element, it should be stressed, does not refer to the number of companies involved but to the distributional element. In the first instance vouchers will be given to pensioners and state employees (those employed directly by the Treasury) as compensation for wages having been seriously eroded by inflation.

Despite a flexible and imaginative array of methods available for privatisation, there is little disagreement with conventional sources that to date the progress of the programme has been anything but disappointing. Firstly the number of state owned enterprises included in the privatisation progress is 2,135, out of approximately a possible 8,500 state enterprises, as of March 1993, constituting approximately 25 per cent of the total number of enterprises. However, this does not mean that these firms are actually privatised, merely that they have been designated for privatisation by one or other of the methods.

The other important development to note is that the relationship between the state, foreign direct investors and domestic private ownership, suggests a much more complex picture than the state/market dichotomy assumed in most accounts of transformation. Foreign direct investors, for example, participated in 30 out of 63 of these privatisations. Further, the State Treasury has retained a direct holding in 19 out of 63 capital privatisations, in the majority of cases with state holdings retaining between 20 per cent and 30 per cent. Thus, not only does the state continue to play, by default, a role in those sectors

where buyers have not been found, but it also continues to retain a significant degree of ownership in one third of what are cited as successful privatisations. Privatisation is therefore, far from being market driven, in that to date and in the foreseeable future, the state will be left not only as a major owner of assets, but also a key player in transforming the structure of organisations.

Foreign direct investment

It is widely accepted that foreign direct investment (FDI) is a key factor in the transformation process for two reasons; firstly, because it provides capital that cannot be generated by the domestic economy; and secondly because it enables the transfer of skills and technology in an economy in which the productive processes and capital equipment are outdated or obsolete. This explains the key role envisaged for foreign firms in the Mass Privatisation Programme. Not only will they play a central role in the National Investment Funds, but it is assumed that their presence is a sign of confidence in the economy and will encourage participation by other foreign firms in the privatisation programme.

It was assumed by Eastern European countries, and some Western commentators (Lipton & Sachs 1990) that FDI would be the engine of growth, and be readily forthcoming, attracted by low factor costs. However, despite a rhetoric of success, the reality has been disappointing. On one level, the total number of foreign investment registrations has increased substantially, but these figure should be treated with some caution as registration may simply signal intention, or a process of testing the water (see Hardy & Rainnie 1993 for details). If we examine the top 110 FDI projects, the picture that emerges is one of a small number of very large investments by TNCs (Levi Strauss, Coca Cola) and a large number of very small FDIs, which in some cases contribute no capital (this point will be developed later). To emphasise this point it is worth noting that Fiat's investment project accounts for \$1,800 million of the \$4,116 million investment committed in the top 110 projects as of March 1993. During 1992, the balance of FDIs shifted away from manufacturing and towards the wholesale and retail trades, and to a lesser extent towards transport and construction. If we examine the sectoral distribution of the top 110 foreign investment projects, in March 1993, food processing and banking now rank highest, followed by construction and hotels (ibid).

Radice (1993) argues that the two mainstream strategic objectives of FDI are market growth and low cost production, though the two are often complementary. Radice argues that the most important investment motive has been the attraction of the Eastern market, particularly at a time when the Western European market is in recession. This assumption is not without its problems, especially given the rising incidence of poverty and unemployment in countries such as Poland (Kzieopolski 1991: 191), allied to the fact that whatever benefits transformation has produced have been reaped by a tiny minority of the population (Rosati 1993: 256). It cannot be assumed therefore, that there is a large pocket of hitherto unsatisfied consumer demand just waiting to purchase the products of incoming producers. This goes some way towards explaining why the sectors with the highest levels of FDI have been non-durable consumer goods, business services and technology for infra structural modernisation. In particular, in the case of Poland, the first category (non-durable consumer goods) has seen the most spectacular growth with global names such as Phillip Morris, Nestle, Unilever and Pepsico. In addition, these products do not face the problems of exporting to the EU that may be faced by consumer durables, because they are primarily located to service domestic markets. The Association Agreement (1992) between the European Union and Eastern European countries opened up access to European markets, however, a little publicised "rules of origin" clause effectively discourages the siting of "screwdriver" operations in countries such as Poland, which could particularly affect investment in consumer durables.

Privatisation, Labour Market Changes and Industrial Relations

The process(es) of privatisation are critically affected by the structure, and structuring, of the labour market and the response of trades unions. As Skalmati argued in 1992, "the privatisation bill adopted by Parliament already represents a compromise with the employee communities"(1992: 53). The state attempted a mixed bag of confrontation and compromise in two ways; firstly, directly with the unions; and secondly with a section of employees eased out of the labour market.

Analysis of the early stages of transition suggests that there had been few lay-offs on a large scale in the socialized sector (Gora &

Lehman 1992: 88). Restructuring had, and still has, not been an important contributor to the level of unemployment, and therefore unemployment could be expected to rise to much higher levels in the future if restructuring gets underway in earnest. However, the state had intervened to shift "redundant" labour but this had been done by promoting retirement through a low retirement age and various indexation schemes, rather than through unemployment per se (Rosati 1993: 241). However, this is already proving costly in terms of budget expenditure, and pensioners have had to be included in groups given special treatment in the latest mass privatisation programme.

The relationship between privatisation and trade unions is further complicated by the state wages policy and the response of the trades unions at a national and local level. Budgetary pressures early in the transformation process led to a large fall in real wages, after an early rise. This was brought about by a tax based incomes policy (Popiwiek) which restricted the growth of the wage fund in all enterprises in 1990, and, after 1991, restricted the growth rate only in state owned enterprises. The result was, firstly, a large scale redistribution of incomes away from workers and farmers, and in favour of pensioners and entrepreneurs (Gomulka 1993). It is clear that state employees were going to be expected to carry the costs of transformation (Rosati 1993: 257). The second result was an attempt to lessen union resistance to privatisation. The retention of the excess wage tax (Popiwiek) on state firms excluded both private firms and those in the process of being privatised. This was meant to encourage privatisation and to weaken labour resistance by creating the impression that privatisation would mean higher wages. It was also intended to strengthen managerial power and weaken or eliminate workers councils, as privatisation dissolves such councils in previously state owned firms (Kloc 1992: 142). However, the actual outcome was a potentially explosive situation amongst workers in state owned enterprises.

Union resistance to the process of transformation is vital in understanding the pattern of that transformation, and has undergone a transformation of its own. In the first stages there was a general belief that the proposed new market model would be effective, and thus a willingness to make sacrifices. The number of strikes in Poland fell from 900 in 1989 to 250 in 1990, and over half of all strikes in 1990 were in PKP, the state railway. The top three strike vulnerable sectors were

railways, mines and local and intercity transit, and it is no coincidence that they were the sectors most affected by the excess wage tax.

Kloc (op cit) suggests that the next two stages are firstly disenchantment and social disintegration, followed by the rise of groups representing sectional interests. 1991 saw a small increase in the number of strikes, but significantly the state collective farms were hit for the first time. Excess wage tax remained the main cause. During the early part the year a wave of strikes forced a reduction in the rate of tax, but more significantly Solidarity leadership was forced to withdraw the protective umbrella it had thrown over the government. A wave of strikes authorised by regional and national Solidarity leadership broke out in the summer. Action was concentrated in the mines in Silesia, Cracow, Breslau and Bielsak, but significantly miners were joined by education and health workers. This tendency developed rapidly in 1992, with teachers leading the industrial struggle against falling real wages. The first national protests organised by OPZZ and Solidarity took place in early 1992, and were followed by strikes on the railways and in the aerospace and military industries. The leading role in the disputes in the aerospace and tractor industries, in the summer of 1992, were played by Solidarity 80, a militant offshoot of Solidarity. Indeed, by late 1992, Solidarity was at a crossroads, out of touch with its own rank and file, and compromised at a leadership level, by the protective umbrella it had thrown over the reform programme. 1991 also witnessed an end to the belief that Popiwiek would necessarily engender a belief that privatisation would lead to positive gains for workers. This was brought about by the first strikes in private and privatised plants. This undermined the belief that privatisation would cure all problems in hand and lead to a rise in standards of living.

The question of labour and labour organisation has played a fundamental role in colouring the process and pattern of privatisation. It is clear that the Polish government understood the potential threat that unions posed to its policies and adopted a carrot and stick policy to deal with them. The carrot took the form of an incomes policy that discriminated against state owned enterprises and in favour of those already privatised or in the process of being so. The stick was the abolition of workers council built into the privatisation legislation, though this was ameliorated by the statutory provision of shares for employers, and worker representation on the supervisory boards of privatised companies. It is not, however, all that clear, whether the

government tactics have worked. After the initial burst of enthusiasm reflected in the spontaneous privatisation, commitment has waned. The failure of privatisation and FDI to create a significant number of jobs or a general increase in wages and standards of living has undermined the carrot, whilst the stick of incomes policy directed at employees still working for the state has only generated bitterness and industrial action.

Trade union resistance to the incomes policy and a growing disillusionment with the process and outcomes of privatisation led to an undermining of the Suchocka government in 1993. A general strike was threatened, and state employees were made particular beneficiaries of the Mass Privatisation Programme (April 1993) in an attempt to deflect criticism. The attempt failed and a no-confidence vote brought the downfall of the Suchocka government.

Small and medium-sized firms

One factor around which most commentators are agreed is the apparently successful re-emergence of the private sector in general, and small and medium-sized firms (SMEs) in particular (Rostowski 1993). Indeed SMEs have been imbued with almost talismanic status as deliverers of the new entrepreneurial market economy.

However, figures for SME growth must be treated with some caution, on a number of counts. Firstly, the growth in the private sector did not start in 1989. The economic problems of stagnation and spiralling debt that Poland faced in the late 1970s and early 1980s, referred to earlier, led to the introduction of "market socialism". This programme attempted to attract FDI, decentralised a degree of control to management in state owned enterprises, and also encouraged the growth of SMEs. At the beginning of the 1980s there were approximately 5,000 private manufacturing firms nationally, employing around 12,500 people. Ten years later the number had risen to around 40,000. The number of firms in the non-agricultural private sector increased from 351,000 in 1981 to 572,000 in 1988. Employment in these firms rose from 654,000 to 1,287,000 (ie almost doubled) in the same period.

Secondly these figures include not only the small privatisations and newly formed firms, but also firms coming out of the informal sector. They might also include the outcome of large organisations spinning-off non-core elements of their activities, thus creating "new"

SMEs. For example, Rostowski attributes some of the growth in transport SMEs to cash-strapped state enterprises selling off trucks they no longer needed to fetch scarce inputs from distant suppliers (1993: 8). One effect of this was the beginnings of a transformation in the size distribution of firms, representing the first stages of a move away from being an economy dominated by large state-owned enterprises (SOEs). Although figures regarding the growth of SMEs are problematic, even more so are explanations for the phenomenon, both in terms of their numbers and significance.

The starting point must be the recognition that the size of an organisation alone is, in most cases, uninteresting in either sociological or economic terms. Far more important is the role and function of SMEs in particular sectoral trajectories of development, carried out within the context of what Christel Lane (1991) describes as an industrial order. Secondly, within this context, one of us (Rainnie 1989 & 1991) has already argued that small firms cannot be understood in isolation from the activities of large organisations (be they large firms and/or the state). We argue that, at any one time, small firms will find their relationships with large firms determined primarily by one of four sets of circumstances:

Dependent - complementing and serving the interests of large firms e.g. through subcontracting.

Dominated - manufacturing and service firms that compete with larger firms by intense exploitation of machinery and labour.

Isolated - operating in specialised and/or geographically discrete markets, niches of demand, that may remain untouched by large capital. This often entails a hand-to-mouth existence.

Innovative - operating in (often founding and developing) specialised/new products or markets, but remaining vulnerable to the potentially fatal attractions of large firms (Rainnie 1991: 188).

In essence, we are arguing for a form of analysis based on the notion of combined and uneven development. However, by taking such an approach, the question of small firm formation and the relationship between small and large firms in Poland's development becomes more problematic.

Increased small firm formation rates in the West, particularly at a time of recession, can be as much a measure of severe structural problems in the local economy as an indicator of entrepreneurial vitality. In the 1930s, all the major advanced economies witnessed an

increase in the formation rates of small firms. These, however, he describes as "chaff" rather than "seedcorn". Two-thirds of small firm set-ups were in service sectors with low barriers of entry and high ease of exit. The same sectors dominated the small firm death league.

Examining recession hit North East England in the 1980s (MacDonald 1992), research suggests that small firms, though increasing in number, will not be an answer to unemployment. MacDonald argues for an analysis of the structural, ideological and cultural factors which shape the patterns and experiences of self-employment and SME formation. In the context of the North East, he suggests that most SMEs will be "plodders" or "fallers", and that, in these circumstances, few SMEs are likely to grow.

The importance for large sections of the Polish economy is that, on one reading, it represents an extreme version of the North East of England, with an historic lack of SMEs, high rates of unemployment and over dependence on single, large, declining industries. Most SME formation has taken place in the commercial and retail sectors, and is likely to exhibit the same tendencies as the SMEs portrayed above. They will tend to exist in the "isolated" or "dominated" categories, operating in geographically discrete markets, or competing against incoming or emerging large companies (e.g. Benetton in retail). Most will never create new jobs and will be based on low wages and low skill, surviving on sweat equity. Evidence to support our contention comes from a recent survey of the social and economic conditions of Polish workers (Gardawski & Zukowski 1993), which reported that about half of the Polish workforce, outside of agriculture, now works in private enterprise, mostly in SMEs. The report concluded that working conditions provided little basis for optimism, with little hope for trades union organisation.

This has led one analyst to explain the dynamics of the SME formation process in central Europe as moving from the second economy to the informal economy (Stark 1993: 7). However, we are not suggesting that these sweatshop conditions are the product, necessarily of only one set of factors. Returning to our taxonomy, it may well be that these firms are in the "isolated" or "dominated" sectors, although as we shall see, the same set of conditions can arise for different reasons.

One final point needs to be made concerning the role of small firms in local economic development in Poland and that refers to

institutions, regulation and small firm development. It is widely accepted that Poland lacks certain institutions at a national level, necessary to a market economy, the most obvious example being a developed banking and financial services sector. In addition to the acknowledged need for new institutions, there are problems regarding the power and responsibilities of existing institutions, already embarking on a process of adaptation. Some foreign investors, for example Pilkingtons, report facing difficulties due to overlapping powers and competition between institutions, make the negotiating process protracted and costly. Furthermore, Poland is still in the process of putting together the structures of local and regional government, and transferring powers to them from central government.

It is in this context that we must place the current debate between what are characterised as path dependent forms of development and the notion of an institutional void. Path dependency (following Stark 1993) rejects the idea that a completely new set of institutions will emerge, rather it emphasises that the origins of the new institutions lie in a recombination of the old. The institutional void approach emphasises a total lack of institutions and argues for the transplant of a new set of congruous institutions (Hausner 1993). These approaches should not be seen as mutually exclusive, the existence of both phenomena can be observed, and are dependent on each other. That is, the forms of organisational restructuring we outline bear a resemblance to the ideas of path dependency but are also crucially affected by the lack of political institutions, thus the two phenomena are interrelated.

It is clear that most successful constellations of SME development in Europe, be they the craft based SMEs in Germany, the Industrial Districts of regions such as Emilia Romagna, the Technopoles in France, all exist in a highly socially, economically and politically regulated milieu. The constellations are far from being unmitigated success stories, however, for our present purposes the lesson to be learnt is the necessity of regulation. The method of regulation may vary from large firm domination to local micro political frameworks, but in each case the regulatory framework is essential in cementing the network basis of SME concentration.

The importance of this as far as Poland is concerned is that no such institutional framework exists. In the absence of such a framework, the dialectical relationship between conflict and cooperation in

inter-firm relations will tend towards the former. Competition will be based on cost cutting, on who pays least, and in such circumstances small firm formation will tend towards the more marginal forms of existence.

However, to simply counterpose "small is brutal" for "small is beautiful" is not enough. This would amount to no more than swapping one crude and inadequate dualism for another. The situation is more complex, but can still be contained within our framework.

Foreign direct investment, privatisation and SMEs

It would appear to be the case that there is a link between FDI and SME formation that may have led to an over estimation of the importance of both phenomena. Early estimates of the extent of FDI were overly optimistic, and failed to understand that much initial interest involved little more than testing the water. The phenomenon is similar in operation to the "innovative" element of our categorisation, insofar as FDI in these cases involved setting up small units or joint ventures designed to test the state of the market. After an initial burst of enthusiasm, and as the obvious problems of transformation became clearer, the Chamber of Foreign Investors in Warsaw reported that, by mid 1993, interest had dried up completely (Hardy & Rainnie 1993). This suggests that the apparently explosive rate of small firm formation in the immediate post-1989 period may have exaggerated what was happening on the ground. Furthermore, we would expect no significant recovery in this form for the foreseeable future.

There is a further link between organisational transformation and FDI which is vital to an understanding of the process of restructuring. We have already argued that FDI and privatisation are inextricably linked, and, further, that in a large number of cases, the state retains a significant equity share in the new organisation, even after privatisation. What appears to be emerging from this process, when allied to internal reorganisation of the old form of industrial organisation, is a "hybrid" (Bim et al 1993) or "recombinant" (Stark 1993) form of organisational structure. There are a number of different forms that this can take (Bim et al, op cit.), but of interest here is that outlined by Stark.

Rather than witnessing the replacement of old forms of organisation, it is argued that what is taking place represents a complex process of recombination. A number of factors are considered to be

important, including some we have already alluded to, however decentralisation, the vertical disintegration of previously highly integrated structures is vital. There are similarities to the flexible firm debate in the UK in the late 1980s.

Stark suggests that large organisations are spinning off their non core activities into independent, or seemingly independent, organisations. However, the large enterprises (still with significant state shareholding) retain a major shareholding in the new satellites. Therefore, nominal independence conceals actual dependence. The new organisational form, therefore, involves horizontal ties of cross ownership (involving banks, foreign capital, privatised companies and the state) with vertical ties of nested holdings. The spun out entities (which may appear to be new SMEs) are, in fact, institutionally cross-owned corporate satellites involving a hybrid partnership of public and private property (Stark *op cit.*: 12).

The implications of this phenomenon are two-fold: firstly, the spun out, quasi-SMEs approximate to the "dependent" category in our classification and as such will tend to provide marginal and unsatisfactory working conditions; secondly, there are similarities between the pattern of restructuring being exhibited by these recombinant forms and the restructuring of subcontracting relationships currently underway in more orthodox capitalist corporations. Under the guise of a shift from arms length to obligational subcontracting, meant to give SMEs a privileged place in the new hierarchy, what we are actually witnessing is a reformulation of oligopoly (Rainnie 1993). The restructuring of relationships between large firms and their large primary suppliers is consigning SMEs to a marginal and secondary (at best) position within subcontracting networks. The recombinant forms are open to absorption into such structures. It would however, reinforce the marginal and dependent status of the satellites.

There are two further points that are worth bearing in mind about these hybrid forms; the first is that they are not new, just more visible. Mujzell (1993) points out that the Balcerowicz government inherited an economy dominated by state-owned enterprises (SOEs) of a hybrid type, the result of the adaptation to earlier rounds of reforms. Secondly, the decentralisation of managerial authority and control that such a process involved aided the process of nomenklatura survival, and indeed nomenklatura privatisation when the opportunity arose in

the late 1980s. Only the managers used to operating the hybrid system in the pre-1989 period were in a position to adapt it successfully and rapidly to the new conditions.

Conclusion

At a national level, privatisation and the growth of the private sector has been at the centre of the move towards a market economy. The strategy revolves around three key elements : FDI, privatisation and SMEs. We raise a number of questions regarding this approach. Firstly, even within its own terms we suggest that the significance of these three elements has been overstated. Unwarranted optimism exists both in terms of the extent of each factor and their future ability to act as motors of change.

Secondly, on a more analytical level, we argue that the phenomena, far from being independent, are inextricably linked, in a complex web of interrelationships. Furthermore, we suggest that the three phenomena can only be understood in the context of the global economy and the emerging international division of labour, and, in particular, the strategic response of TNCs to these factors.

Given that FDI impacts upon both privatisation and aspects of SME development, we have offered some analysis of why FDI has been disappointingly low, and concentrated in particular sectors. We can sum up our explanation under the heading of uncertainty. Firstly, Poland is the largest market in Central Europe, but whether consumer demand can be realised is questionable given rising levels of poverty and unemployment. Secondly, the institutional and regulatory framework is both lacking and often contradictory, at both a local and national level. Thirdly, whilst the trend in other developed countries has been towards integration, Eastern Europe has experienced disintegration, and its exclusion from a major trading block may impede access to major markets. Thus cheap labour as a factor of location may then be insufficient to override the uncertainties of market access.

Our analysis explains why the process of transformation has been slower and more complex than was anticipated originally. Furthermore, our argument casts doubt on the ability of SME's, privatisation and FDI, either together or separately to overcome the problems of economic stagnation, or the problems of poverty and unemployment facing a large proportion of the Polish population.

References

- Bim A. et al. (1993), *Hybrid Forms of Enterprise Organisation in the Former USSR and Russian Federation*
- Gardawski J. and Zukowski T., (1993) "What the Polish Workers Think", *Labour Focus on Eastern Europe*, No. 45
- Gomulka S., (1993) : "Poland: Glass Half Full" in *Economic Transformation in Central Europe : A Progress Report*, Ed. Portes R., Centre for Economic Performance and Research
- Gora M & Lehmann H (1993) "Flow and Stock Analysis of Polish Unemployment", *Labour* Vol 6, No 2
- Hardy J. AND Rainnie A., (1993) Privatisation and Foreign Direct Investment: "The Polish Experience". University of Hertfordshire Business School Working Paper Series UHBS 1993: 8
- Hausner J & Mosur G (1993) *Transformation Processes in Eastern Europe*, Institute of Political Studies, Polish Academy of Sciences, Warsaw.
- KLOC K (1992) "Polish Labour in Transition", *Telos* No 92
- Ksiezopolski M (1991) The Labour Market in Transition and the Growth of Poverty in Poland, *Labour and Society*, Vol. 16, No 2.
- Lane C., (1991) Industrial Reorganisation In Europe, *Work Economy and Society*, Vol. 5 No. 4
- Lipton and Sachs J., (1990), "Creating a Market Economy in Poland", Brookings Economic Papers
- MacDonald R (1992) "Runners, Fallers and Plodders", in K. Caley et al, *Small Enterprise Development*, Paul Chapman Publishing
- Mujzel J (1993) "Privatisation: The Polish Experience", in Hausner & Mosur (eds) Op. cit.
- Radice H (1993) "Global Integration, National Disintegration? Foreign Capital in the Reconstruction C&E Europe", University of Leeds , School of Business and Economic Studies Discussion Paper, E93/09
- Rainnie A., (1989) *Industrial Relations in Small Firms*, Routledge
- Rainnie A., (1991) "Small Firms: Between the Enterprise Culture and New Times in R. Burrows (ed) *Deciphering the Enterprise Culture*, Routledge
- Rainnie A (1993) "The Reorganisation of Large Firm Subcontracting", *Capital & Class*, 49.
- Rosati D (1993) "Poland: Glass Half Full", in Portes ed (Op. cit.)
- Rostowski J (1993) "The Implications of Rapid Private Sector Growth in

Poland", LSE Centre for Economic Performance, Discussion Paper No 159.

Skalmati F (1992) "On the Selected Problems of Wages in the Transformation of the Polish Economy", Krakow Academy of Economics, Seminar Paper 13.

Stark D (1993) " Not by Design : Recombinant Property in Eastern European Capitalism ". Paper presented to Transforming Post Socialist Societies Conference, Krakow, October.

Russian Labour Review

Russian Labour Review is a quarterly magazine published by the **KAS-KOR Labour Information Centre** in Moscow. The aim of *Russian Labour Review* is to provide English-speaking readers with information about the activities of workers' organisations and trade unions in the former USSR, and on political and economic developments. The KAS-KOR Labour Information Centre was established in 1990 to provide technical, organisational, and consultative assistance to the new workers' movement in the USSR. Since 1991 KAS-KOR has also published the *KAS-KOR Monthly Digest*, carrying up-to-date information about labour struggles in the ex-USSR.

Subscriptions: Europe and North America: \$30US

Available in Europe from:
Simon Clarke
Department of Sociology
University of Warwick
Coventry CV4 7AL

in North America from:
Russian Labour Review
P O Box 8461
Berkeley CA 94707,
USA

Address

P O Box 16, 129642 Moscow, Russia
tel (095) 921 0655, fax (095) 928 1210
e-mail krazchenko@glas.apc.org

Attila Agh

From Nomenklatura to Clientura

The Emergence of New Political Elites in East Central Europe

The power transition and heterogeneity of elites

All elites are very complex social groups, composed of representatives of economic, social, political, and cultural-ideological powers. Political elites, however, are "functionally distinct elites": those who make or influence state decisions. In Central Europe, however, this functional differentiation has never conformed to the classical Weberian distinction among elites because of the power of the state in the economy. Central European elites have always been very heterogeneous, even in the age of state socialism. In that period the party state tried to homogenise the power elite. This heterogeneity increased considerably in the pre-transition period with the rise of potential or real counter-elites, competitive among themselves but united against the regimes.

The transition in 1989-1990, in which there was an almost total change in the top political elite, was seen by many as an absolute turning-point in systemic change and was advertised by the new elites as the end of the process. It is true that the power transition led to significant changes but it was not an absolute turning-point; there was quite a degree of continuity, especially institutionally and culturally, though not in personnel.

Firstly, the old elites have not lost all their power and influence, even in the East Central European (ECE) countries; only the old party elite has been excluded from power. The governmental and economic-

managerial elites have partly survived but, paradoxically, it is the new politicians who represent the greatest continuity. In South-Eastern and Eastern Europe proper, as well as in the western republics of the old Soviet Union, the continuity in party elites is much stronger. Secondly, the competitive fight for power among the various counter-elites, at least in Hungary, dates back to the pre-transition crisis. Thirdly, political transformation itself cannot be reduced to a change in the power-holding elite. Systemic change also involves economic and social elites, with their own continuities and discontinuities, overlapping at least partly with the political elite.¹

The pre-transition and transition periods involved acute and intense elite struggles and this rivalry among elites was based on institutions, as power sub-centres, and on different sub-cultures, ideas, programmes and forms of behaviour. The struggle concerned the institutions, the skill and adaptability, the values and political discourses of the different elite groups. Institutions as power bases are important in the competition among parties but, in ECE, it is the cultural battle between the future party elites that has been decisive in the party-formation process and it is the cultural-ideological battle that is still the most important issue for the new parties.²

The present paper focuses on the recent situation in the process of democratic transition; it does not discuss the nature of elites in state socialism. It deals only with the political elites of the transition period. There are now two major tendencies in the development of elites: either the consolidation of the transitional elite in a neo-traditional form or its transformation into a professional elite through the process of European integration. Historically the question of alternative elite development is still open. In the long run it is probable that professionalisation plus Europeanisation will prevail. What we have seen in recent years is the transformation from a system based on nomenklatura to one based on clientura.

1. Ferenc Gaszó, in his paper "Elitváltás Magyarországon" (Elite Change in Hungary), *Társadalmi Szemle* (Budapest) no. 5 1993, describes these three types of sub-elites of the previous political elite. See also Ferenc Gaszó, "Cadre Bureaucracy and the Intelligentsia", *The Journal of Communist Studies*, September 1992.

2. I have dealt with the cultural fights of elites in my paper, "The Invention of Democratic Tradition in Hungary", *Budapest Papers of Democratic Transition*, (BPD) no. 65 1993, especially with the return of traditionalist conservatism and nationalism among the ECE ruling elites.

The transitional elite as "one" actor

The transitional political elites have some obvious common features: their sudden rise to power and lack of professionalism. This is true of the whole political elite and not just its dominant section - the ruling or governing elite. This is because the democratic transition process created political structures in which all the political elites share in constitutional parliamentary power. These elites, therefore, appear to society as one elite; for the non-elite there is one actor that monopolises political power and exercises control over all social life. It is only within this monopoly sphere that elite fragmentation and rivalry become manifest. In this paper, I treat the political elite as one actor, without analysing elite infights or governmental-oppositional conflicts.

This "collective" political elite, at the same time, has to be distinguished not only from the other elites "on the outside" but also from the other social actors and agents of transition who try to get representation "from below" in the newly-emergent narrow political elite. This fight by outsiders for inclusion, or by insiders for exclusion, has been a characteristic of the transition process: the problem of the small exclusive versus the big inclusive elite. The extension of the elite is a complex problem; in general the elite is opposed to extension, wanting to preserve its own exclusivity.

This exclusive political elite is made up of three "transitional" types of politician:

(1) Politicians of morals - that group of politicians that previously played a role in the opposition and had serious confrontations with the previous regime. They had a moral legitimation as public figures in the transition process. They tended to be the most important actors in the first period of power transition. Their special type of moralising politics, however, has changed from being an asset into a liability; it has meant the preservation of that closed, secretive, and improvised political style of their earlier oppositional activities. Their claim to be a "revolutionary aristocracy" (a term coined by the Czechs), destined "by birth" for political leadership, has been weakened by their inability to transform themselves into professional politicians. This is because their moral background and principles give them no elbow room for rational political compromises. These con-compromising personalities, in direct continuity with their "heroic" past, have been marginalised increasingly, even in their own political parties.

Some leading figures in this group have maintained their oppositional roles (e.g. Adam Michnik in Poland) and remain influential and popular. Others, like Vaclav Havel, have made a virtue of necessity by inventing "post-modern politics" allegedly based on moral principles and opposed to the alienated routine of professional politics. This actually combines two negative features (revolutionary aristocratism and non-professionalism) and lacks the two features needed at the moment - bridging the gap between the elite and the masses and democratic political efficiency. The politicians of morals are actually close to the "man in the street" in their everyday behaviour, so they can feel their real problems and share their worries. They are very far from them, however, in their mentality - their moralising intellectual aristocratism.

(2) Politicians of historical vision - these are the politicians who arrived on the political scene just before the power transition, without a real oppositional legitimacy, but with a determined historical vision of restoring the historical continuity of the nation and recreating the past in the future. They represent, in turn, an indirect continuity, i.e. the continuity with the pre-Communist past; they historicise politics and politicise history. They made compromises with the previous regime and cannot present themselves as politicians of morals; they claim this title but without much credibility. Since gaining power they have made a series of unprincipled compromises among themselves but have not been willing to compromise with the other elite groups.

The politicians of morals kept up their old politics through their black-and-white, polarising, moralising political style. The politicians of historical vision have also established a political continuity - by preserving the ideological structure and political style of the state socialist regimes. Although they confront the ideas and values of the previous regime (nationalism replaces Communism), they reinforce its continuity by claiming a monopolistic representation of the general interest of the nation as opposed to the particularistic and short-term interests of civil society. Their political style is also arrogant and uncompromisingly elitist. Both types of politician are, of course, the negative products of the previous regime; they oppose it but at the same time continue it. The differences, however, between the two groups are very important.

The politicians of historical vision are also notoriously non-professional and inefficient. They dislike the "man in the street" and

disregard their everyday problems. They concentrate on the mythical "national history" and consider the hardships of the population as mere trifles and temporary discomforts. They neglect economic and social crisis management and concentrate on restoring the facade of nationhood and national identity through culture, the media, and the social sciences. They hover above social reality and are deeply offended if the population doesn't appreciate their historical vision and their efforts to return to the history that never was. They feel bitter now but expect better treatment in the schoolbooks of the future.³

(3) Politicians by chance - the group of politicians (the biggest in number) who came to power in the chaos of transition. Both previous groups have caused a general alienation from politics in the population, but it was this latter group that pioneered it; their striking political inability has been on display right from the start. This group's frustration and deprivation leads to an aggressive exhibitionism and to the demand for a personal career as recompense.

There is also a fourth group - the emerging new professional elite. This group is a mixture of the old and the new, with experts and professionals from the previous regime as well as new politicians from the younger generation. The latter on their way to becoming professionals. It is a small group in ECE and it has not yet become the trend-setter in politics.

Elite-mass linkages

In ECE parties were the main actors during the pre-transition crisis and this is also true of the transition period; the political elite thus includes narrow party elites (and their expert-satellites). It would be wrong to assume, however, that the systemic change - negotiated transition - concerned only the elites. In fact, both the elites and the masses have played important roles in this process. These roles were not the same in each country, so to understand elite development we have to look at the elite-mass linkages. Elites developed in a political space articulated by external (foreign) factors and by mass movements.

3. I have analysed the first three years of the Hungarian parliament in this respect; see "Bumpy Road to Europeanisation: Policy Effectiveness and Agenda Concentration in the Hungarian Parliament (1990-1993)", *BPDT*, no 50 1993. For details about the change of the parliamentary elite, see Akos Róna-Tas, "The Selected and the Elected: The Making of the New Parliamentar Elite in Hungary", *East European Politics and Society*, no 3, autumn 1991.

After the collapse of the state-socialist regimes and the capitulation of their political elites, the ECE countries were "forced to be free" and the new party elites were "appointed" or at least legitimised by the Western powers.⁴ These newly appointed elites were taken by surprise by the rapid collapse of the old regimes; consequently they were not able to immediately govern properly. In the West political elites represent civil society which in turn has its structured mass movements; there is a social dialogue with rational messages from both sides. The masses formulate demands in a politically articulated way and the elites respond with solutions. This articulated relationship or "rational" partnership has been historically absent in Central and Eastern Europe and its recent emergence has been controversial.

The ECE transitions began earlier than those in Eastern Europe proper (EE). In ECE the (counter-)elite-mass linkages had more precedents and democratic political culture had more traditions and institutions upon which to build. The populations were more mobilised in ECE and the counter-elites were more motivated and more controlled by the populations. The EE transitions, however, were the snowball effect of the ECE 1989 revolutions. In EE these transitions were violent, ranging from civil war to regular street riots and mass demonstrations; they were also marked by an elite-mass antagonism, even in the case of the new oppositional elites. The political struggle in ECE has been articulated in an institutional framework and channelled into alternative party programmes, but in Eastern Europe it has remained more or less at the level of hostile clashes. The ECE elite respond to social demands more or less according to the Western model but in the East communication between the elite and the masses has been through the medium of mutual violence. Neither the orders of the elite nor the demands of society have been channelled into alternative political programmes.⁵ Bulgaria was much closer to ECE with Yugoslavia presenting the extreme case of non-articulated politics.

4. See my paper, "Paradoxes of Transition: Forced to be Free", *BPDT*, no 20 1992.

5. Philippe C Schmitter and Terry Karl have described democratic transition according to these two axes: elite-masses and pact-violence. See their "The Types of Democracy Emerging in Southern and Eastern Europe and South and Central America", in P. Volten (ed) *Bound to Change: Consolidating Democracy in East Central Europe*, New York/Prague, Institute for East West Studies, 1992.

Political analysts have assumed that the masses and mass movements played no important role in ECE in the pre-transition crisis, and "pacts" have been treated as usurpations of historical decisions by the elites. Before the power transfer, however, the masses were mobilised and they were active, optimistic, and had high expectations. Soon after the takeover by the new transitional elite, they became bitter, disillusioned, and pessimistic because the new elite tried to demobilise them and remove them as actors from the political stage in order to give themselves a free hand.

Up to 1990 it was in Poland that elite-mass linkages developed in the most organic way; the counter-elite grew out of the mass movement. Yet even the Polish case shows the paradoxical situation of elite-mass linkages in ECE. As Weselowski puts it:

"It is difficult for the elite to discern exactly what society wants... society itself finds it difficult to define its interests... the political elite does not receive from society strong and specific signals about what is expected of it. This gives the elite considerable freedom to choose the precise path of reform and to determine how the 'general will' ought to be translated into detailed measures. The decisions of the political elite are characterised by a high level of social indeterminism."⁶

This argument clearly describes the situation of the (relatively) non-articulated interests on both sides and explains the reasons for the missing social dialogue during democratic transition. Even so, as we shall see later, the political elite has not made real efforts to start the social dialogue. On the contrary, it has tried to keep the monopoly of the definition of "general will" ("politics running amok" in my terminology).

In Poland, the post-Solidarity period has led to more and more elite games among the fragmented elite groups and to an increasing alienation of the people from the new elite. History is now to some extent repeating itself in Poland. The rump Solidarity is being re-organised as a mass movement and trade union, but this time against the post-Solidarity leadership. This leadership has split into several parties and the articulation process has begun anew.

In Hungary, until the late 1980s, popular mobilisation was less developed and less direct than in Poland. However, the social fight for

6. Włodzimierz Weselowski, "The Role of Political Elites in Transition from Communism to Democracy: the Case of Poland", *Sisyphus*, Warsaw, 2(VIII), 1992, p. 82.

greater individual and/or societal autonomy was more efficient because of its base in the second economy. The emerging counter-elites had popular support and direct popular connections. There was a lot of support for their "culturally" articulated and politically competitive programmes. The years 1988/1989 were full of mass demonstrations, pushing new elites to the foreground, and giving them the confidence to make decisions. Mass actions prepared the way for official political events such as negotiations, pacts, and parliamentary decisions. The new political elite's course was almost predetermined. The Hungarian case, the most articulated elite and movement structure in the transition process, is at the opposite pole to developments in Eastern Europe. In EE spontaneous mass demonstrations were only reactions to and corrections of previous events in official politics - opposition to election results, governments, or constitutions. In Hungary the elite-mass linkages were very delicately elaborated before the former ruling elites relinquished power. However, these relationships were weakened, and then almost completely cut, by the new transitional elite. This situation has produced the myth that the Hungarian population has no interest in politics. In fact, they are disappointed in the politics of the governing elite and not in politics in general or in democracy. This is probably true for all ECE countries.⁷ (See Table)

Degree of Satisfaction/Dissatisfaction [0(worst) to 100(best)]			
	pre-1989 government	present government	optimism about the future
Belarus	60	35	46
Bulgaria	42	55	72
Croatia	13	42	73
Czech Republic	28	70	85
Hungary	68	43	72
Poland	42	56	69
Romania	35	68	82
Slovakia	47	57	78
Ukraine	55	25	49

Source Fessel Institute, Vienna, in *Magyar Hirlap* 7 July 1993.

7. See data in G. Szoboszlai (ed) *Flying Blind, Emerging Democracies in East Central Europe*. Budapest 1992.

In Czechoslovakia popular pressure and active resistance existed potentially, becoming real in November 1989, when international circumstances changed drastically. For two weeks or so, the well-disciplined masses were the prime movers behind change, being more conscious and more determined than the small revolutionary aristocracy itself. They pushed for fundamental changes until these were part of official policy. Mass action then slowed down and soon disappeared. In all of ECE, mass mobilisation was smallest in Czechoslovakia, for three reasons: (1) Czechoslovakia was a latecomer to the transformation process and the catching-up took place very rapidly; (2) the inter-war tradition promoted "normal" participation rather than street politics; (3) the conflict between Czechs and Slovaks gave a new direction to street politics, leading to a preoccupation with nationalist rather than democratic issues. Political demobilisation and fatigue have also appeared in the Czech and Slovak republics, with new elite-mass antagonisms.

The contrasts between the smoother ECE elite-mass articulations and the sharper EE confrontations was visible in the pre-transition and transition period (although a deeper confrontation between the masses and the new elite in ECE is now becoming evident). In the summer of 1990, the political changes in ECE slowed down and it became clear that the new elites were not able to deal with the economic crisis. These political elites then began their de- or re-mobilisation strategies. However, the mass movements began to redefine their goals first. This was because the elites were still preoccupied with their ideological battles. The new developing confrontations in ECE are still quite different from those in EE: in ECE they still observe the normal channels for political pressure and do not threaten public disorder or violence.

It has often been predicted that populist pressure could lead to an eruption of discontent and to a "breakdown of democracy" in ECE. But it has been the actions of the new elites, not those of the masses, that jeopardise the democratic order in ECE.⁸ There are two kinds of populism: (a) classical populism that comes from below, feeds on economic hardships, and operates with social demagoguery; (b) gentry or political populism, that comes from above, from dissatisfied strata of

8. See Ellen Comisso et al, "The Illusion of Populism in Latin America and East Central Europe", in G. Szoboszlai, *op cit.*

the traditional political class (who use political demagogy to bring about a redistribution of power and wealth). This second, right-wing type of populism can be seen now in ECE. The first type has not yet emerged as a threat to democracy.

The political blind alley of the transitional elite

The political elites of ECE are indeed transitional elites. There has been an ongoing attempt to monopolise their recently acquired power: by excluding a wider political elite; by refusing partnerships with other elites; by resisting any social pact or social dialogue. This has led to a premature senility of the new democracies and an early ossification of their political systems, a process from which the new oppositions are not exempt. Systemic change involves economic and social as well as political transformation. In the pre-transition crisis it was political transformation that had absolute priority, which should have then allowed the new political elite to turn to the social and economic crisis. But this didn't happen. The social and economic transformations have been neglected in a "selfish" manner as the new political elites focus on a long series of ideological infights and media wars.⁹

The new ECE democracies were born as elite democracies: their construction began in the macro-sphere, from above. Inevitably then, political transformation stopped there and half-democracies emerged. They may conform to formal definitions of democracy (elections, etc.) but full democratisation has not yet begun and there is as yet no substantial definition of what democracy should be. Organised interests, big social organisations, and associations of civil society are not organically connected to macro-politics through different levels of interest articulation and mediation. After the transfer of power, the new political elite tried to deepfreeze inter-elite relations and elite-mass linkages. It is clear, however, that only a permanent process of elite incorporation, an extension of the multi-party system into a multi-actor system, can produce a successful democratic transition.¹⁰

The party elites have tried to monopolise politics not because

9. I summarise here the arguments of my paper, "The Premature Senility of Young Democracies: The Central European Experience", *BPDT*, no 67 1993.

10. See Maurizio Cotta's historical analysis in his paper, "Elite Unification and Democratic Consolidation in Italy: A Historical Overview", *Working Papers of Siena University*, no 2 1992.

they are strong but because they are weak. The parliamentary parties, the chief actors in the transition process, are politically strong but socially weak: small memberships, weak national organisations, and almost no grassroots activity. They compensate for this by being over-active in the sphere of macro-politics. I call this phenomenon "over-parliamentarisation" (parliament is not only the central site of politics but almost the only one where the parties are active) and "over-particisation" (parties have excluded other actors from political life and have concentrated on their ideological and political struggles). These new contradictions have produced an "eliticisation" of the democratisation process, a degeneration into elite democracy.¹¹ Linz's distinction between cultural and organisational continuity is helpful here. After 1989 the biggest surprise for everyone was the survival of anachronistic value and belief systems, patterns of behaviour and ideas. They had persisted even through the long period of state socialism. Their survival was especially strong among the intellectuals that came to power, the new political elite. It is less evident among the administrative and technocratic elites and among the population. The new political elite was taken hostage by the past. Their "deep-frozen" values of the past embody a traditional conservatism made up of dogmatic-moralistic ideas posing as neophyte liberalism.

The confrontation between old ideas and new realities has been clear from the beginning. It has meant a painful learning process for the new elite. On the other hand, for some governing circles and "conservative" party elites, this has led to a voluntaristic and over-historical contempt for present realities. The confrontation between wishful thinking and reality has been a feature of ECE countries and has produced a conflict with the interests of all social strata. The traditional conservatives in the ruling elites clearly have no understanding for European reality of the late twentieth century. "Comprehensive planning" requires a strategy, but it is clear that no ECE parties or elites have a viable strategy or a realistic long-term vision for the future.

The political elites, as Weselowski puts it, face "a gigantic task of initiating and directing transformation of the whole societal

11. I have described "overparticisation" and "overparliamentarisation" in detail in some of my writings; for example, "The Parliamentary Way to Democracy: The Case of Hungary", in G. Szoboszlai, *op cit*; also "The Emerging Party Systems in East Central Europe", *BPDT*, no 13 1992.

system".¹² Yet the ECE political elites have shown themselves incapable of doing this. Both groups (politicians of morals and those of historical vision) are made up of intellectuals with a "Great Design" for the future, of "Grand Theories" about world history; but they neglect the details and the feasibility, have contempt for the people and for popular perceptions, and, at the same time, blame the people for the slow pace of transformation.

After the transfer of power, the new elites failed to adapt to the requirements of the new situation. Oppositional intellectuals had to redefine their political identities - trade union leaders were to become ministers of privatisation, etc. They needed to place themselves unambiguously within the new democratic political structures - but this they have failed to do... They still think they are entitled to deal with politics because of their moral legitimation or historical mission. They are simply not prepared to adapt or change. We realise now in ECE that democratic transition is a kind of "permanent revolution", which needs a second opening or, at least, a series of transitions in the transition. But the new rulers don't realise this and they now have to face a cruel process of natural selection... This necrology of the transitional elites leads to the question: who comes after this?

Privatisation and pluralisation: the "Italian road"

The iron triangle of power, not unknown in Western policy communities, represents a "coalition" of political (party), administrative and technocratic elites. Such a coalition emerged in ECE in the 1980s if not earlier. This triangle works everywhere in modern politics, usually as a coalition of political elite, techno-bureaucracies, and organised interests. The crucial issue is how they can balance, influence, and control each other in the decision-making process. Under state socialism the nomenklatura principle was introduced to control the party elite from above and, through the party elite, the growing staff of experts and officials in high positions. Organised interests were not independent power centres but the differentiation between the more subservient administrative elite and the more active, innovative, technocratic elite was extremely important.

With the erosion of state socialism, the technocrats and bureaucrats became less and less dependent on the party elite and two

12. Weselowski, op cit, p. 96.

major systems of interest articulation emerged: apparatus-pluralism from above and state-corporatism from below. In the short period of political vacuum before the transfer of power, the administrative and technocratic elites became independent power centres. The consolidation of the new political elite, however, meant that most leading experts (including middle-rank ones) were purged. This deep cut in the technocratic and administrative elites has also weakened the political elite itself, because a poverty in skill and expertise is one of the main reasons why the new regimes perform so badly. The experts who "compromised" themselves with the old regime have gone into private business and become successful entrepreneurs. Although some procedure for selecting out the politically most compromised people was necessary and positive, this suicidal deep cut has been very counter-productive. It can be seen as revenge by the new elite (with their inferiority complex) or as a "revolt of the deputy-bosses" (i.e. a revolt of the less talented experts who offered their loyalties to the new rulers).¹³

Nomenklatura has been replaced by clientura. Both principles aimed at preserving political loyalty, the nomenklatura in a rigid, manifest, and administrative manner, by the visible hand of the party leadership, the clientura in a hidden, flexible, and lucrative manner, controlled by the invisible hand of the new rulers. The clientura principle was also known under the state socialist regimes but it mainly oiled the middle and lower levels of politics and the decision-making process. It had a secondary function but it grew rapidly in the final stage of state socialism, acting as a prelude to the brave new world of "state capitalism". The clientura principle belonged to the good old cherished values of the traditional ruling classes, and it is their ideological descendants who now hold the reins of power in ECE. The new ruling elite has consciously created job insecurity among the elite groups mentioned above to force them into positions of dependence. By declaring unconditional political loyalty, the chief administrators and

13. There has been a big debate around the "purges". For some analysts the cut was not deep enough. See Rudolf Tökés, "Hungary's New Political Elites: Adaptation and Change, 1989-1990", *Problems of Communism*, Nov-Dec 1990; or, in a milder way, in his later paper, "Democracy in Hungary: The First Five Hundred Days and a Mid-Term Assessment", in Peter Volten (ed), *Bound to Change, Consolidating Democracy in East Central Europe*, New York/Prague, Institute for East West Studies 1992.

technocrats might be able to keep their top positions. The socio-political conditions for the formation, or re-formation, of clientura are embodied in the slogan of the new rulers: "Our Communist was, in fact, not a Communist". It involves keeping some of the most compromised experts and firing most people who refused to offer the new elite their personal political loyalties.

The iron triangle of power has been reconstructed as a combination of new political elite, new-old technocracy, and new clientura. The first results of a multinational survey in Central and Eastern Europe show, according to Iván Szelényi, that during systemic change elite circulation prevailed over elite reproduction.¹⁴ Both arguments mentioned above, however, refer to a larger elite, and it is time to calculate the size of the different elites and the extent of their transformations. As a rough estimate, big powers have a top political elite of ten thousand, smaller countries about one thousand and the bigger countries around five thousand or below. However, one has to take into account the surrounding and parallel elites (economic, social, and intellectual, which are probably each about the same size). These might leave or enter the political elite proper, because elite change means not only vertical but also horizontal mobility.

In Hungary, according to the estimate of M. Bihari, the top political elite may number 1,200 people and the middle level administrative-technocratic elite around 10,000 people - altogether some 11,200 people. "Between the spring of 1989 and the autumn of 1990, some 80-90 per cent of the Hungarian elite was changed. The transformation concerned at least 10,000 persons, i.e. more than 10,000 new persons entered the Hungarian political leadership by the first half of 1990." The new governing elite went even further, according to Bihari, and wanted a more radical personnel change. It wanted to take over all positions in the whole of society and to create a spoils system, but it failed to do so. "Instead of concentrating on the tasks of government, it carried out a political campaign for 'change of regime'. It fixed ever new deadlines and extended the campaign to ever newer

14. See Szelényi's interview in the Hungarian daily, *Népszabadság*, (26 May 1993) where he also shows that the real continuity is cultural: namely, those who took an active part in the second economy had come from families with marketing traditions. This type of indirect cultural heritage, in my view, also plays a very important role in socio-political behaviour and it may be a key to understanding the behaviour of the new political elite.

social subsystems. The obvious failure of the campaign-like re-election of managers of industry, the massive change of hospital directors and heads, the scandals around the change in heads and leading bodies of universities, the political campaign against leaders of the press - all of these showed the mistakes of government policy. With these 'campaigns', the government became entangled in trench warfare with almost the whole of society."¹⁵

The upward mobility of some 10,000 persons provided ample opportunity for the creation of a clientura, a dependent administration with personal-political bondage and manifest loyalty. Those who were replaced formed the core of a new - not political but politically relevant - counter-elite in the economic and social organisations. This is because (according to Ferenc Gázsó) 71.4 per cent of bureaucrats had convertible skills (professional knowledge and languages) compared with only 28.5 per cent of party apparatchiks.¹⁶ This ex-elite has partly joined forces with the other mid-level experts threatened with job insecurity by the government's campaign.

All of these processes are connected with pluralisation, the emergence of multi-party politics. The other major process, the privatisation of state assets, has also been closely linked to these political processes. I can only briefly indicate the major types of privatisation to show their impact on elite changes. There have been three main types of macro-level privatisation: (a) spontaneous (nomenklatura); (b) government controlled; and (c) foreign capital led.

Spontaneous privatisation was a feature of the final period of the old regime and the initial period under the new regime. It probably concerned between five and seven per cent of state assets in Hungary and between fifteen and twenty per cent in Poland. It produced a nomenklatura bourgeoisie but on a smaller scale than expected... The new governments stopped this by means of legislation. They re-nationalised state assets and put them under the control of government agencies (privatisation ministry in Poland, state property agency in Hungary). Privatisation slowed down and became bureaucrat-ised but it became an important vehicle for the creation of a dependent

15. Mihály Bihari, "Change of Regime and Power in Hungary (1989-1990)", in Sándor Kurtán et al (eds), *The Political Yearbook of Hungary 1991*, Budapest, p. 36.

16. Ferenc Gázsó, op cit, p. 138.

bourgeoisie. Privatisation tenders have usually been won by those politically loyal to the governing parties. The new owners have acted as political allies, generously financing the political campaigns and actions of the new party and government personalities. There have been all the nuances between "white" corruption (exchange of mutual services without money) and "black" corruption (transfer of money to private bank accounts), with a predominance of grey-white forms. Corruption has permeated public and political life: e.g. state-owned banks have financed the new government-owned media.

Foreign capital has also played a role, especially in Hungary, where we can see the emergence of a comprador bourgeoisie. The best and most dynamic part of the Hungarian economy is at least partly foreign-owned. It offers the best job opportunities, with good, well-paid, and prestigious careers for the most talented, relatively young, and most ambitious people. This comprador bourgeoisie has a vested interest in representing and protecting foreign interests and is an effective pressure group.

All the three above-mentioned socio-economic elite groups have played a big political role in the transformation. Privatisation and the emergence of small entrepreneurs have been more sluggish than advertised by the new governments. But the emergence of politically influential new economic elites has been rapid.

This has led to two kinds of dissatisfaction. Firstly, the nationalist-populist, right-wing forces, who had expected a complete reallocation of power and wealth among the ruling parties, are dissatisfied because they see themselves as the real losers and are pushing for a "second revolution". Secondly, there are those who had expected a genuine marketisation, with entrepreneurial-friendly government policies and politics-free privatisation. They have either tried to organise political representation for themselves (further fragmenting the political system) or they abstain and offer passive resistance.¹⁷

The dominant tendency of elite formation has been the "Italian road". It consists of a fragmented party system and an extended, deeply-embedded system of clientura. The major actors in the clientura are the top political ruling elites and their two partners: the politically

17. I summarise here my recent paper, "Europeanisation through Privatisation and Pluralisation in Hungary", *Journal of Public Policy*, no 13(1), 1993.

dependent administration and the economically dependent bourgeoisie. There is a growing private sector but the public sector is still overwhelming, and its dominant economic and political role has been reinforced by the paternalistic etatism of the new state-parties. The new rulers have also tried to centralise and strengthen administration in their drive for total power. They have therefore allocated increasing amounts of resources from the state budget in order to extend and strengthen the central bureaucracy. This is now the mainstream tendency in the formation of ECE political elites: an unholy alliance and partial fusion between the political elite proper and the dependent administrative elite and the dependent, semi-state, semi-private bourgeoisie.

The battle around the process of elite formation is still going on. The counter-elites in politics, society, and the economy are resisting the Italianisation of ECE politics. This resistance is likely to increase, even in the short run. The transitional elites will certainly disappear, but the Italian road is a blind alley threatening the ECE countries. We can only hope that our elites will be westernised and professionalised rather than southernised and clienturised.

Theoretical conclusions

There are two extremes to avoid in describing ECE political elites: over-rationalisation of elite behaviour and its primitivisation. The elites of Latin America may have been more conscious actors in crafting democracy, because of their relative independence from political parties and the masses. This might also have been the case in southern Europe because of the more articulated political structures and the pressure of European standards. But it would be completely misleading to describe the ECE political elites as rational actors, negotiating consciously with regard to political power. They do not have an adequate idea of their own interests, opportunities, bargaining power, or room for manoeuvre. They have made big efforts to act rationally but have been captured by the "false consciousness" I described earlier. They are also limited by their inexperience and lack of information. It is because of such factors as these that the new elites have been confined to "short-termism". They have had to react immediately to accelerating domestic events and major changes in the international system. But, at the same time, the fact is that they have been actors. They have directed changes and made decisions about the fate of

populations. We will conclude by summarising the main positive and negative features of political elite behaviour as witnessed in recent years:

(i) Parties played the central role in the democratic transition and thus had the greatest opportunity to abuse. Parties were unpopular in the pre-transition crisis and today they are even less popular, as are party elites (although some leaders may be popular as personalities). People feel that parties have not done a good job in creating democratic institutions and have not shown any particular ability in passing laws for the new democratic polity. The gap between the party elites and the ordinary citizens has also been widening. As yet the ECE political elites have no strategy for democratic transition. If the democratic transition has turned out to be a "period of acute uncertainty" in which democracy is not the only option, then it is the new political elites that are mainly responsible for this.

(ii) The major parties were originally "loyal" to the new democracy, but since the collapse of state socialism some anti-system extreme right-wing parties and some "Communist" successor parties have emerged and consolidated their positions. These manifestly anti-system parties do not yet pose a threat to the young democracies in themselves; what is much more dangerous is the absence of a clear line of demarcation between the nationalist-populist extreme right wing and their centre-right allies. When the new, inexperienced actors entered the political stage they were all naively pro-European and pro-modernisation. Indeed, for a while, they acted as educators id democracy. Since the, political life has polarised. The conservative, traditionalist-nationalist parties have turned, partially and unofficially, against democratisation. As in the late 1940s, the demand is again being made for ideological hegemony in the education system, the aim being to re-traditionalise and re-evangelise the young generation. They have gained control of the media so they are in a position to misinform and manipulate public opinion.

(iii) The party elites have also played a decisive role in drawing up new constitutions. However, this hasn't been promoted very well and only Hungary has finished this process. The transformation of legal systems has also been sluggish and contradictory, carried out empirically in a "trial and error" manner because there isn't a coherent elite strategy or legislative agenda. There is no elite consensus concerning major rules and values and there is an unwillingness to bargain openly with

other partners. Since the "negotiated transition" the new elites have been unwilling to continue the negotiation, to make new political or social pacts. In this transitory situation, only transitory laws have been passed by simple majorities in parliaments, and "basic laws" have been avoided due to the lack of consensus among the wider elite. In Hungary, for instance, FIDEZ (Young Democrats) proposed a "Moncloa pact" of the six parliamentary parties in 1992 for the purpose of economic and social crisis management. The ruling coalition refused, saying that this would curtail its responsibility to govern the country.

(iv) Parties have not performed well, either in government or in opposition. There has been considerable progress, but this is coupled with low efficiency and many setbacks. The political elites have been angered and frustrated by their failure to control developments and by their lack of popular support. The populations, in turn, have become increasingly pessimistic and alienated from politics, although not yet from democracy. But these countries are not doomed to failure and the assessment is not just a negative one. After a long period of authoritarianism, the pendulum has swung to the other extreme. The external conditions for democratic transition, for instance Western assistance and attention, have been far less favourable than they were in southern Europe.

The pre-transition crisis was very different in the three countries of ECE, but the problems associated with the emergence of new political elites have been very similar. Using Huntington's terms, what we saw in Poland was a kind of transplacement, where democratisation was a result of joint action by government and opposition groups.¹⁸ In Hungary there has been a transformation, where the power elites initiated democratisation. In Czechoslovakia there has been a replacement, where opposition groups took the lead in bringing about democracy. These terms express, to some extent, the different elite actions in the pre-transition crisis and at the time of power transfer. They do not explain the present similarities and dissimilarities. In understanding recent developments, a useful distinction is that between

18. See Samuel P. Huntington, *The Third Wave, Democratisation in the Late Twentieth Century*, University of Oklahoma Press 1991, also M. Burton et al, "Introduction: Elite Transformations and Democratic Regimes", in J. Higley and R. Gunther (eds), *Elites and Democratic Consolidation in Latin America and Southern Europe*, Cambridge 1992, pp. 10-11.

a disunited and a consensually united elite. The former describes the present situation, in which structural integration and consensus are minimal; the latter might possibly be the next stage in elite formation, in which elites are relatively inclusive and there is a positive sum game instead of a negative sum game.

In East Central Europe - Absurdistan or Amnesia if you like - we have a bright future but we have big problems with our chequered past. It is high time to send the transitional elite back to the past and to elect and educate a new professional political elite. This new elite should develop an articulated relationship with organised interests and with civil society. The next elections could and should do the first part of this job. Yet how to get rid of the new emerging clientura is still an open question. The invention of democratic tradition, like democratic transition and consolidation as a whole, is and will be much easier for the masses than for the elites.

Politicians of historical vision.....



Czurka



Zhirinovskiy



Milosevic

Peter Gowan

In the Name of Western Values

Timothy Garton Ash* has engaged in a herculean work of scholarly research on West Germany's Ostpolitik full of absolutely fascinating details, especially concerning confidential discussions and papers of Bonn's political leaders. There are no new revelations here about the overall story of German policy, but lots of new detail and some fascinating insights into the nuances of German diplomatic discourse and manoeuvring. Anyone concerned with West German external policy over the last 25 years should not miss this book.

On a number of occasions in the book, Garton Ash presents himself to us as an historian and his goal as being historical knowledge. But in truth, the book's framework is inadequate to the task of grasping Ostpolitik as a whole: it lacks an adequate treatment of the political-economic dimensions of West German policy towards the East and, more seriously, although Garton Ash promises us he will situate German policy in its context of the policies of other Western powers towards the East, he does not carry out his promise: above all there is almost nothing on the changing national goals of US policy towards the region and towards Germany itself during the post-war period

* Timothy Garton Ash, *In Europe's Name*, Jonathan Cape 1993, 680p., £25.00

(although he talks frequently about what he sees as the US contribution to the liberation of Eastern Europe from Communism.)

But one can't have everything, and his detailed account of the conceptual, discursive and operational aspects of West German high policy is fascinating, lively and told with verve and style. If only he himself had been content with the ambition to produce that, he could have supplied a marvellous and lasting work both important and entertaining, indeed even a work of great literary merit. Garton Ash can write beautifully. His style is relaxed, vivid and witty. And in the central sections of the book he transforms his Himalayan exploration of sources on extremely complex issues into a sinuous analytical narrative which is a tour de force. If he had left it at that, we could all have enjoyed our Easter holidays with a finely-wrought and very rich Faberge egg of a book.

Intellectual tribune

But Garton Ash is not satisfied with such an ambition. He has boundless admiration for those he sees (and has helped others, through his journalism, to see) as the heroes of the 1980s battle against Communism in Poland and Czechoslovakia, above all Adam Michnik. And he seeks to produce a book of his own in the mould of a Havel or a Michnik, a book that will be admired as the work of an intellectual tribune, in the world of power politics, but not of it; indeed confronting it – in this case, the leaders of the Federal Republic – with the power of the word.

Garton Ash has therefore decided to set up a one person tribunal on West German foreign policy. He wants his book to be a kind of independent committee of enquiry on the conduct of Bonn's power holders. By and large, the tribunal's terms of reference seem to be those of the sort we in Britain establish after some civil disaster like a train crash. But at times the tone sounds more like Lord Scarman or even like John Stalker and once or twice we even feel as if we are listening to a clever and ambitious young barrister in the Old Bailey.

This turns out to be a great pity. It distorts the history, makes the book increasingly tiresome and ends up by making us think ungenerous thoughts about what on earth Garton Ash is up to. When one sets up a tribunal one is supposed to have clear terms of reference: a problem-definition: what is the issue and by what criteria is one to evaluate it? The reports of such bodies are only as valuable as the

criteria of judgement that they use. He starts off with criteria indicated by his title, "In Europe's Name" - has the Government of West Germany, which has claimed that its Ostpolitik has been conducted on behalf of Europe, really acted in Europe's interests?

This is a risky question for a former adviser to Mrs Thatcher to pose. A Michnik or a Havel took this role upon themselves, but against the state in their own country, judging its behaviour towards its own citizens; but here we have Garton Ash bringing a foreign country before his own ethico-political tribunal for the conduct of its foreign policy. He is clearly aware of the risks and seeks to escape individual responsibility by offering an objective and empirical test of West German good behaviour: "the freely expressed wishes of the majority are a primary criterion of rightness. We do not say 'the majority is always right'. There are certain rights that every minority must always have. But the larger the majority, and the more clearly expressed its wishes, the greater is the burden on the minority to, at the very least, consider its position." (26) "If a head of government... declares 'what we are doing, or propose to do, is in the European interest' but the majority of their European neighbours reply 'no, my friend, that is not in the European interest', then it is not in the European interest... This is the stern criterion that we shall apply to German Ostpolitik." (27)

Here for once Ash's diction is sloppy: for it is surely Ash who is stern while his criterion is absurd. It is what we might call a Eurobarometer criterion of historical judgement - the method used by the European Commission for judging reaction across Europe towards this or that initiative or event. It is hardly a serious criterion for judging a state's strategic orientation over decades and it is surely an abdication of an intellectual's responsibility to even suggest such an idea. When, after all, do we take the poll? And what question do we ask? Eurobarometer, for example, asked the question "Are you satisfied with democracy?" in East Central Europe in both 1990 and 1991. The results differ significantly between the two dates. In Hungary in 1990 75 per cent were dissatisfied with democracy. In 1991 the figure had dropped to 60 per cent. In Czechoslovakia the trend went the other way: 55 per cent not satisfied in 1990; 66 per cent in 1991. In Poland in 1990 only 37 per cent were dissatisfied; while in 1991 the figure had climbed to 50 per cent. Should we take this as a "stern criterion" for giving the thumbs down to Western championship of democracy for the

East?! Then there is the little matter of Europe's penchant for nationalism and, in much of Europe, for anti-German suspicions: what if Garton Ash's poll brought those sentiments to the surface? Would that entitle him to condemn German policy?

Western Values

Garton Ash therefore wisely and quietly drops his objective, empirical Eurobarometer criterion somewhere along the way from page 27. But he does not close down his tribunal. Instead new terms of reference creep in, announcing themselves as Western Values. We have to follow him through page upon page of increasingly pompous weighing of the evidence as to whether this or that West German *démarche* or confidential paper or minute of a discussion was consonant with his new "stern criterion". He becomes a model of ponderous good practice, warning us of the tainted source of this evidence, suggesting possible extenuating circumstances concerning that action, appreciating that motives may have been higher than we may suppose. But the sanctimonious hunt proceeds for people watering down Western Values or as he likes to say "relativising" them. He informs us that Poles of a certain age may well be more committed to Western values than Germans of a similar age (394). And his concluding piece of supposedly disinterested advice to the German people is that they must always "remember the West - in trade, in defence, above all in values". And "if they were again to play down, conceal or relativise those values, they would have to be quite sure they knew to what purpose and with what effect." (410) He doesn't tell us why they would have to be quite sure, nor how they could be certain of the effect. These stern words seem to be a threat, perhaps that one effect of their relativising Western Values would be another book from Garton Ash like this one.

Given the fact that he wants us to believe that Western Values have an awesome significance, it would have been helpful to have had a page out of the 410 of text or at least of the further 250 odd pages of footnotes, on which he could have explained what he means by them, what their ethico-political boundaries are and so forth. But he cannily avoids such a perilous undertaking and at no point spells out his values. He does, at one point give some examples: he mentions human rights, the rule of law and one other thing that escapes me. But otherwise he is very coy, coming out clearly with an encompassing characterisation only near the very end of his book and even then

through the words of someone else, Richard Löwenthal, who speaks of "traditional" Western values, namely "freedom versus tyranny." This is helpful. By Western Values then, he means freedom, the values of the Free World. And these can be understood most sharply as the polar opposite of Eastern Values, namely tyranny. It is black versus white, friend versus enemy. There is no overlap, no bridge, no compromise. Whose side were you on in the Cold War, Grandad?

And when we stand back from his sparkling narratives, we discover that these Western Values are, for Garton Ash not merely external criteria of judgement: they are actually embodied in the forces dominating post-war European international relations. Two antagonistic set of Values materialised in the behaviour of the two blocs: freedom activity versus totalitarian activity. This way of conceptualising international relations had, of course, great advantages for pro-American propagandists, for anyone who stepped out of line could find themselves accused of undermining freedom on behalf of tyranny. This is something that Garton Ash never actually says. But it seems to be fully operative in the terms of reference of his tribunal: his question time and again of West German politicians' conduct is: was it on side of the American-led Western alliance and their supporters in Eastern Europe, or was it on the side of the CPSU and its supporting parties and regimes in the Eastern Bloc? Or again, perhaps you were not fully on either side, but 'relativised' both sides.

Against this background, he establishes the argumentative structure of his book. Europe was divided by 'Yalta'. The peoples of Europe have wanted to overcome that division. There was a choice as to whether the division would be overcome by Western Values or Eastern Values. There was no compromise possible, no third way, or as he puts it, in his shrewd concern to avoid sounding too much like an old fashioned Cold Warrior, there was a "lack of neutral or common definitions. Even with an agreed diagnosis, doctors may propose widely different cures. Here they started with neither a common diagnosis of the sickness nor even a common definition of health." (14) And what Garton Ash wants to examine is the so-called German answer to this European either/or.

Germany's Ostpolitik

This attempt to stuff the whole of Europe's international relations into the mould of a contest between Western Values and Eastern Values

embraces the structure of the entire book like a Victorian corset. But in a book dealing with West Germany's Eastern policy, the corset was bound to start bursting almost from the first page. For precisely on this topic there have indeed been "neutral or common definitions" - value positions which have linked some of those in Garton Ash's freedom camp with some in his totalitarian camp and which have divided the proponents of "Western Values". For Yalta was not only about splitting Europe into the two antagonistic blocs. It was also about (the Soviets) rearranging the boundaries of states in Europe, shifting Poland westwards and dividing Germany into three: one part to Poland (and the USSR), one eventually to the GDR and one to the Federal Republic. In short, Yalta was not only about Ash's Western Values versus Communism. It was also about German national claims over whether it should stay in three parts or in two or in one.

This question of Germany's shape and size and weight has been and is, surely, rather an important political question, not to say central in European international relations. And Garton Ash's Western Values have never seemed to line up clearly on it against his Eastern Values. At first the Western Values pretended to support the idea that the three parts of Germany should be put together again. This was a robustly anti-Eastern Values (and anti-Polish) position. Then some parts of the Western Values camp, notably the British, went over to the Eastern Values/Soviet line on Poland's Western frontiers, ditching Germany's third part. Then later, the French and the British adopted what we may indelicately call Ulbricht-Honecker Values, in favour of keeping two German states, while the Soviets backed Kohl for a unified German state.

Now it seems that he has no view on this irritating German question or at least he has no view on it while he is talking about the past. He simply avoids expressing his own opinion on the substance of the issues: the 1937 frontiers, the recognition of the GDR, the recognition of the post-war frontiers, the final Anschluss. He describes what went on over these matters, but he leaves them beyond the terms of reference of his tribunal. Indeed, his view on these issues seems to depend entirely on whether the various West German political leaders took a firm stand for Western Values. And why not, if the shape of Germany is a peripheral detail while the great world historical Either/Or is going on?! It is thus no surprise that what impresses Garton Ash is the fact that the Christian Democrats have been better on Western

Values than the Social Democrats. And he is therefore nostalgic for the good old days of Adenauer and his immediate successors before 1969 when West Germany unequivocally championed freedom against totalitarianism.

Of course, it was also true that Adenauer claimed Germany's right to dismember post-War Poland and to get back Pomerania, East Prussia and Silesia. Garton Ash is enough of an historian to allude (though rather tactfully) to this. In fairness, they would no doubt have offered Poland Western Ukraine and most of Belarus. And of course, the Christian Democrats maintained their legal right to the Eastern territories right up to 1990 when they reluctantly ceded that right. And in discussing Helsinki, he seems actually to support them: he says there was "an element of genuine idealism" in their claim for the 1937 frontiers (226). Those who recognised the Yalta frontiers were "not paying sufficient regard to the great imponderables of history. In this sense the position of Germany's liberal-conservative legalists might be compared to that of the Poles who maintained a government-in-exile in London in the 1980s. Unrealistic, anachronistic, absurd - but it was from the President in exile and not from President Jaruzelski that President Walesa chose to receive the insignia of his new office in 1990, thus asserting the ideal continuity of a legitimate Polish government. Similarly, the balance-sheet of this German upholding of legal principles, in defiance of political realities, might look rather different after 1990 than it did in the late 1980s." (226).

The mind boggles over this piece of apologetic analogy drawing. Is Ash referring to the parallelism of territorial claims - the Polish government in exile's long-held claim to Poland's 1937 eastern Frontier? Or perhaps he is referring to Walesa's refusal to recognise the legitimacy of Poland's post-war state. In that case, presumably Ash would have liked the new unified German government to have accepted its insignia from the direct continuers of whoever ruled Germany in the 1930s - a clear symbolic rejection of Yalta and Potsdam. Of course, he doesn't mean any such thing: what he means simply is no dealing with Communists, on anything!

But the irony of this absurd apologetics is that at the end of the book, after 1990, the "legal principles" of maintaining claims for the 1937 frontiers do indeed "look rather different" to Garton Ash himself: he seems astonished to find that strong pressures continue to this day on the Right in the FRG to get back Pomerania, Silesia and East Prussia.

But he presents this problem at the end of the story, as if it has arrived from the skies whereas this irredentism has been kept alive within and by the Christian democratic parties for all these decades, masquerading as a championing of Western legal values.

Normalisation

This evasion for the sake of Western Values is married to an obsessive carping on the fact that the Social Democrats wanted to "normalise" relations with the USSR and the East European states by recognising the post-war frontiers and recognising the existence of the GDR. What concerns him is not the fact of recognising the frontiers as normal and acceptable: he seems neutral on that. No, the terrible thing is first of all the fact that they used this word in the 1960s and 1970s and at the same time the word was used by Communist leaders about restoring order against movements for reform or democratic change in Czechoslovakia after the invasion of 1968.

This word "normalisation" bugs him from start to finish. Curiously enough, it only bugs him when it comes from the mouths of German politicians. He never mentions the fact that American diplomacy has also used the term and concept of normalisation in international affairs, including East-West affairs. But he finds German use of it extraordinary. He explains in horror on page 13 that it was used in the "actual treaties with the Soviet Union, Poland and East Germany, the three most important of the so-called Eastern treaties". But this is not all. He tells us the following: "Normalisation a la Husak inside Czechoslovakia had been a precondition for normalisation a la Brandt in West Germany's relations with the Soviet Union, Eastern Europe, and, especially, East Germany." (294)

This is outrageous nonsense, but it is also interesting because it shows where Garton Ash's Western Values lead him as an historian: into the hands of the German irredentist right. They saw Brandt's Ostpolitik as a betrayal to the Soviets of German territorial claims. And in their own terms, they were right. But they portrayed it as a betrayal of the West, a demonstration of softness on Communism, a way of shoring up Communism, an abandonment of Western Values. The issue to do with the Czechoslovak events which Ash should have addressed, given his concern for freedom is the responsibility which the irredentism of the Christian Democrats had for the invasion of Czechoslovakia in the first place. Yet he totally ignores the role of

Adenauerist and Schröderist goals and tactics in prompting the invasion. The "policy of movement", the attempt to break open the Soviet Bloc, was linked in the 1960s to a continuing goal of regaining Germany's lost territories: this was precisely what the Soviets meant by German revanchism. It is impossible at this stage to know exactly what weight Soviet and Polish fears about German irredentism had in their decision to invade Czechoslovakia, but can they really have been negligible in the 1960s when such claims were firmly supported by the Christian Democratic parties? Yet his tribunal brushes this aside in favour of trying to smear the Social Democrats as in some obscure way riding on the shoulders of Husak: never mind the political causes of the crushing of the Prague Spring: focus on what happened after it - Brandt's Ostpolitik.

Of course, it is also true that both the building of the Berlin Wall and the invasion of Czechoslovakia did shift part of right-wing opinion in West Germany towards a reluctant acceptance of the need to recognise the post-war frontiers of Europe. Soviet determination on the need for the GDR to survive and on the need to keep Czechoslovakia in the Bloc did produce a change of tactics on the part of West Germany's political elites. But that fact only begs the very issues in the German question that Garton Ash resolutely ignores: should the German Right have dropped its irredentism in the face of Soviet muscle? Or should it have dropped it to avoid the consequences of the use of this Soviet muscle for the people of Eastern Europe?

The other side of this failure to take a stand on the German question is a continuing undercurrent of irritation throughout the book over the fact that the Federal Republic, after Brandt launched his Ostpolitik, was able to work constructively for distinct national goals of its own that were separate from the general anti-Soviet goals of the West and that were nevertheless always presented as organically linked to wider European goals. At times this seems little short of treasonable on the part of the FRG and especially on the part of the Social Democrats and Genscher: a sneaky tendency to pretend they were working for Europe when actually they were working for West Germany.

One must really wonder here whether Garton Ash is extraordinarily naive or just disingenuous: if he really believes that, say, British and American policy was driven by "Western Values" rather than national interests then the surprise he expresses over the fact that Bonn pursued national goals simply illustrates that he should have

stuck to journalism about domestic dissent in Eastern Europe rather than entering the field of international relations. But one can only sympathise with German readers of any persuasion at the fact that they have to read such embarrassingly sanctimonious cant. As we approach the annus mirabilis of 1989, we find a curious transformation in the temper and tone of Garton Ash's book: as Freedom approaches, something close to fury against German policy in general and that of the Social Democrats in particular rises in the breast of Garton Ash. And we also find something else approaching in his head –cognitive collapse: an inability to face the - for Garton Ash unacceptable - reality of the collapse of Communism.

He makes three types of charge against German elites in the 1980s and the Social Democrats in particular: first, that they watered down Western Values or perhaps even abandoned them; secondly, that they slowed down the collapse of Communism through not having the right strategy; and thirdly, that they tended to collaborate with the enemy (Communism, of course).

Relativisation of Western values

To take the first charge, Garton Ash tells us there was a "comprehensive relativisation of traditional Western values in the name of the supreme requirement of peace". (318) This was a problem not confined to the Social Democrats. Ash is driven to a crude and bitter sarcasm by Kohl's joint statement with Honecker at Chernenko's funeral: "From German soil, peace must go out." Ash splutters: "What on earth did this mean? How could peace 'go out' from German soil? Germany was, of course, famous for its ability to export an extraordinary range of products, including a lot of weapons, to all parts of the world. Would consignments of peace be now added to the export balance?" (170) But this sarcasm is misplaced because the FRG did indeed become the major exporter of peace in the 1980s in two forms: first, a gigantic, spreading peace movement; and secondly, both a concept and a series of proposals for sweeping disarmament across the continent. And in both these exports, millions of German people were engaged in a joint venture with the USSR, one generally in intense competition with the American and British states.

The reason for these exports lay in Reagan's warmongering, a topic which Ash's tribunal ignores, except when attempting to claim that the Americans deserve the credit getting rid of Communism. He

thus fails to give Reagan credit for creating the biggest single political protest movement that Europe has ever seen: the peace movement. There is no mention here, for example, of Reagan's suggestions that he might favour an exchange of nuclear strikes in Europe with the Soviets as a kind of early warning signal. The truth of the matter was that if German elites tended to put peace before Garton Ash's Western Values, they were in good company. Indeed, things got to the point where the overwhelming majority of the governments of the West were becoming guilty of that supreme crime in Garton Ash's catechism: relativising his Western Values. The burgeoning alliance between Moscow and what Ash regards as its fellow-travellers in the West reached a crescendo in May 1986 when Germany, plus the European neutrals, plus the other continental countries, plus Ireland and - yes, the United Kingdom - all lined up with Moscow against Washington: at the Berne CSCE meeting on the very topic upon which Ash is fixated: human rights! For Washington, the agreement of the whole of Europe on human rights issues threatened to destroy Washington's human rights armoury.

What is intriguing in all of this is the lack of any substantial discussion on Garton Ash's part of what he really means by relativising Western Values. He could mean one of three possible things:

- (1) Political elites saying all values are a matter of taste and none can be claimed to have greater general value than others. That is what we usually understand by value relativism. It is a stance particularly opposed by social-democratic modernists. But Ash shows no interest in this debate.
- (2) Policy-makers weighing human rights as a policy value or political goal at a particular time against other policy values or goals, such as peace programmes or principles and perhaps concluding that the peace goals should predominate at this time and in this context. This is the kind of weighing-up of goals and policy values against each other, relative to each other, that one hopes, surely, that policy makers might do. If Garton Ash accepts this kind of trade-off of one policy value relative to others, then it behoves him to say where he stands on the policy values propounded by various German leaders in the 1980s. Where does he stand on Bahr's concept of common security, for example. The trouble is that he refuses to engage in such substantive debate; he confines himself to sarcastic sneering instead. Thus, faced with the 1986 SPD conference resolution's statement that "The peoples in the East-West conflict will either survive together or perish together"

and that an East-West security partnership is needed, Ash can only sneer: "That, while the Germans survived together, the people of Afghanistan were perishing separately was a detail too small to impinge on such a grandiose principle." (318) Only thus can he deal with the serious debates about nuclear war in Europe. As for his remark about Afghanistan, is that also not insensitive? Can he honestly not acknowledge that it would have been better if Washington had been prepared to settle for a Bahr-style common security arrangement with Moscow in the late 1980s over Afghanistan rather than let the people in that country "perish together" as the SPD resolution put it and as they are doing now? Or does he think Western Values have won a famous victory in Afghanistan too?

We must conclude that Garton Ash is against such trade-offs of one policy value or goal relative to another. We can then only conclude that by relativism he means:

(3) the failure to govern all Eastern policy by the goal of overthrowing the Communist leaderships and regimes in Eastern Europe. And this is indeed what he seems to mean: he treats the politics of the 1980s as a two person zero-sum game between the West and the Communist regimes over freedom. Only this gives coherence to his sneers and attacks on West German leaders who suggest that in one area or another there is a common ground with the Communist regimes. He quite simply treats any amount of such cooperation as involving an equivalent amount of loss for the cause of Western Values.

This finally becomes something like a criminal offence for the embattled Garton Ash, when he gets his hands on the GDR regime files and searches through them for evidence of collaboration between German Social Democrats and German Communists. By this stage he is no longer a militant fighter for human rights. He is as sober and careful as an investigating magistrate: "These documents show how each individual (West German) politician must be judged on his or her individual conduct." In other words, no collective guilt on this occasion. And he warns us that we must, of course, treat the East German documents "cautiously". And this also means "how important it is to have the West German ones as well" (336). What does it all amount to? Trivial tittle-tattle of zero significance for the lives of people, in comparison with, say, the terms of German monetary union in 1990.

This then leads Garton Ash down the most bizarre dead end in the whole book. Because he is unable to nail any principled charge on

the leaders of the Federal Republic, he charges them with strategic ineptitude. The attempt to claim that they ratted on Western Values is left as a vague bad odour. He now shifts his ground of attack to the field of Western strategy: West German strategy for freeing the peoples of Eastern Europe was wrong for the following reasons:

(1) You need tension between the West and these regimes to create the most favourable conditions for a domestic overthrow of Communism.

(2) Since reformism within these regimes was played out, you have to overthrow them from below, and thus the West should fund the people capable of overthrowing the regimes.

(3) You should be favourably disposed towards revolution without, of course, actually calling for it.

West German strategy failed on all these tests. They sought to remove tension in Europe, they were bottom of the league on funding opposition movements, and they tilted against insurrection. See, says Garton Ash, how wrong the Federal Republic was: after all, the pudding of the pudding was in the eating: look at the revolutions of 1989. This is what he actually asks us to do. It is a pitiable sight to see such a clever, cultured and hard-working intellectual encouraging us down a garden path of his own choosing only to find him unable himself to face the reality which is staring at him at the end of that path.

Revolutions of 1989

The story should be well enough known by now. Gorbachev, in tandem with Bonn, pushed through a massive reduction in tensions and military threats in Europe in the late 1980s, with Gorbachev making it crystal clear by his actions up through the autumn of 1988 that he would not intervene in defence of client regimes in East Central Europe. Then, in January 1989 the Central Committees of both the Polish and the Hungarian CPs decided, after intense internal debates, to move towards multi-party systems and to open their economies. The Polish Communist decision was pushed through not by millions on the streets but by threats from the organisers of Martial Law, notably General Jaruzelski, to resign unless the turn was made. The result was the opening of negotiations by the Communist Party with prominent opposition leaders around Lech Walesa and these led swiftly to elections which eventually resulted in a government led by non-Communists in August 1989. Meanwhile similar decisions about moving

towards multi-party democracy were taken by the Hungarian Central Committee and this was followed by the opening of the border with Austria and the events which led to the collapse of the Honecker government in the GDR. The so-called Velvet revolution in Prague marked the Czechoslovak catching up with the rest of East Central Europe.

He could, perhaps, argue that he still gets things largely right: after all, there were predominantly revolutions from below in three countries and revolutions from above in only two - if you leave out the USSR itself and Yugoslavia and Bulgaria and Albania. But he does not find this a convincing enough approach. And everyone knows that there was a domino effect from Poland and Hungary elsewhere. So he adopts a different tactic: he simply fails to explain what happened in Poland and Hungary, apart from a reference to round table negotiations in Warsaw in the spring. This would not matter if it wasn't for the fact that absolutely central to his own argument is the impossibility of change being initiated from above. This is the big stick with which he belabours the German government and the SPD in the late 1980s. And, to borrow a favourite term of his, he is ready to "relativise" the blatant historical truth rather than give up his stick. Thus, he can actually tell us that a basic mistake of the SPD was "the belief that political change in Eastern Europe could only come from those who already held power, through reform from above - and the concomitant neglect of the individuals, groups and movements working for change from below." After the experience of the 1970s, this "should no longer have been credible." (340)

And we find him castigating the FRG government over the fact that, in October 1987, it guaranteed a DM1 billion loan to debt-ridden Hungary. This enabled the Hungarian government to keep up its interest payments on the debt and buy more consumer goods. But, says Ash, this was "a political soft option which delayed the necessary economic (and political) reform rather than contributing to it." (295) True, he acknowledges, this clearly contributed to that gradual change in the attitude of the Hungarian leadership which culminated in the crucial opening of the Hungarian-Austria frontier for East Germans in September 1989. "But", declares the stern moralist, "the direct contribution to desirable economic and political change inside Hungary was... at best minimal and at worst negative." The poor Hungarians had to wait for Ash's liberation for nearly two more whole years! And then,

in a fake balance of his criticism which is really designed to re-enforce it, Ash declares: "The loan guarantee could clearly be justified in terms of national goals". How shameful: putting German national interests before the freedom of the enslaved peoples!

We will leave aside the fact that Garton Ash fails to foreground the centrality of Bonn's economic leverage over the economies of Hungary, Poland and the GDR as a causal factor in the transition. The whole story of the intense negotiations between the Polish and Hungarian governments and those of the EC and the West in general between the 1988 joint declaration of Comecon and the EC and the Central Committee meetings that took the key decisions in Warsaw and Budapest in early 1989 is missing. And for this reason, effective criteria for evaluating the role of Bonn in triggering the whole process of 1989 are lacking. All that he will acknowledge is that Bonn was central in the triggering of events in the GDR through its leverage with the Hungarian Communists. But the really interesting question is why such a clever and cultured person as Garton Ash should be so passionately committed to these absurd efforts to condemn the Bonn government for ratting on Western Values and for allegedly hindering rather than helping the transition of 1989. What is really bugging him?

What is really bugging Garton Ash?

The answer seems to be very simple and all too traditional: he is a British mainstream supporter of Anglo-American Cold War ideology and politics and he find it hard to come to terms with the facts of the annus mirabilis of 1989. It is not that the achievement of freedom enrages him. It is the achievement of German power in Europe that upsets him. He is bewildered by the fact that the great American efforts against the Soviet Bloc turned out to be efforts in the service, so to speak, of the King of Prussia. It is, sad to say, sour grapes.

The really big thing that was unexpected, in Anglo-American circles, about the way the Cold War ended was the fact that it didn't end with the Soviet President going to Washington and suing for peace. If that had happened, Washington could have ended up in charge of everything. And if there had been a series of renewed Solidarity-style movements in East Central Europe in the late 1980s with Moscow trying to resist them, the Cold War might have ended in that way. So long as great military security issues dominated the East-West European agenda, Washington governed the European political process.

But what actually happened was that Gorbachev lost patience with Washington's foot-dragging over the super-power negotiations and in 1988 opened the door to Eastern Europe for the West Europeans, especially the West Germans. He made unilateral military cuts, short-circuiting Washington, he encouraged the Polish and Hungarian governments to make their moves towards domestic system change rather than provoking civil unrest by cracking down on living standards to pay bills to West Germany (the outcome Garton Ash would seem to wish had happened) and he tipped over Honecker. To crown it all, he opened the way to German unification in February 1990. Germany, already the leader of West European economics and politics, won.

The Americans put a brave face on it - in public - and they managed to regain control of the international agenda for a while in 1990-91 with their Gulf War. The British Tories were far less dignified. And this is regrettably true of Garton Ash as well. Perhaps it is true that he is only dimly aware of the British and American national goals that lay behind all the human rights rhetoric or the hostility to peace and disarmament. Perhaps he genuinely naively believes that US and British governments, at least in the 1980s, were ethically head and shoulders above the Germans. The more is the pity.

Garton Ash at times tries to put a brave face on events and persuades himself that he and his friends at least had "a philosophy" that got things more right than the German policy makers: "Like the unfinished Polish revolution of 1980-81, the revolutions of 1989 - including that in East Germany - were not dreamt of in the philosophy of Ostpolitik. These revolutions were dreamt of in the philosophy of [Havel]." (298) But the pain remains and keeps coming to the surface, because what counts in international politics is not having a "philosophy" that can predict the exact nature of future events. The key thing is to position yourself to set the favourable political logics in motion to achieve the desired outcomes, whatever the exact pattern of events. And this is what Ostpolitik achieved to Garton Ash's chagrin. He quotes Schmidt's memoirs on the situation when he became chancellor in 1974: "...there was hardly a government in Europe which genuinely regretted the partition of Germany.... The world seemed to be quite content with the division of Germany; illogically, it was much less content with the division of Europe." Ash responds: "To rebuke the world for being illogical was marvellously characteristic of Helmut Schmidt. It was also not entirely logical. In other contexts, Schmidt

himself... spoke with perfect understanding of the fears that European neighbours might have of an united Germany...." And Ash goes on to tell us that a united Germany in a divided Europe or a divided Germany in a united Europe were both logical because they had been envisaged "not merely in the theory but in the practice of major Western partners of the Federal Republic. There was a time in the 1950s when policymakers in Washington seriously discussed the 'policy of strength' somehow pulling the rest of Germany fully into the West: thus creating, at least temporarily, the variant of 'united Germany in divided Europe' (The phrase was used in American State Department discussions)." Yes, but in the political logic of Europe in the 1980s, Schmidt was right and Reagan and Bush and Thatcher's efforts to unite Europe "in freedom" were unintentionally delivering the prize to Bonn.

Of course the unfairness of 1989 rankles. After all, who helped and funded the dissidents, he asks: "...of the major Western states, America was in the first place, and West Germany was still, in this particular respect, in the last." (296) And he pleads us all to remember: "At the very least it is a matter of historical justice to give credit where credit is due. Among the major Western countries, the largest part of the credit for the direct sustenance of those who actually led the revolutions of 1989 belongs to the United States of America." (297)

What one has to do, however, after the triumph of West Germany in 1989-90, is to look constructively to the future. And this should surely mean constructing a genuinely strong, multilateral, collective security and military framework across the continent of Europe within which Germany's power will be harnessed for the benefit of the people of Europe. This is what the new Polish elites have been arguing for. It requires building upon the ideas that have developed within the German left in the 1980s: ideas about a new European peace order, ideas about a strong, more fully integrated European Union with an enlarged budget and a greater social dimension and a reform of the CAP and other policies to facilitate the entry of countries like Poland.

It is not, unfortunately the vision of the UK, whose government is seeking to counter-pose a narrow, Atlantic-centred NATO to a pan-European collective security order, is seeking to weaken the existing integrative structures of the EU rather than strengthen them, and is encouraging a Europe of national powers and rivalries. This UK government is also, no doubt, seeking to hem in Germany through an Anglo-American power using countries like Poland as an Eastern buffer.

It would have been helpful, since he ends his book by looking to the future, if he had taken up some of these Polish conceptions, or better still endorsed them. But he seems rather sceptical, not to say cynical, about all these multilateral bodies and plans and is distinctly unconstructive about a strong European Union. One therefore wonders, finally, what the content of these final dire warning to Germans to respect Western Values, or else, really amounts to. One only hopes it's not a barely veiled threat of a return to muscular power politics on behalf of the Western powers. For what we need now is for able and imaginative intellectuals like Garton Ash to be putting their great talents and humanitarian concerns to work not only in Europe's name but in the interests of the people of Europe in these trying times of Freedom.

Reviews

David McNally *Against the Market: Political Economy, Market Socialism and the Marxist Critique* (Verso 1993, 262pp, £12.95) and
Elmar Altvater *The Future of the Market: An Essay on the Regulation of Money and Nature after the Collapse of 'Actually Existing Socialism'* (Verso 1993, 274pp, £11.95)

The question of the role of the market in a socialist economy has recently been discussed with renewed vigour particularly since 1989. Indeed, so much energy has been put into redefining notions of 'market socialism' that at times it has seemed as if socialist economists have become the most enthusiastic proponents of the market. Against this background it is challenging and refreshing to read two unashamed critiques of the market, written from the left. Unfortunately, neither of these books is quite as successful as might have been hoped. Nonetheless, they raise important questions and mark a welcome continuation of the debate started by Alec Nove and Ernest Mandel in *New Left Review* almost a decade ago.

David McNally is a historian of political and economic thought whose main influences are the theory of state capitalism associated with the work of Tony Cliff and Chris Harman, and the account of the transition from feudalism to capitalism provided by Robert Brenner. In his earlier work *Political Economy and the Rise of Capitalism* McNally related the development of political economy from the 17th century onwards to Brenner's conception of capitalism as arising primarily as the result of a transformation of social relations in the countryside. Consequently, for McNally, capitalism was first of all agrarian capitalism, and political economy was, up to and including the work of Adam Smith, a theory of agrarian society. The analysis of Smith is the culmination of McNally's earlier work and the starting point for his current book.

In *Against the Market* McNally tries to do three things. Firstly, he wants to show that the establishment of a market economy through enclosure and other changes in agriculture was not a natural process but involved massive dispossession and violence. The market is something that has been constructed with great difficulty. Secondly, he wants to relate this process of dispossession to the development of political economy. He shows that Smith's view of the market was more complex and ambiguous than is often supposed; that Smith's legacy was contested on the one hand by apologists for the market, principally Malthus, and on the other by the 'popular political economy' of Owen, Hodgskin, Gray and others; and that this debate was an essential part of the context against which Marx worked. Thirdly, he wants to argue that popular political economy was fatally compromised by its failure adequately to criticise the market, that Marx provided the critique that was missing and that this in turn constitutes the basis for a repudiation of today's market socialists.

McNally is largely successful in the first two of these objectives. He draws heavily on previous accounts both of the development of capitalism and of the economics of utopian socialism, but he sets them in a broader context. Particularly interesting is his account of Marx's continuing debate with Proudhon over the role of the market and of money, and of the importance of this debate for the formulation of Marx's theory of value and for its distinction from that of Ricardo. The problem, however, lies with the third objective. While I am sympathetic with McNally's desire to counter many of the arguments of market socialism, I do not think that the account given

here will actually convince those who are undecided in the debate.

The first difficulty lies in McNally's view that Marx's critique of 19th century popular political economy can be carried over to the critique of market socialism today. As McNally himself shows the popular political economists developed a programme of 'purifying' market relations by abolishing money and replacing it with tokens based on direct labour worked. Proudhon in turn saw this as a means to dissolve the state. Marx effectively criticises this kind of programme. But contemporary market socialists are quite prepared to acknowledge the need for money and some form of state power. It is not clear, then, how relevant Marx's critique of their forebears really is to contemporary debates, and in fact McNally does not really use this critique in his final chapter on moving beyond the market. His argument is rather that the market is incompatible with a society based on fulfilling human needs and imposes an incompatible set of criteria based on competition and accumulation.

However, at this point McNally runs into three further problems in establishing his case. The first problem is that of rooting his argument in the material reality of contemporary capitalism. As he himself realises, unless he is able to do this his analysis will remain at the level of a utopian programme: "For Marx, criticism is meaningful only if it is based on a real social movement. It follows that any serious discussion of the economics of socialism must take as its point of departure the actual political economy of the working-class struggle against capitalism" (p.184). McNally identifies two trends which provide the basis for the 'political economy of the working class': the struggle to limit the working day and the move to co-operative production. Now, clearly, when Marx was writing these trends were dominant in the working class movement. The establishment of larger and larger workplaces and the campaigns for the ten hour and eight hour day were central to 19th century history. However, it is not so clear that these trends provide a basis for the economics of socialism today, in practice as opposed to theory. In the industrialised capitalist countries at least it seems possible to argue that the trend towards co-operative production is actually being reversed with increases in sub-contracting, homeworking, increases in market or quasi-market relations within enterprises, growth of the informal economy and self-employment and so on. For all the talk amongst socialists about campaigns to limit the working week, the reality at present is that limitation of working time

has not been a central practical issue in the 20th century in the way that it was in the 19th. That does not mean that one has to abandon the possibility that these trends may reassert themselves; or adopt the 'post-fordist' perspective that mass production is a thing of the past. However, in order to root discussion of the economics of socialism in material reality it is necessary to discuss these issues. McNally does not really do so.

The second problem is that McNally does not really define exactly what he means by market socialism. Consequently he appears at times to be attacking straw people. In particular, he criticises Robin Blackburn's acknowledgement of the importance of the critique of socialist planning provided by Ludwig von Mises and Friedrich von Hayek. After recounting Mises' position McNally observes that "Spelled out in these terms, it is difficult to see how there could be any accommodation between socialism and the neo-liberal position. Blackburn makes no effort to confront this issue head-on, seemingly unaware of the full terms of debate" (p.173). But this is surely to misunderstand the point at issue. No market socialist has ever believed that Mises and Hayek could somehow be appropriated for their position. The point is rather that they raise issues, particularly concerning the dispersal of information within society, which a viable socialist alternative has to confront and answer. In fact, McNally is quite prepared to allow a role for the market in his conception of a socialist economy, albeit a progressively decreasing one. His concern is not that there should be no market, but that the market should not regulate the economy. In particular there should be "democratic control over macroeconomic decisions which determine the fundamental structure of consumption and the rate and structure of investment" (p.201) and there should be "demarketization of subsistence" (p.202). Put this way it is not clear how far McNally's position really differs from that of many who would consider themselves market socialists. The debate around 'basic income for all' which in essence does remove subsistence from the arena of the market has been largely taken forward by proponents of market socialism. Many market socialists would agree on the need for social control over investment decisions. The key questions are what measures are necessary to prevent the use of the market turning into regulation by the market; how social control over investment is to be achieved and how decisions over such control are to be taken; and how to reconcile such control over long term decisions with short term

flexibility. McNally does not discuss these issues. He argues that Diane Elson's proposals for a socialised market will simply reproduce market regulation, primarily because they are based on a flexible price mechanism. But he does not say how the price of those goods which would be provided by the market in his model would be fixed, apart from a brief discussion of taxation.

The third problem is that, while McNally effectively shows that the market is unable to solve certain problems, these problems would remain for a socialist society in equal measure. For example, McNally writes that "the whole point about prices is that they reflect present data. Investment inevitably changes these data over time by creating new incomes, changing technical conditions of production, altering consumer preferences (by providing new goods) and so on. The longer the time horizon, the more glaring this problem becomes. How is the market to regulate decisions with respect to public goods which will, at least in large measure, be consumed by the next generation?" (p.200). But these problems will be just as acute for socialist planners, and McNally does not discuss what their solution might be.

If McNally's book starts from a historical discussion of the roots of the market, Elmar Altvater is resolutely contemporary. *The Future of the Market* was written in response to the Eastern European developments of 1989. It starts with an analysis of the reasons for those developments; moves on to a discussion of the nature of the market as an institution and then follows this up with a critique of the market based on two issues; monetary instability and debt, which is essentially an account of the implications of the international debt crisis, and the inability of the market to take due account of ecological criteria and imperatives.

Altvater is an important figure in German radical economics and this book thus promises much, as an initial response from the German left to the changes in Eastern Europe. Yet it is a disappointing book. This is perhaps partly due to its origins in a course of lectures. What may well have been exciting in the lecture hall because of its wide range appears somewhat superficial and eclectic on paper. Ideas are mentioned but not really analysed in depth. The analysis touches on concepts of Fordism and the analysis of the regulation school, new developments in monetary theory, the attempts by Georgescu-Roegen and Martinez-Alier to fashion an ecologically based economics around concepts of energy and entropy and Prirogine's theories of self-

organisation, without really developing any of these in detail.

More seriously, the point of much of the analysis remains unclear. Those reading the book from the left are likely already to be persuaded of much of Altvater's analysis of ecology and the debt crisis and to find the account given here rather laboured. On the other hand proponents of neo-classical economics are unlikely to be persuaded by Altvater since he does not discuss the problems of such an approach in sufficient detail to win over the unconverted. While he makes a number of suggestive points, particularly with regard to ecological issues, he does not really follow them through. Altvater also remains strangely isolated from current debates on the subjects which he analyses. The only Marxist writer on ecological questions from outside Germany who is discussed is James O'Connor, and that briefly on the basis of one article. The German ecological debate is hardly treated in any more detail. The discussion does not refer to the political practice or ideas of the Green movement in any depth. Analyses of ecological questions by writers on the left such as Ted Benton and Reiner Grundmann, which compare favourably with Altvater's account in theoretical clarity, are not mentioned. Further, Altvater's analysis of the debt crisis, while containing interesting historical detail, lacks either the conceptual sharpness of an account like that of Stuart Corbridge, or the empirical detail of the work of someone like Stephany Griffith-Jones.

Finally, Altvater's conclusion, in which the implications of his analysis are spelt out, is rather unconvincing. In contrast to McNally, who believes that plan and market are incompatible principles of economic regulation, Altvater believes that the divide between plan and market is a false divide. Markets in his view have always been regulated politically and socially: "Modern societies are therefore always a complex whole involving both market and non-market forms of regulation" (p.238). The concept of a 'free' market, unencumbered by regulation, is simply an ideological chimera conjured up by marginalist economics. The important question is the form which regulation will take. Here, Altvater argues that Soviet planning failed not because it was planning, but because it did not break radically enough from the technological and social imperatives of market economies. Rather than presenting a different goal it involved trying vainly to catch up with the West. In contrast what is now needed is a new objective: "a 'remoralization' of reality becomes indispensable for the assertion of ethical principles in resource allocation" (p.242).

This may well be true, but Altvater gives only the briefest set of indications about what it might mean in practice, beyond the call for cancellation of Third World debt and for a new ecological awareness. His discussion of exactly how market and plan might be articulated is extremely brief, and does not really add anything to Diane Elson's earlier work, which Altvater appears to take as a model. The book concentrates much more on criticising market processes than on spelling out a detailed alternative.

To conclude, while these books raise some useful questions they do not really advance the debate on constructing a socialist economy very far. This is surely a reflection of the inherent difficulty of the subject, rather than of any personal failing of the authors concerned. However, despite this difficulty, the need for the left to take up the issue of the transition to a socialist economy is more rather than less urgent now than before 1989. In debating this question the need seems to me now to be less for global studies of economy wide mechanisms than for much more detailed and precise analyses. We need to know a lot more about just how markets work in detail in order to know what it means to overcome market regulation and how to do this. We need to know with much more precision what the implications of contemporary economic trends are for collective decision making. We need more discussion about the details of potential methods of social decision making in an economy not primarily regulated by the market; about what conflicts might arise in such decision making, how they might be resolved and what the implications of this might be for the limited use of the market and the flexibility of the economy. We need more detail on how the basis of decision making in particular areas of the economy can change dynamically and of the extent to which this can be done in isolation from other areas. Only on the basis of careful study of such questions can we construct an account of how a society can move beyond the market towards a viable alternative.

Andy Kilmister

Istvan P. Szekely and David M.G. Newberry (eds), *Hungary: An Economy in Transition*, Cambridge, Cambridge University Press, for Centre for Economic Policy Research, 1993, 360pp.

This book consists of the edited proceedings of a conference organised by the Centre for Economic Policy Research which took place in London in February 1992. Its seventeen chapters, almost all written by Hungarians, are divided into seven sections covering foreign trade, privatisation and competition policy, the financial system and private savings, foreign debt and monetary policy, legislative and tax reform, labour markets and social security and state desertion. In addition to the seventeen papers the book contains a Foreword, a Conclusion and short discussion comments at the end of each section by one or more western economists. Like all such collections the quality of the contributions is mixed; but, in general, it is high, reflecting the intellectual sophistication of Hungarian economists. It should be stressed at the outset that this is an academic volume, by economists for economists. The authors make few concessions to the non-professional economists, or even to the non-specialist in the branch of economics to which they happen to belong.

In the Introduction the editors present both the volume and its subject matter, giving a good overview of Hungarian economic performance and Hungary's place in the region, and a concise, structured synopsis of the contents of the book. Hungary's "success story" (attracting the bulk of western investment despite high labour costs and an appreciating currency) is not denied; but the authors draw our attention to potential hazards such as continuing problems balancing the budget and the danger of losing its head start in economic and political reform, in which case Hungary has little obvious advantage over its neighbours in the region.

In the first contribution to the section on foreign trade, Laszlo Csaba, in a wide-ranging paper, discusses the economic consequences for Hungary of the disintegration of the Soviet Union. He begins by pointing out that economic decline is, in practice if not in theory, a necessary concomitant of major structural change. Some sort of downturn in the economy was therefore inevitable and judgements of current economic performance in the region should use some other measure such as convertible currency exports, or exchange rate

stability. He also warns that Central Statistical Office figures are inevitably biased. They cover fully the erosion of the old state sector because that is what they have always reported, but they under-report private business. In consequence, they overstate the severity of the recession and understate the process of transformation and recovery. With these caveats in mind, Csaba shows that trade with the Soviet Union peaked in 1987 and was actually in decline before the CMEA was dissolved. The drop in exports in the first year of convertible currency accounting was not catastrophic. It was of the same order of that in the previous year, and the year before that. Part of the reason for the relatively smooth change over was also that the Transferable Rouble has been overvalued in order to overstate the importance of trade between "fraternal" states. Csaba next shifts focus and explains how the impetus towards restructuring came from below. The government, despite its rhetoric, persisted in ill-thought-out policies to protect existing trade patterns. Csaba is equally critical of arguments in favour of a Central European Payments Union.

Kalman Mizsei, in the second paper in this section, is also critical of the Payments Union idea, but only in retrospect. After attempting, on the basis of incomplete statistics, to describe the pattern and weights of Hungary's Central European trade in the first year after the end of the CMEA, he explains the logic behind the idea of creating a Union based on Poland, Hungary and (the then) Czecho-Slovakia, countries with a similar commitment to reform. In reality, however, the governments of even these countries proved sceptical of co-operation and ambivalent towards free trade. The EC has emerged as a greater believer in the concept of the "Visegrad countries" acting in concert than the countries themselves.

The first section is concluded by a fascinating paper by Halpern and Szekely. The reviewer is obliged to take their econometrics on trust, but assuming this is justified the paper's findings are significant. The authors' argument is that once the correct assumptions about incentives facing enterprises are made (the rouble and non-rouble areas are disentangled, export subsidies are taken into account, import restrictions are brought into the equation and so on) then the Hungarian economy under the New Economic Mechanism is shown to have a reasonable supply responsiveness of exports to export prices. Economic agents in an "irrational" economy acted rationally after all.

The section of privatisation and competition policy starts with a short and uncritical account of privatisation by Jarai. He first identifies three patterns of privatisation: new private companies, spontaneous privatisation and state-initiated programmes. Turning next to buyers and intermediaries he notes the importance of foreigners in privatisation to date, and the relatively small role played by the Budapest Stock Exchange, despite the Hungarian emphasis on selling state enterprises and getting value for money. Mihalyi's contribution to this section begins with a presentation of the ideas for radical property reform within the context of a socialist economy that were under discussion in the 1980s. He then discusses critically the privatisation policy of the first post-socialist Hungarian government, the role of the State Property Agency, and the relative failure of "pre-privatisation". He then argues that the reality of what has happened in Hungary is that the "cross ownership" of the socialist debate has become reality. Whilst most of the small number of state-initiated programmes have been sold to foreign private owners, most "privatisation" involves the restructuring of some two thousand state-owned companies into 8-10,000 corporate entities with greater or less state participation. Despite widespread allegations that in the course of this privatisation former managers are getting rich at the expense of the state, Mihalyi points out that such allegations have rarely been substantiated. He further notes that for very practical reasons there are few people available with sufficient commercial and technical competence to run companies better than the previous management elite. The transformation from state ownership to a cross ownership model is, in Mihalyi's view, "a spontaneous evolution fed by the energy of Hungarian managerial class and made possible by the benign neglect of the state administration" (p. 103).

Stadler's paper on competition policy highlights the down-side of Hungary's privatisation policy. Foreign investors favour potentially profitable, near monopoly companies. The consequence of Hungary's desire to maximise income from privatisation sales is that it permits a very weak competition policy.

In the section on the financial system and private savings, Kiralyi offers a very clear description of Hungary's financial institutions and the way the Central Bank can influence them before attempting to present a formal economic model of the system. Varhegyi's paper criticises Hungary's 1987 banking reform as, inevitably, insufficiently

radical. She next presents the case for a second bank reform. Her basic criticism is that banks are too closely tied to large enterprises many of which are in fact the banks' main debtors. Arguing that the "devil is in the details" she lists a series of detailed criticism of the proposed Financial Institutions Act which will lead to excessive central government intervention. Abel and Szekely examine the structure of household portfolios in Hungary between 1970 and 1989. The most interesting point to emerge from a rather dense discussion is that the most popular financial instruments were safe, highly liquid, and artificially high-yield assets. If any of these characteristics changed, as happened with bonds in 1988, these forms of investment were immediately abandoned.

The section on foreign debt and monetary policy begins with an article by Oblath which first charts Hungary's accumulation of foreign debt since 1973 and then embarks on a very technical discussion of the components of the debt and scenarios for coping with it. The conclusion, in lay terms, is that Hungary will be able to manage its foreign debts provided nothing goes wrong and there is a sufficient amount of private capital inflow into the economy. Riecke's paper agrees that the debt is manageable under certain assumptions, but places the emphasis on increasing exports and economic growth, which will require an appropriate monetary and budgetary policy. In his contribution to the discussion of this section, Richard Portes goes against the Hungarian consensus and argues against dutifully repaying loans incurred by the socialist government. He favours substantial debt reduction for Hungary using the model of the Mexican debt reduction agreement.

In the section on legislative and tax reform Sarkozy gives an account of key legislative change from 1968 to 1990, focusing, in the final year on etatist measures of the Hungarian Democratic Forum government. Koltay then describes Hungary's tax system following the 1988 tax reform, based as it was on personal income tax, VAT, and corporate income tax. Jointly these papers illustrate the degree to which the Hungarian economy, in many formal respects at least, already approached the norm for market economies before the political changes of 1989.

There is a similar emphasis on the old system in Kollo's opening essay to the labour markets section, focusing on the effect of the "second economy" and chronic labour shortage on labour behaviour.

The paper concludes with a discussion of the rise in unemployment and the decline of the "second economy" which are both impacting adversely on labour and its bargaining power, and are also leading to a greater differentiation in wages. In his conclusion Kollo argues that under current Hungarian conditions there is a need for a stringent incomes policy.

Maria Augusztinovics then discusses at length the social security system and its current crisis. She first analyses what happens in an imaginary economy, identifying the "pension paradox" - that aggregate and average pensions grow but individual pensions do not - under even the simplest of conditions. She then considers, again in the abstract, what happens when the economy is slowing down and when it enters stagflation. The disadvantage of the pay-as-you-go rather than the funded system are more apparent in such cases. Turning to the real world she describes Hungary's retirement and health insurance systems since 1949. Fully comprehensive cover was introduced in 1975, yet as early as 1978 the state began to break the "old deal" and subsequently pensioners became both relatively and absolutely impoverished, despite the fact that aggregate pension expenditures were increasing. She concludes by noting that the Hungarian system was a hybrid - a funded pay-as-you-go system, backed by vast accumulated state wealth which ought to (but will not) be taken into account in the privatisation process. The social security system will receive nothing of substance from privatisation and will remain underfunded. The consequence of this is that, whatever the precise scenario, the future social security system, operating as it will be independently from government, will find itself in a position where there is a bill to pay and it is not clear who will pay it.

The book's final section consists of a single paper on state desertion by Abel and Bonin. The paper argues that the state should not be allowed to desert the economy entirely because it always has a role. It illustrates this first by the negative example of the inflationary impact as the state withdraws via price liberalisation and subsidy reduction, and then by the positive example of the relative success of Hungary's state-managed gradual establishment of a de facto convertible currency. The paper concludes with a call for gradualism rather than Poland's "all shock and no therapy". The discussion of Hungary's attitude to the convertibility of the forint is particularly welcome since it is an area where Hungary's policy differs markedly from those of

Poland and the former Czechoslovakia, for example, and it is not discussed elsewhere in the book.

Accepted on its own terms as a collection of academic papers, the only caveat that should be issued is that this two year old collection has already somewhat dated. The privatisation debate and the reality of privatisation have progressed considerably, and many of the more pessimistic predictions concerning budget deficits have already proved true. This notwithstanding, the book contains high quality, if dry, articles which, especially when considering topics such as privatisation and foreign trade reform, go beyond political slogans and hastily formed initial judgements. This is a measured and considered verdict on the background to and progress of the first two or so years of the economic transition in Hungary.

Nigel Swain

***Fascist Europe: The Rise of Fascism and Xenophobia*, edited and with an introduction by Glyn Ford, Pluto Press 1992, 216pp.**

This is the report of the European Parliament's Committee of Inquiry into Racism and Xenophobia, published originally in 1991 and in a new UK edition in 1992. Glyn Ford, a leading Labour MEP was a member of the Committee.

The book deals mainly with Western Europe and only briefly with the ethnic and racial problems that have manifested themselves in Eastern Europe since the collapse of the Communist regimes. One of the major weaknesses of the book is its lack of analysis of the causes and conditions that give rise to racism and xenophobia. The closest thing to an analysis comes in a quote from Willi Rathley of the German SPD, who locates the cause of increasing racism and xenophobia in "the trend towards individualisation inherent in the modernisation process. The loosening of ties to the family, vocation, work and company, church, parties, and trade unions has produced increasing uncertainty

and lack of direction. There is a growing susceptibility to political platforms offering security by emphasising the national aspect or providing scapegoats (foreigners)."

However, for the European Union, the book is a source of succinct, country-by-country information about fascist and other far-right political organisations and prominent individuals, national laws on immigration and rights, and the incidence of racist attacks. (The UK organisation Searchlight is credited with providing much of the information.) There is little on institutionalised racism, for instance in education, housing, or the legal system.

Coverage of Eastern Europe focuses on the incidence of anti-Semitism, anti-Roma, and anti-European minority racism (as opposed to the predominant anti-Black, anti-non-European racism of the European Union). The emergence of the virulently anti-Semitic and fascist Pamyat organisation in the former Soviet Union (with tens of thousands of members in Moscow and St. Petersburg), of Vatra Romanesca (successor to the Iron Guard) in Romania, of anti-Semitic nationalist movements in eastern Germany, Hungary, and Poland is chronicled.

The book describes the success of "new right" intellectuals such as the "historian" David Irving in redrawing the parameters of debate on immigration, thanks largely to the explicit and implicit racism of Socialist and Communist leaders at national and local level (the examples of which are restricted in the main to France and Germany).

The criminalisation of immigrants has been promoted by the linking of refugee/immigration questions with "terrorism" in the activities of such unaccountable bodies as the TREVI Group (terrorism, radicalism, extremism, and international violence), the French-Benelux Schengen Group, and the Ad Hoc Group on Immigration, all operating outside the institutions of the EU.

Since publication of this book, progress towards a Fortress Europe that excludes the rest of the (poor, non-white) world has proceeded more rapidly at the level of state legislation and secret inter-governmental agreements than through the electoral advance of the extreme right. The UK's 1993 Asylum and Immigration Appeals Act (which has its parallel in other EU countries) introduced finger-printing for asylum seekers, denied visitors and students the right of appeal against refusal of admission, and denied housing rights to asylum seekers. Immigration Act detentions have increased and a new

immigration prison established near Oxford has more than doubled the number of people who can be held in detention.

The extreme right is still increasing its activities Europe-wide. One report (Campaign Against Racism and Fascism, UK) records seventy-five racist murders in 1993 (sixty-six in 1992) of which fifty-two were in Germany. Obviously these figures exclude ex-Yugoslavia. When the UK's National Union of Mineworkers marched in Maesteg on 5 March 1994 to commemorate the tenth anniversary of the famous 1984/85 miners' strike, it drew attention to the link between militant fascist encroachment and unemployment. In this South Wales town of closed coal mines, the UK organiser of the Klu Klux Klan, Alan Beshella, a US citizen with convictions for gun-running and child-molesting, has set up a base for his organisation in the UK. The extreme-right British National Party plans to run candidates in the May 1994 local elections in South Wales.

Glyn Ford recounts efforts to counter racism and xenophobia through EU institutions, particularly the European Parliament. A declaration on this issue was adopted (following the Evrigenis Report) in 1988 by Parliament, the European Commission and the Council of Ministers but subsequent proposals have been delayed, watered down or abandoned in the face of member states' refusal to approve specific measures. The book documents the UK's leading role in this consistent sabotage.

The book ends with seventy-seven recommendations from the latest (1989-90) inquiry. These include extension of citizens' rights to non-citizens, the establishment of a UK-style Commission for Racial Equality in all member states, and the possibility of legal actions against decisions of the Schengen and Ad Hoc Groups. But the fate of the Evrigenis report indicates what is likely to happen to even these extremely limited proposals. It is in its very nature that this book should omit to mention the one task that is essential - building an international anti-racist and anti-fascist movement.

Bill MacKeith

Notes on contributors

Attila Agh is Professor and Research Director in the Department of Political Science at the Budapest University of Economics.

Petr Biziukov is a sociologist living in Kemerovo. He has researched the coal industry for many years and has a long-standing involvement with the workers' movement in Kuzbass.

Vadim Borisov is a sociologist from Chelyabinsk, now based in Moscow, who has been working in and on the workers' movement in Russia.

Alexander Buzgalin is Professor in the Economics Department of Moscow State University and is a leading member of the Party of Labour

Simon Clarke is Reader in Sociology at the University of Warwick.

Peter Gowan is Lecturer in the London European Research Centre at the University of North London.

Jane Hardy is Senior Lecturer in Economics at the University of Hertfordshire.

Andy Kilmister is Lecturer in Economics at Brookes University in Oxford.

Jeremy Lester is Lecturer in Russian Studies at the University of Reading.

Bill MacKeith is a journalist living in Oxford. He is President of the Oxford Trades Union Council, a leading member of the National Union of Journalists, and active in the Campaign to Close Campsfield. (Campsfield is a detention centre for refugees near Oxford.)

Al Rainnie is Senior Research Fellow at the University of Hertfordshire.

Nigel Swain is Deputy Director of the Centre for Central and Eastern European Studies at the University of Liverpool.