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Labour Focus on Eastern Europe

POLAND
15 years after Gdansk

David Holland The Polish Elections **Jan Sylwestrowicz** The Polish Transition: A Balance Sheet **David Mandel** Politics of the Russian Labour Movement **Boris Kagarlitsky** Russian Trade Unions and the Elections **László Andor** The Role of Foreign Debt in Hungary's Transition **Marko Bojcun** Ukraine Under Kuchma **Tamás Krausz** Kornai's Account of Socialism

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Labour Focus on Eastern Europe

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David Holland

Presidential Elections in Poland 1995

The Polish presidential elections mark a symbolic watershed in the politics both of Poland and of the Central European region. Fifteen years after the mighty workers' protest movement that was to become Solidarity burst out of the Gdansk shipyards, headed by the audacious electrician Lech Walesa, he once again confronted the political heirs of the Communist regime - and lost. The Polish people chose as their President not Lech Walesa, but the young post-Communist leader, Aleksander Kwasniewski. The Czech Republic now stands alone in the region as the only country not to elect former Communists to power.

Kwasniewski's result is a dramatic improvement on the 9 per cent achieved by his SLD predecessor, Cimoszewicz, against Walesa in 1990. It demonstrates clearly that beating the anti-Communist drum is no longer enough to mobilise the Polish electorate. Walesa's demagogy ("I will smash Communism," he pledged in his interview with *Zycie Warszawy*) and his efforts to stir up antagonism, amongst the losers from the transition to capitalism, against the corruption, past and present, of nomenklatura elites, clearly failed to convince the Poles that a Kwasniewski victory would threaten a return to Stalinism.

Declining clerical influence

Much the same can be said about the much vaunted influence of the Church. Scores of bishops wrote pastoral letters to be read at mass before the faithful went to vote. Cardinal Glemp called for masses on the Saturday before the second round of polling for "the elections, for the fatherland and for President Walesa" and helpfully pointed out that the voters were faced with a choice between "an atheistic system and

one which recognises the existence of God."

Yet, As Daniel Passent points out (*Prospect*, Nov 1995), although about 95 per cent of Poles declare themselves to be Catholics, 56 per cent disapprove of the Church's anti-abortion position and approval of the Church dropped from 87 per cent of those polled in 1989 to 40 per cent in 1993. More than 50 per cent of those sampled said that the Church was too involved in politics as against 3 per cent who thought that the role of the Church in public life was too small.

Many younger people display anti-clerical tendencies. Those concerned with women's rights were more likely to back the SLD than Walesa. Partly owing to the SLD victory in the parliamentary elections of 1993, the Concordat remains unratified. Although the Union of Freedom (UW) endorsed Walesa in the second round, clearly many of their supporters bolted to Kwasniewski. The UW MP, Barbara Labuda, who is unashamed of her atheism, publicly declared her intention of voting for Kwasniewski.

Similar policies

On the symbolic plane then, the classical political alliance between right wing politicians playing the anti-Communist card and the Church has failed. When it comes to practical policy differences however, there is very little to choose between any of the mainstream contenders.

Kwasniewski and the governing SLD-led coalition are pledged to press ahead with the long-delayed "big privatisation" of state enterprises and with the entire project of integration of Poland with the European Union and NATO. As Jan Sylwestrowicz points out in this issue of *Labour Focus*, this will pose big challenges to the workers' movement and to the consolidation of a capitalist Poland. It also seems unlikely that the date of the year 2000 for accession to the European Union, recently reaffirmed by Chancellor Kohl, is a feasible one. 30 per cent of the Polish population are still employed in agriculture, predominantly on extremely small holdings. The implications for the Common Agricultural Policy are obviously horrific.

Social issues

Millions of Poles voted SLD in 1993 and 1995 against the threat of

unemployment and for social welfare provision. It is unclear that the SLD has the will or even the desire to give them what they want. Unemployment currently stands at about 15 per cent. The SLD-backed "Strategy for Poland", approved by parliament in July 1994, envisages reducing it to 14 per cent by 1997, scarcely a prospect to offer much hope to unemployed youth. Raised expectations can however be expected to put pressure on the SLD. Public sector workers for example, who have lost out most in real wages and are threatened by privatisation and restructuring, are likely to become more militant. Strikes and unrest amongst health workers, teachers and railway workers have been a significant feature of recent developments.

It should occasion no surprise however that Kwasniewski was the quietly expressed preference of Western interests. Stability and continuity were part of his appeal against the "loose cannon on deck" impression conveyed by the volatile, quarrelsome, and often incoherent Walesa. Kwasniewski, by contrast, projects the smart youthful image of a Polish Tony Blair, anxious to do business with the West and not to upset any apple carts. This appeal to orderly business comes across very clearly in his electoral platform, which we republish in this issue.

The ex-Solidarity left

We also publish in this issue an account from the Union of Labour journal, *Nowa Lewica*, of the somewhat sorry tale of the ex-Solidarity left. The regional trend for a recovery of ex-Communist forces, reconstituted as Social Democrats, overshadowed their prospects in a manner that was hard to predict five years ago. However, another important element in their failure to establish themselves more firmly was their reluctance to stake out clear ideological territory of their own, firstly by sticking with the Citizens' Committees until Walesa drove them out and then by trailing the liberals of the Democratic Union, later the Freedom Union.

The anonymous author of the piece we publish in translation in this issue exemplifies this pusillanimity in a striking way. The best prospect for the future is seen as launching a new political party around the supposedly leftist platform of Jacek Kuron's presidential campaign. We also publish in this issue an edited version of his

election programme, which has the merit of being the most explicit and fully elaborated platform in the campaign.

It is true that Kuron was once a socialist, but that was a long time ago. Even in the platform of the Clubs for the Self Managing Republic in 1981, there is only the mildest suggestion of association with the Social Democratic tradition in Poland. In 1995, even leaving aside the deliberate evocation of Newt Gingrich in the rubric of a "Contract for Poland", the heavy stress on an enhanced role for private insurance in the areas of health, pensions and unemployment, as well as the support for education vouchers which "follow the student", have more in common with the right of the British Conservative Party than anything recognisably left wing.

Kuron certainly remains a secular politician and expresses his support for the single mother against "repressive legislation", a rather deeply coded reference to restrictions on abortion rights. It is left to Kwasniewski however to hint at endorsement of the right to differences of "personal orientation", which must surely mean sexual orientation.

Zielinski, the independent liberal civil liberties ombudsman, was supported by most of the Union of Labour and by the Polish Socialist Party. For reasons of space, we have included here only a short "final statement" published in *Polityka*. Zielinski certainly did not stake out any distinctively socialist or social democratic ground either.

The left has triumphed in Poland less on its own merits than because the right is both bitterly divided and so manifestly awful. It has proved a mistake to underestimate Lech Walesa in the past and his declarations that he intends to unify an anti-Communist front in Poland should not be too readily dismissed. He is perhaps the only political figure in Poland who could successfully undertake this task, implausible as it appears at present.

For now, two cheers seem appropriate for the "choice for the future" made by the Polish electorate on 19 November. Meanwhile, we continue to look for the emergence of a socialist politics in Central and Eastern Europe, which has learnt the lessons of Stalinism, but is also unafraid to publicly argue its own radical, egalitarian, socialist alternatives to capitalism. ■

Document

Aleksander Kwasniewski

Programmatic Declaration

I have decided to stand in the elections. I know how to discharge the duties of the highest office of state effectively in the interests of Poland. The style in which the presidential office has been carried out hitherto must be changed. The welfare of the country must not be pushed into the background in favour of political games and indulgence in a succession of squabbles at the top.
I intend to be an active president. I will utilise fully the scope afforded both at present and in the future under the new constitution. I would like to set an example of abiding by the law, without twisting it to suit

Aleksander Kwasniewski
35.11 % (First round)
51.72% (Second round)
Campaign slogan:
Let's Choose the Future

41 years old. Economics graduate of Gdansk University. 1984-85 Editor of *ITD* (weekly) and *Sztandar Mlodych* (daily). Oct 1987-June1990 Chair of the Youth & Physical Education Committee. Oct 1988-Sept 1989 member of cabinet in Mieczyslaw Rakowski's government. Chairman of the Social-Political Committee in the Council of Ministers. 1988-91 Chairman of the Polish Olympic Games Committee. Member of Parliament. Chairman of Democratic Left Alliance (SLD) Parliamentary Group. Chairman of the Social Democracy of the Republic of Poland (SDRP). Head of the Constitutional Committee of the National Assembly. Member of Parliament's Foreign Affairs Committee.

my own interests. I ask you not to believe the oft repeated assertions that presidential powers are at present too limited. For a president with a good programme and the desire to co-operate with parliament and the government, present powers are entirely adequate. For this reason I do not think that major changes are needed in the new dispositions. It is neither necessary to extend existing powers nor to cut them back. All that is needed is to put existing arrangements in order. The president's role is to act as a guarantor of democracy and to lead its development. I would particularly stress the defence of citizens' political rights and freedoms. I would oppose efforts to restrict them, from wherever they came.

I commit myself to co-operating with any government which gains office in accord with the law and democratic principles. I do not intend to interfere in the administration of the country. This is the task of the Council of Ministers and of particular departments. I will however come forward with legislative initiatives and draw the attention of the government to areas where unresolved problems are piling up. This particularly relates to an honest distribution of the costs of the economic reform, to pro-family policies, and a fair apportionment of the fruits of hard-achieved economic growth to include public sector workers and those with long working lives behind them. I will devote a great deal of attention to the problems of the younger generation - the greatest capital asset Poland has to bring to joining with Europe. The only economic policies which will enjoy my support will be ones which will allow a continuing rapid growth in production. Without this there can be no talk of limiting unemployment, the real bane of many Polish families. Today only increased production will guarantee civilised progress in the Polish countryside. I simultaneously pledge that I will vigorously oppose efforts to draw back from the advances made in economic reform. There cannot and will not be any return in Poland to an unwieldy, inefficient economy, to queues, to administratively set prices, to restrictions on free enterprise.

In my opinion, the presidency is not only the highest position in the state. I regard the president as having a wider role. He should also be the champion and representative of a citizen's society. I refer to the kind of people who manage to organise themselves without waiting for official sanction. Therefore I will initiate further decentralisation

and an expansion of the powers of local government. I am in favour of the establishment of local government at district (*powiat*) level. I see the prospect of local communities taking over control of public services as an opportunity to stimulate the development of small and medium sized towns.

I intend to work for the benefit of all citizens equally. To look to the future. To stand above the transient political divisions of the past. Not to differentiate Poland as post-Communist or Solidarity. This labelling is damaging and takes us back to an outworn past, to a period of history which is now closed. The head of state should be a mediator in important public affairs and cannot in any event take sides in any disputes or conflicts. The practice that has prevailed hitherto, according to which the president has created dissension and made it worse, instead of easing and resolving it, is unacceptable.

As president, although I will not renounce my political roots, I will represent neither the left nor the right. I will be the guardian of fundamental national values and the best national traditions, because I intend to bring society together and not to divide it. I will number among my important duties the construction of a moral order founded on universally recognised social and national values, the development of links between Poles in emigration and the motherland, together with the defence of their rights in the lands in which they have settled and also the protection of the rights of national minorities in Poland.

I am a supporter of high standards of political conduct, of honesty and tolerance in public life. On the other hand, I am opposed to brutality, the pursuit of selfish interests, arrogance, a lack of respect for people on account of a disadvantaged material situation, their ethnicity, or the colour of their skin, different opinions or personal orientation. The Polish state is the home of all its citizens.

Society is tired of ubiquitous, aggressively expressed politics. The president should stand between society and the state and endeavour to ensure that whilst government is carried out efficiently, it is as little intrusive as possible from day to day. Government should be like shoes, which are doing well if they do not irk the person wearing them. The president, who is responsible for maintaining the country's sovereignty and security, must involve himself in the development of a modern defence policy, uphold the high social esteem in which the

Polish Army is held and protect it from efforts to politically intervene in it. My goal will be to ensure that the army enjoys conditions in which it can without interference achieve the objectives set for it by the highest bodies of the state. The president should represent Poland with dignity. He should strive to reach agreement on the goals of

foreign policy between the various state institutions and the political forces. Carrying internal disputes and conflicts into the international arena can only be harmful to the state.

Joining the European Union is of great importance for Poland's economic development and security, as is the expansion of trade with the countries of Central and Eastern Europe. Everyone, the whole society, will join the European Union. This process cannot be confined to elected representatives, when work is to be done and perspectives thrashed out. Protection for Polish agriculture needs to be worked out which will allow it to compete on equal terms, with access to West European markets.

Political and military security will be best achieved by Poland joining NATO and by good relations with our neighbours, in particular with the Germans and with Russia. The positioning of Poland between these countries has been a source of threats and catastrophes for centuries. The geopolitical curse of the past may today provide the nation with an opportunity. However, we must use it well. Our accession to NATO and to the European Union is advantageous and necessary to both

sides. We will not join as a grovelling dependent. To both organisations we will bring the potential of one of the greatest European nations.
I am standing for the highest public office in Poland and I am counting on citizens for their support. I am sure that you are familiar with my political record. I hope that you will judge it fairly. I know too what kind of accusations are levelled against me. Code words like "People's Republic of Poland Mark II" or "post-Communist" or "aggressive anticlerical" are used. I am sure that it is also said that Kwasniewski is dreaming of a return to the disreputable practices of real socialism and that he is just waiting for a chance. I have the right to ask on what evidence these charges are based? They are very handy for loud-mouthed lying demagogy.
Those who speak in this way, however, do not find it convenient to come down to the level of facts, which tell a different story. The most important part of my political biography has taken place in recent years. I was one of the co-authors of the turning-point achieved in the Round Table negotiations. I committed myself in a determined and fully convinced way to building a democratic sovereign Poland, open to the world and run on the basis of a market economy.
It is true that I have defended and will continue to defend the dignity of people who worked hard in the past decades, lived honestly and now do not want the modest gains they have to show for it wiped out. It is true that black and white historical evaluations are foreign to me. Today, however, what is important is to go forward together and exploit the opportunities which are offered by democracy and a market economy. I appeal to my competitors for a genuine debate on the future of Poland. I appeal for arguments to be used honestly. Let us talk about the country without damaging its interests or political culture.

(Translated from *Gazeta Wyborcza*, 18 October 1995. Translation is by **David Holland.**)

Document

Jacek Kuron

A Contract for Poland

After the overthrow of Communism, Poland regained freedom and independence. We hoped that everything in the country would change swiftly for the better. However it was not so easy. We endured a number of difficult years. We had successes but also many difficulties. The Polish economy is developing quickly and ever more people are enjoying the fruits of this development - but a majority in society still does not sense improvement and large numbers see no way forward for themselves.

We are free citizens of independent Poland - yet we are apprehensive about the future, we are afraid of crime and we dread the prospect of unemployment. We have overthrown Communism, we have begun to build a democratic and law-bound state, yet we see that old ways of doing things are coming back, systems are beginning to operate

Jacek Kuron

9.22%

Campaign slogan:
Changes Are Necessary

61 years old. History graduate University of Warsaw. Prison term for leftist opposition activity in the 1960's. Initiator in 1976 of Social Self Defence Committee (KOR). Solidarity adviser 1980-81. Imprisoned under martial law. Sept 1989-Jan 1992 and July 1992-Oct 1993 Minister of Labour and Social Policy. Member of parliament. Until Sept 1995 Head of National & Ethnic Minorities Committee, founder of the foundation, "Social Assistance - SOS". Candidate of the Union of Freedom.

again, not everyone is equal before the law. In our free and independent Poland there is too much injustice and too much uncertainty about tomorrow. This must change. Today I present to the electors a programme for Poland - my programme.

Safety in the home and on the streets

Citizens must feel safe. They must know that their lives, health and property are protected by an efficient police force. Criminals must not go unpunished. The prosecuting authorities and the special services must be in line with Polish raison d'etat. The police and other formations responsible for public order must guard the principles of a state founded on law and the democratic order.

[*The programme then promises to fight* "abuses and corruption" *and guarantee* "political neutrality" *for the police and special services. It promises a* "Programme for Crime Prevention" *which will* "utilise foreign experience and base itself on co-operation between the police, local authorities, the prosecution service, schools and local residents".]

Social Security

Everyone has to take care of themselves and their families, but it is the duty of the state to guarantee to citizens a basic social security and a secure future. Pensioners must be sure that no-one will try and make savings at the expense of their pensions. Workers must be clear about what entitlement they can expect at the end of their professional lives. Families must know what kind of help they can expect if children are born to them. Everyone needs security in the event of illness or unfortunate occurrences. Today the citizens of Poland do not have certainty of this kind...

I undertake that if I become president:

* I will work towards the conclusion of an agreement within a year between all social and political forces, parties, trade unions, employers' organisations, pensioners' groups, on the basic principles of a new pensions and welfare system to be introduced by the year 2000. Practical proposals will be elaborated by groups of experts. At present welfare reform is the subject of a political struggle. I want to

propose to the political parties a cease-fire on this matter, a renunciation of party political point scoring on a problem which needs to be solved by taking into account the interests of all interested parties. I propose that the welfare reform should be financed by income from the privatisation process, which will necessarily mean the acceleration of the process of changing ownership in the economy;
* I will put into effect in the course of a year an agreement by all social and political forces on putting the health service in order. A programme of "Health for All" should also be separated from party political strife. It should be financed by speeding up privatisation and must define clearly the respective responsibilities of the citizen and the state. If the government and the political parties appear unable to agree on the questions of reform of pensions, welfare and health provision, I will submit a suitable bill to parliament.
* By mid 1996, I will work out a Charter of Disabled People's Rights. This Declaration will not lay down any special rights, distinct from those enjoyed by other citizens, but it will systematise existing rights and serve as a reminder that disabled people are members of society with equal rights. I will make full use of my right to initiate or veto legislation so as to make sure that nothing is done which by omission or by posing obstacles, hampers the full exercise of these rights by disabled people.
* I will work out and submit to parliament by mid-1996 a bill to protect maternity provision, ensuring family support, especially for single women in difficult social situations. Maternal love should be supported by state and society - this is more dignified and more effective than repressive legislation.
* I will create teams of specialists who, by autumn 1996, will elaborate and present a long-term plan for the development of house building, ensuring wider access to housing. The programme will delineate various forms of finance for housing, together with the form and scale of state support. Priority will go to housing for rent at moderate rates.

Equality for All Before the Law

Poland must be a state founded on law, in which every citizen has equal rights and duties. The law must be transparent and unambiguous. It must lay down clearly the criteria which define what is

honest and what is not. The representatives of society in parliament or state office in particular must meet these criteria. Resolute investigation of offences and punishment are of fundamental importance in establishing law and order, but the culture of conduct in public life is also important. In particular, parliamentary immunity cannot be used as a shield by people guilty of crimes or abuses.

[*He then undertakes to* "take scrupulous care that the environment surrounding me is transparent and clean", *to establish* " an institution, which will have the responsibility of investigating charges directed at people in public life" *and to include in the new constitution* "a new definition of parliamentary immunity".]

Economic development brings work and prosperity

Only economic development will permit the resolution of Poland's most important problems. Without economic growth we will not be able to overcome unemployment , nor will we be able to put an end to the areas of poverty and hardship. Economic growth above all requires stability in the legal and taxation environment. Taxes should be moderate and the currency stable. The necessity of the struggle against inflation derives from this. Stability in the currency is equally important to employees and farmers and to every family which has to plan its spending. The basis of economic development is freedom to undertake and carry out economic activity. Enterprises which have their own boss are better and more efficient. That is why support for Polish private enterprise is important, small family concerns as well as big economic organisations, together with progress in privatisation, which must be carried out with respect for the rights of workers. Support for domestic entrepreneurship is therefore important, as well as reprivatisation and the encouragement of foreign capital to invest and create new jobs in Poland...

[*He then proposes a* "Development Pact" *elaborated* "in concert with business organisations and then with political and social forces, in particular with the trade unions" *which would include* " a commitment not to increase the burden of taxation" *and* "a commitment to introduce reforms of pensions, social security and health insurance,

together with tax concessions for enterprises which fund additional insurance for their employees". *It would also include*:]

Thirdly, a commitment to speed up privatisation, including the privatisation of key sectors, such as energy, telecommunications, banks, transport and the fuel sector. In some sectors Polish capital must be guaranteed a leading role in the privatisation process. Favourable conditions for domestic capital must also be guaranteed in other sectors awaiting privatisation, such as sale by instalments; [...] I will also make a commitment to supporting governments which aim to negotiate the most favourable possible terms for Poland's accession to the European Union, including guarantees of the greatest possible access to European funds for the restructuring of agriculture;

A State Close to its Citizens

[In this section he promises to oppose "excessive centralisation" *and to promote* "a transfer of competencies and resources from above to below".]

A Strong Poland in the World

Achieving a secure and dignified position in the world for Poland depends upon us. Poland, maintaining its own identity, must be part of the European Community as well as NATO. We must work towards this in a planned and consistent manner, without succumbing to pressures or blackmail. Our security and the possibility of realising the most vital interests of the state and the most important national aspirations of the nation depend upon this. Polish foreign policy must remain unaltered and coherent, independent of conjunctural changes on the Polish political scene. Euro-atlantic integration must be associated with bilateral co-operation with neighbouring countries and participation in regional initiatives. A fundamental factor in improving relations with our neighbours is a properly based relationship with national minorities living in Poland. Poland must be an active participant in political contacts between East and West as well as providing a foundation for economic co-operation. Simultaneously it is essential to secure a proper level of defence, in particular through an adequate level of funding for the army. The army must serve the

State and the Nation - it is necessary to guarantee its apolitical character and to strengthen civil control over the army.
[*He then pledges to protect* "the coherence and consistency of Polish foreign policy, as well as the fixity of it priorities - integration with Europe and with Euro-atlantic structures" *and to* "ensure that the armed forces are financed at a suitable level".]

Education for All

[*In this section he proposes an* "educational offensive" *which would include*:] proposals based on the idea of education vouchers, which will mean that money devoted to education will not be designated to each institution, it will "follow the student" and reach the school in this way. Competition between schools will appear as a result, creating an incentive to better performance...

How is it to be done?

As president I will make use of the following constitutional powers:
* the right to present legislation to parliament. I will discharge my commitments regarding concrete projects to a large extent by drafting bills and putting them forward for debate in parliament;
* the right of veto. I do not think that the president should veto the budget - I will not do this, provided that the budget debate has been preceded by a public debate on the most important priorities of the state and the needs of the nation, provided the budget pays due regard to the most important priorities, above all the security of citizens, of the state and of education;
* the right to preside at sessions of the Council of Ministers. I will utilise this right if the government appears unable to resolve the problems of the country, owing to lack of will or internal conflicts;
* I will establish teams of experts and "wise men" to elaborate programmes to deal with the most important problems facing Poland in the future... It is not the duty of the president to be nice to everybody. The president's duty is to tell citizens the truth, even when it is unpleasant.

Translated from *Gazeta Wyborcza*, 2 October 1995. Translation is by **David Holland.)**

Document

Tadeusz Zielinski

Short Statement

Neither the undoubted qualifications of Aleksander Kwasniewski, nor the unquestionable services rendered by Lech Walesa to the construction of democracy and the recovery of Polish sovereignty (it does not follow that a similarly positive evaluation should be made of his performance as president) provide any guarantees for the future. Electors that vote for me will have the opportunity to opt for a candidate removed from divisions and not entangled in the historical and political events of the past, maintaining an equal distance from the contending political camps, at the same time as being aware of the strengths and weaknesses of both sides.
Although my heart is positioned on the left, because it is my belief that it is the obligation of a democratic state to take care of its weaker citizens, I also can see important values upheld by the right wing of the political scene. A Poland restored to normality requires a

Tadeusz Zielinski
3.53%

Campaign slogan:
Work - Law - Justice

59 years old. Studied at Krakow Academy of Fine Arts. MA in Law Jagiellonian University. PhD in Law 1950. Full professor 1989. Member of Polish Academy of Sciences from 1994. 1989-90 Member of Polish Senate. Head of Motions and Legislation Committee. Human Rights Ombudsman from Feb 1992. No party affilliation. Supported by Union of Labour (UP) and Polish Socialist Party.

democratic left, a democratic centre and a democratic right. I want to be a president acting with the consent of the nation, respecting the outcome of democratic elections, without seeking pretexts for the dissolution of parliament, turning it into a political foot-ball, or playing ducks and drakes with the law. I will maintain an unwavering posture of co-operation with every democratically arrived at parliamentary majority, since the president should respect the wishes of the electorate.

I am aware of the constitutional powers of the presidency and in my electoral programme, I have not made any unrealistic promises. The law provides that the president is above all the guardian of the constitution. I feel that as Citizens' Rights Ombudsman I showed my qualifications to act as such a guardian. I also have a wider experience as a professor of law, as a trade union and parliamentary expert and as a member of the Senate in its first term.

I also showed my independence and imperviousness to pressure. Citizens can rest assured that I will be guided only by the law and the interests of the Republic, that I will not abuse the position to promote my personal views and that tolerance and respect for diverse views will be the hallmark of my presidency.

(Translated from *Polityka*, 4 November 1995, by **David Holland.**)

The Ex-Solidarity Left

A majority of the activists connected with the Workers' Defence Committee (KOR - established in 1976), in the period of the first Solidarity, in 1980-81, came from a left-wing background. A large group of KOR activists became activists in the Polish Socialist Party: Ludwik Cohn, Antoni Pajdak, Aniela Steinsberg, Professor Jan Kielanowski. A large part of the KOR group, especially the younger ones, were former student activists from 1968, which bears out the impression of its left-wing character. They came to the opposition from the internal opposition within the PZPR [Polish United Workers Party] or the ZMS [Union of Socialist Youth]. To this category belonged Jacek Kuron, Karol Modzelewski, Adam Michnik and a huge group of their contemporaries, whose political experience had been gained in the events of 1968. They include Jan Litynski, Ryszard Bugaj and Anton Maciarewicz.

It should be added, at the same time, that Anton Macierewicz was connected with the group that produced the KOR publication *Glos,* which was identified with right-wing political thought. As far as the KOR activists are concerned however, the Glos group are the exception which prove the rule. This tendency was already evident in the 70's, from the time Adam Michnik published in his book, *The Church and the Left: A Dialogue,* the definition of the "lay left," which was applied to left activists first from KOR and then from Solidarity. With time this stopped being a definition and became an epithet, used in certain circles for doing down their latest antagonist. Fortunately

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*This article appeared in the April 1995 edition of **Nowa Lewica**, a publication of the Union of Labour. Translation is by **David Holland**.*

for the Polish political lexicon, this term disappeared around 1990. Possibly the main reason for this was the foundation of the Democratic Union, which included both the lay left and Catholic activists (Tadeusz Mazowiecki), and even National-Catholics (e.g. Aleksander Hall).

The conflicts within the original Solidarity had a rather different character to those a decade later. Especially in the customarily politicised atmosphere of Warsaw, these revolved around the struggle between the "lay left" and "true Poles". This antagonism came to the fore at the First Delegate Congress of Solidarity in 1981, during which sharp disagreements surfaced concerning whether the wording of a resolution expressing gratitude to the pre-August opposition should include mention of KOR. The struggle between these two currents intensified sharply towards the end of this period.

The Self-Managing Republic Clubs

On 22 November 1981, the establishment of the Self Managing Republic Clubs - Freedom Justice Independence (KRS 'WSN') represented the first national organisation of the Solidarity left, involving many Solidarity activists who began their political activity after August 1980, as well as KOR people. However, the Clubs achieved only a founding meeting, broken up by the police, and the publication of a founding declaration. Immediately thereafter came martial law and the only goal for almost a decade became the re-legalisation of Solidarity.

The Self Managing Republic Clubs had the intention of being a Polish social democratic party, a Polish equivalent of the West European democratic socialist parties. This at least is the view taken by one of the founders of KRS 'WSN' and one of the leading activists of KOR, Jan Jozef Lipski, who in the epilogue of his book about the KOR, published in 1982, wrote:

> "I believe that Solidarity is relevant not only to today, but to the future. Perhaps this still will not be the future for which we worked in KOR, not democracy and independence at once, but at any rate some kind of opening leading eventually to these goals. The author of this book would willingly add one more word - socialism - and in this I would not be isolated in the KOR. It was to achieve these ends that we set up KRS 'WSN' before martial law."

The union first

After the introduction of martial law on 13 December 1981, this initiative lapsed. Most of the founders of the Clubs were interned; those who remained at liberty quickly found themselves in the leadership of underground Solidarity (in the Mazowsze region this applies to almost all of them). They created underground printing and communication systems. Indeed it was this element which created the main "organ of the underground" - *Tygodnik Mazowsze*, which, after its emergence from the underground in 1989, transformed itself into *Gazeta Wyborcza*.

The differences of those years are, from the perspective of the present, barely intelligible. The division between "left" and "right" was more connected with tactical differences and with attitudes to the Communist authorities than to real ideological disagreements. In his book, *Thoughts of an Old Fashioned Pole*, published underground and abroad, Piotr Wierzbicki, now the chief editor of *Gazeta Polska,* adopted a simple differentiation: those who were for Walesa were the right, those who were against him were the left. At the moment that he wrote that, it was not true, but a few years later the Polish political scene reorganised itself fundamentally.

Freedom Self-management Independence

The Organisation "Freedom - Self-management - Independence" continued the martial law traditions of KRS WSN. In 1990 its activists were the founders of the Centre Agreement. Its chief, Professor Jerzy Jacki (although he was also at the congress for the reconstruction of the PPS [Polish Socialist Party] in 1987), was president of the Control Commission of the Centre Agreement and then in the Movement for a Republic. The leading economist of this group was Jerzy Eyssmont, chief of the Central Planning Office in the governments of J.K. Bielecki and J. Olszewski and finally vice-president of the parliamentary group of the BBWR [Non Party Bloc for Reform]. It is also worth recalling that Grzegorz Kostrzewa-Zorbas, before he was the co-author of the centre-right bible, *Lewy czercowy,* had earlier, in 1983, published a pamphlet, *The PPS - Party of Freedom*, under the pseudonym Jacek Wielenczyk.

The Polish Socialist Party

Following the period dominated by the defence of Solidarity under martial law, the first political initiative of the Solidarity left was the construction of the Polish Socialist Party on 15 November 1987. However, this was an initiative supported by only a small part of this milieu. What did attract attention at the time was that some of those considered to be on the left, such as Jacek Kuron or Adam Michnik, were not involved. Drawn from the KOR activists were Jan Jozef Lipski, Professor Wladyslaw Goldfinger-Kunicki, and Professor Jan Kielanowski. Drawn from Solidarity, were, amongst others, Jozef Pinior, the leader of the underground Lower Silesian Regional Executive, who famously rescued the Region's funds just before the onset of martial law, Aleksander Krystosiak, vice-president of the Western Coastal Region, one of the organisers of Solidarity and a signatory of the August Accord in Szczecin. Also involved were young oppositionists from the political group around the paper *Robotnik*, connected to the Solidarity Inter-factory Workers' Committee (MRKS).

However, this group spectacularly imploded in February 1988 when it split in an atmosphere of mutual accusations of co-operation with the security services. This hampered for some years the development of this formation. Three organisations appeared using the name PPS: the Lipski group, the Provisional National Committee of the PPS, and the PPS - Democratic Revolution. In October 1990, at the 25th Congress of the PPS, they united with the emigre PPS and the informally operating groups of PPS activists from 1944-48, and from this moment it is difficult to speak of them as a "post-Solidarity" organisation, just as one cannot say that the KPN (Confederation for an Independent Poland) is a "post-Solidarity" formation.

Thrown out of Solidarity

The great majority of the Solidarity left remained within the structures of Solidarity. They took part in the Round Table negotiations and then created the legal structures of Solidarity and of the Solidarity Citizens' Committees. They differentiated themselves only as a result of the "war at the top" in 1990, in the course of the presidential election campaign. On 1 June 1990, Lech Walesa dismissed Henryk Wujec as secretary of the Citizen's Committee attached to the President of

Solidarity, suggested that Adam Michnik resign as editor of *Gazeta Wyborcza*, and stipulated that the Solidarity logo be no longer used on the paper's mast-head. In this way, in the days immediately preceding the presidential elections, Lech Walesa excluded the representatives of the Solidarity left from influence on major political events. In the course of the following month, the Solidarity left was eliminated from the Citizen's Committee attached to the President of Solidarity. On 24 June 1990, Zbigniew Bujak, in the name of 63 members, ordered the dissolution of the Committee. At the next session, however, Walesa's supporters maintained the Committee, but 60 of the members referred to left it. Similarly, they lost the chance to build their own political party on the basis of the local Citizens' Committees, in the course of the dramatic two-day session of the local committees, 30 June to 1 July 1990. On 8 November 1990, they lost control of the leadership of the Parliamentary Citizens Group (OKP): Bronislaw Geremek was replaced by Mieczyslaw Gil.

ROAD

In this situation, on 16 June 1990, 101 people in Warsaw established The Citizens' Movement - Democratic Action (ROAD), consciously not adopting the title of a party, but associating itself with the experience of the Citizens' Committees. ROAD's national representatives were Wladyslaw Frasyniuk and Zbigniew Bujak. On 28 July of that year, the founding congress of ROAD took place. Later, ROAD was the chief force in the electoral campaign of Tadeusz Mazowiecki. The later evolution of this group of the Solidarity left is bound up in the establishment of the Democratic Union (UD), after Mazowiecki's electoral catastrophe.

On 2 December 1990, ROAD activists, as well as the Forum of the Democratic Right, and representatives of the regional Mazowiecki electoral committees created the Democratic Union (UD). In this way, a group came into being which united diverse elements: the former "lay left," the moderate Catholic intelligentsia coming from the movement of the Clubs of the Catholic Intelligentsia and a right-liberal group, with its origins in the Young Poland Movement, which in the seventies had tried to "civilize" national democratic views. In the nature of things, this provoked disputes and discussions amongst the

left activists of ROAD as to whether such a political organisation made any sense.

ROAD MPs then left the Parliamentary Citizens' Group and on 4 January 1991 created a 70-strong Democratic Union group, led by Bronislaw Geremek. However, in the course of the first congress of ROAD (26-27th January 1991), at which Wladyslaw Frasyniuk was elected president of the national executive, three options became apparent: complete unification with UD (known as Unia-Unia), continued functioning of ROAD within the framework of UD (ROAD-Unia) and maintaining ROAD as an autonomous political agent (known as ROAD-ROAD). Supporters of the last of these positions created the ROAD Club on the last day of the congress, led by Zbigniew Bujak. At the Congress of the Democratic Union, the majority of ROAD's activists were involved in the new grouping, although they preserved their ideological and organisational distinctness in the period which followed.

The Democratic Social Movement

On 20 April 1991, activists of the ROAD Club met in the Warsaw Niespodzianka. On the first floor, Zofia Kuratowska installed herself and called for the creation of a faction within UD. On the ground floor Zbigniew Bujak called for the creation of a new social democratic party. The majority went upstairs.

On the ground floor, those remaining established the Democratic Social Movement (RDS), with Zbigniew Bujak as president. The overwhelming majority of this grouping were young activists from the Citizens Committees, which meant that in practice the only well-known person amongst them, apart from Bujak, was Danuta Skorenko, a member of the underground executive of the Upper Silesian Region of Solidarity and known as an organiser of the strikes in Upper Silesia in the summer of 1988.

In practice, RDS's entire activity was around preparations for and participation in the parliamentary elections. RDS participated actively in the summer of 1991 in negotiations aimed at establishing a joint electoral bloc of the Solidarity left, at that time conceived as an alliance between the Polish Socialist Party, Labour Solidarity and the RDS. In the event, nothing came of it. RDS and Labour Solidarity

went into the elections separately. As for the PPS, the majority of their candidates appeared on the Labour Solidarity list and a minority stood on the RDS list. RDS fielded its list in only 20 electoral districts (out of 53) and won just one seat - Zbigniew Bujak in Warsaw. Amongst other factors, this result was undoubtedly influenced by publication of Zbigniew Bujak's *I Apologise for Solidarity*. This title might have brought success in the 1993 election campaign, but in 1991 it brought disaster.

... and Bugaj soldiered on

The name "Labour Solidarity" has been used. We must cast back a few years to the 10th session of the Sejm in the Citizens Parliamentary Group. Not long into Tadeusz Mazowiecki's premiership, opposition began to develop, above all against the Balcerowicz Plan. In November 1989 the parliamentary Group to Defend Workers' Interests (GOIP) was established, within the framework of the Citizens Parliamentary Group. It quickly expanded to more than a dozen members. It included names later known as supporters of Labour Solidarity: members of the PPS, MPs and senators interested in this issue, some of whom are now a long way from the left, such as Grazyna Staniszewska. However the GOIP, which might have become a germ for a strong Solidarity left formation, disintegrated during the "war at the top", when the decisive factor was what attitude was adopted to Walesa and other matters were secondary.

The Labour Solidarity Circle

At the outset, Labour Solidarity developed from Solidarity activists involved in workers' self management - people from the Association of Workers' Self Management Activists, workers' councils connected with the secret Solidarity factory commissions. In the second half of the eighties this was a very influential group. Numbered amongst the founders of Labour Solidarity were people associated with the Association "Reform and Democracy", the Solidarity National Executive Centre for Social-Professional Work, and the Polish Socialist Party.

Work on an alternative economic programme had begun in the Spring of 1990 and had reached a conclusion by November. At the same time a Labour Solidarity parliamentary group was established.

On 26th March 1991, nine MPs and senators (including R. Bugaj, A. Milkowski, A. Malachowski, K. Blaszczyk, J.J. Lipski, K. Modzelewski) withdrew from the Parliamentary Citizens Group and created an autonomous parliamentary group. In the 1991 parliamentary elections, Labour Solidarity elected four MPs - Ryszard Bugaj in Warsaw, Aleksander Malachowski in Bialystok, as well as one in Krakow (Ryszard Czarnecki) and one in Wroclaw (Wojciech Kwiatkowski), both of which were largely owed to Solidarity, which, in these two electoral districts, did not field its own list of candidates, in accord with a pact with the Centre Agreement. As a result, the only "Solidarity" on the list was Labour Solidarity.

In any case, the whole of the Solidarity left did not win much support then: 282,000 votes in the whole of Poland for the Labour Solidarity and RDS lists. On 11th January 1992 the first (and last) congress of Labour Solidarity took place. One of the resolutions spoke about the necessity "of consolidating the democratic left" and of the "commitment to activity directed at creating in the future a Polish labour party, pragmatically oriented and associated with democratic traditions as well as able to effectively represent the interests of wage earning workers."

The natural components of such a new party were Labour Solidarity, the RDS and the PPS. A major debate related to the degree of openness the new party should display towards the post-Communist forces. A majority of the PPS were unwilling to join a new party, which did not bear the name PPS.

The Union of Labour (UP)

A new party, the Union of Labour (UP), was created on 7 June 1992, in the course of a long meeting of members of Labour Solidarity, RDS, PPS, the Wielkopolski Social Democratic Union and independents. A group of Labour Solidarity members did not join the new party, because they did not accept being in one organisation with post-Communists. The RDS joined up en bloc, together with a large group of PPS members. A regional group from Fiszbach's Social Democratic Union, with the MP, Wieslawa Ziolkowska, also joined. A few non-aligned activists also joined, such as the former vice-president of the National Executive of the SDrP (Social Democracy of the

Republic of Poland), Tomasz Nalecz. Currently the Union of Labour defines itself as a party of the new left in Poland, which is trying to overcome the divisions between post-Solidarity and post-Communist forces, indeed the party is itself both post-Communist and post-Solidarity. Following the elections of 19 September 1993, it is the fourth political force in Poland (41 MPs from the Union of Labour list and one from the German Minority).

The left in Democratic Union and Union of Freedom

On 12 May 1991, Zofia Kuratowska kept her promise to members of the ROAD Club a few days earlier in the Niespodzianka: on the second day of the Unification Congress of the Union of Labour, the Social-Liberal faction of the Democratic Union was founded, which nearly 30% of the ROAD delegates joined. The faction was notorious for its difficulties with the leadership of the Democratic Union. It should, however, be pointed out that not all the Democratic Union left were in the faction. Neither Jacek Kuron nor Barbara Labuda were ever members and they were and are identified as coming from the Union's left.

Following the fusion with the Liberal-Democratic Congress (KLD) the new Union of Freedom (UW) has moved markedly to the right. In addition, the Democratic Union was, from the outset, organised in a way which permitted the creation of factions. The Union of Freedom has a centralised structure. To begin with, left activists did not attempt to create their own structures. The rallying point for the left became the Polish Liberal Group, to which former faction activists belonged, together with some members of the former KLD but also people like the former vice-premier from the People's Republic, Zdzislaw Sadowski. Successive conflicts developed on issues such as with whom to form coalitions at a local level, on the vice-president of the Warsaw UW, on Barbara Labuda and most recently, about the candidacy of Jacek Kuron in the presidential elections of December 1995. This led, at the beginning of October, to the creation of the Democratic Forum within the Union of Freedom, which was denied the freedom to organise by the December 1994 congress of the Union of Freedom.

The Solidarity left

The Solidarity left very often have shared personal histories. Former colleagues from ROAD sit today on the Union of Labour and Union of Freedom benches. The older ones were mostly in the Clubs of the Self Managing Republic. There are some who have managed to clock up the WSN organisation, the PPS, the Citizens' Committees, the RDS and Labour Solidarity (such veterans for example as Wojciech Borowik from the Union of Labour). They are certainly all united by a desire for a secular democratic state, with a cabinet-parliamentary, rather than presidential system. To a certain extent they are divided by their attitudes to economic issues, from the opposition to far-reaching privatisation in the Union of Labour and the PPS, to the desire to speed it up on the left of the Union of Freedom. They have a critical attitude to the past of the post-Communist groupings, to which they have given expression in the parliamentary Commission for Constitutional Responsibility, but they also perceive in the ex-Communists a potential partner both in an electoral coalition (as the Union of Labour put into effect in the local elections) and as an ally in local government.

In spite of this the Solidarity left is in opposition to the existing coalition, in opposition both from the left (Union of Labour) and from the right (Union of Freedom). The most significant rallying point for the Solidarity left in the recent period has been the Social Committees for the Presidential Candidacy of Jacek Kuron. Activists from UW, Union of Labour and the PPS are involved in their organisation and work. ■

NOWA
LEWICA

Jan Sylwestrowicz

Capitalist Restoration in Poland: A Balance Sheet

At the beginning of the year (1995), five years after Poland had been administered pro-capitalist shock therapy under the Balcerowicz reforms, a wave of discussion swept the country's pro-capitalist press around the theme "How far have we come?", or, more frequently, "How far do we still have to go to capitalism?". A large majority of the serious economists that took part concluded that capitalism is still a long way off. The basis of their claim was the role of the state versus the market. This was, in fact, a correct starting point. The Polish economy is not yet defined, controlled and regulated by private capital. The basic regulator is still the state. The state continues to redistribute upwards of 80 per cent of GDP. The state remains fundamentally in control of the allocation of resources. The state is also, in effect, in control of a large part of the private sector.

Economic structure

Five years after the launch of capitalist restoration, what is the current configuration of the Polish economy? A rather schematic breakdown would be as follows:

a. The **state sector.** In real terms, this encompasses not only the enterprises today statistically classified as state-owned, but also those "commercialised" companies which continue to be run or controlled by the state (or state-owned institutions).

b. The **private sector**. This has to be broken down as follows:

(i) The most powerful sector here - economically and politically - is that of the **"hybrid"** enterprises (often referred to as being under

"group" ownership, although officially "private"). These consist of the leading firms on the Polish stock exchange (15-20), which constitute holding companies monopolising distinct areas of the economy: ownership is divided between state institutions, interlocking interests with other "hybrid" enterprises, individual bureaucrats with their private firms, and minor holdings by small investors and/or foreign capital. These enterprises have enjoyed the greatest access in the last five years to various mechanisms of concealed state subsidy, which allow them to pass on a portion of their own costs to the state. The profits earned by these companies are in part gradually siphoned off by the private bureaucrats involved in order to set up their own "totally private" companies, which then function as the privileged entities within these holding groups. These enterprises have come to dominate Poland's foreign trade - mainly importing from the West and exporting to the East - and are the prime source of the flight of capital to Western Europe. Their influence within the "economic ministries" is decisive.

(ii) The **"classical" private sector**: aside from the private sector of agriculture (principally smallholders already operating privately in Poland under the Stalinist governments), this is composed of the private firms set up by the old nomenklatura and the new comprador bourgeoisie, small private craft establishments and sole traders, and joint ventures involving foreign capital (limited in number). By far the largest segment of this are the sole traders.

(iii) **The Mafia.** While the Polish Mafia probably has nothing like the political influence of its counterparts in some parts of the ex-USSR, it has expanded its economic influence dramatically. In particular, it has become a major player in "foreign trade", specialising in stealing cars in Western Europe for resale both West and East, and in the production and export of amphetamines. These are not minor industries. The number of cars passing through the hands of the Polish Mafia in 1993 is estimated at 300,000 - roughly equivalent to the annual output of Poland's domestic auto industry. The Polish Mafia is the most important wholesaler of amphetamines in the whole of Europe.

Within the above breakdown, it is important to understand the relative economic importance of the various sectors. The rapid growth

of the private sector has mainly been a function of the development of sold traders/"family" firms. At the end of 1994, there were 1,780,000 of these (a drop of 0.6 per cent from 1993). Among larger enterprises, the private sector accounts for 33 per cent of employment. However, this includes many large enterprises officially viewed as private ("commercialised", "incorporated" enterprises), yet controlled by state institutions. These company predominantly operate within the distribution and service industries and, to a lesser extent, in construction. Manufacturing companies are the exception.

Privatisation

How has privatisation been achieved? While the Mafia would seem to have been successful in expanding its operations fairly independently, the other sectors (the "hybrid" enterprises, nomenklatura enterprises, the other sectors) owe their existence to their parasitic relationship to the state. Privatisation has fundamentally been financed by the state. It is the state, and the state sector of the economy, which is materially supporting privatisation, functioning as a gigantic life support mechanism for the emergent private sector. Despite the primitive accumulation it has been engaged in, the private sector still could not even survive without its present tax breaks, the subordination of its needs to state-owned industry, the cheap lease of state-owned plant and machinery, preferential credit from state-owned banks, the direct and indirect subsidy of the whole private banking/financial sector, privileged access to export/import licenses, state guarantees for trade operations, etc. Moreover, various regulatory moves by the government (particularly interest and exchange rates) have been geared to allowing the private sector to make quick killings by simple speculative operations. The whole process is cemented together by the interlocking personal connections and interests of the state bureaucrats and private "businessmen". In effect, the Polish state is operating like an enormous heat pump, pumping resources out of the public sector and into the private sector. Moreover, through various regulatory mechanisms and even direct intermediation, the state in fact often administers the working part of the new private economy.

Restraints on privatisation

The fundamental problem is that today any substantial expansion of privatisation would represent an unsustainable drain on the state sector, producing mass bankruptcies and economic collapse. The resources just do not exist. At the same time, the private fortunes amassed by Poland's emergent capitalists have mostly been squandered or sent abroad. This layer still lacks the capital (and the will) to expand the privatisation process. Furthermore, Western capitalists show no signs of stepping up direct investment (which fell 25 per cent in 1994 to 1.2bn US dollars, a large part of which came from one company, FIAT).

Already it is proving difficult to maintain the growth of the private sector. It is significant that pro-capitalist economists in Poland now lay less stress on "restructuring" industry (which is mainly state-owned): today they are calling for a restructuring of the new private sector. The comparative economic "success" of 1994 was achieved thanks to a slowdown of privatisation and improved performance by state sector industry (industrial sales up 13 per cent, with machinery and equipment up 20 per cent - although up from very low levels).

Restoration is being carried out through the vehicle of the state, and the main components of the new capitalist layers are certainly drawn from the nomenklatura. However, an overall process of economic and political synthesis/redefinition has taken place. We have seen the linking up of a large part of the old bureaucracy (including most of the administrative and repressive apparatus) with new layers and elites. Today, the new elites are drawn from various layers: the old bureaucracy (the majority), the old pre-1989 layers of private profiteers, the political elite from the pre-1989 opposition, and new comprador layers. The divisions within today's ruling elites in Poland can largely be traced to their history since 1989, and is evidenced in the conflicting political projects which they support (which will be discussed later on). An excellent example are the sections of the old economic bureaucracy which have completed their own "private privatisation": having privatised themselves, these layers are now increasingly demanding that privatisation would threaten their interests, putting an intolerable strain on the state resources

which have been nourishing them and posing the danger of an intensification of class struggle and "instability".

The events of the last five years have shown that, rather than being one continuous process, albeit contradictory and disjointed, the restoration of capitalism is marked by certain distinct stages. The first stage saw the introduction of the legislative framework for the development of capitalism, and the marketisation and privatisation of selected areas of the economy, while the state continued to function as the regulator of the economy as a whole. This was performed at tremendous economic cost. Today that stage is drawing to a close. What we are witnessing now are structural constraints which obstruct moves to go beyond the present partial process of restoration towards the real domination of private capital.

In terms of infrastructure, the obstacles involved are now apparent. To cite only two examples: i) It has proved impossible to set up "normal" capitalist financial markets; indeed, the attempt to put in place a capitalist banking system has largely proved disastrous, and has led to an enormous waste of resources and economic disruption. A stable banking system operating under the laws of capitalist market competition is irreconcilable with the role of both state and private banks as one of the main conduits for the state subsidy of the private sector. ii) It has proved impossible to eliminate one of the main barriers to a "normal" labour market: the housing infrastructure. The housing shortage is aggravating as new construction has almost stopped, and housing stocks are still overwhelmingly held by the public sector, including 1,350,000 housing units owned by state enterprises.

The key restraint, however, is the lack of capital. The new private sector is incapable of keeping itself alive without huge state support, let alone financing further privatisation by itself. The barriers to Western investment are increasingly visible: the effects of the 1991-93 recession are still operative; Germany is burdened with the huge cost of reintegrating the GDR (100bn US dollars per year); the attractiveness of investing in Eastern Europe has been reduced by the lack of requisite financial infrastructure at a time when the qualitative leap in the globalisation of the international capitalist economy (particularly through the use of derivative instruments) has eased

capital flow elsewhere; those segments of the Polish economy that were the most attractive to the West have already been captured (certain areas of distribution, beer, cigarettes, confectionary, etc.). The only remaining source of capital is the one that has been used up to now: the state. Yet no more can be squeezed out of this source without a major alteration of the present balance between capital and labour. What this in fact means is that the limits of "peaceful" restoration are now being reached (although even this has been accomplished at the cost of tremendous social suffering). Any qualitative advance in capitalist restoration would involve a new and massive onslaught on the working class.

Political dynamics

As explained above, the stage that has currently been reached in the process of capitalist restoration presents a stark choice to Poland's ruling elites. Firstly, they can attempt to accelerate restoration, which can only be done by stepping up attacks on the working class. This would involve greatly reducing living standards and allowing a resurgence of unemployment. An enormous intensification of class struggle would be unavoidable. It is almost inconceivable for this variant to be adopted without an accompanying move towards some form of authoritarianism and a severe restriction of democratic rights, particularly trade union freedoms. Secondly, the elites can backpedal, slow down privatisation and maintain the overall status quo within the economy, perhaps also reasserting tighter control over certain processes, to the benefit of the state sector. This is intended to provide a breathing space, to stabilise the economy in general, and to help the state sector get back on its feet (as a result, the process of restoration could perhaps be taken up again in the more remote future). This would alienate Rightist and pro-capitalist opinion, particularly those (mainly petty bourgeois) layers which are still awaiting their "chance" to become capitalists and are resentful that those who have seized that chance are mainly members of the old nomenklatura.

In the light of the above it becomes easier to grasp the essential meaning of the three major political projects present among Poland's pro-capitalist forces. The first, the liberal/democratic, was the

dominant ideology for at least the period 1989-93. Today, the inability to ensure the further progress of capitalist restoration on the same basis as in those years has called this project into question. The need to make the kind of choice posed above is becoming recognised. The Union of Freedom, the dominant party in the first period of restoration, which symbolises the liberal/democratic current, is today torn by this dilemma. However, a number of this party's major leaders have already openly declared that "if the choice is between democracy and capitalism, we must choose capitalism". The presidential candidate of the Union of Freedom was Jacek Kuron, the only leading figure in the party who is considered to be "on the left" - which, in this context, means supporting the "social market" (i.e. a slowdown of privatisation, etc.).

The second project may be termed bureaucratic/conservative. It is particularly identified with the two parties which make up Poland's present government coalition, the PSL (heir to the old pre-1989 Peasant Party) and the Social Democrats (heirs to the Communist Party, although maintaining only some 3 per cent of the membership). While the Social Democrats contain a very strong wing which is close to the liberal/democratic current, the objective circumstances have forced them to take a much more cautious approach. Indeed, the policies pursued by the present coalition represent the beginning of the second option presented above: the pace of privatisation has been slowed considerably and direct state intervention has been stepped up in foreign trade, agriculture and the energy complex. In 1994, this produced tangible economic results (cited earlier) and the first real increase in state-sector wages since 1989. The term "social market" has once again been dusted off to theorise the beginning of a new turn. At the same time, to maintain its pro-capitalist legitimacy, the current coalition continues to fawn before the West and demand membership in the European Union, NATO etc.; it has also done nothing to cut the state support that keeps the existing private sector alive.

On a more general level, we can say that the coming to power of the Social Democrats in Poland (and in other countries of Eastern Europe) represents the coming together of two factors: one subjective (voters protesting against the impoverishment produced by moves

towards restoration) and the other objective (the structural constraints that block further restoration/privatisation on the present basis).

The third project is a Bonapartist/authoritarian one. Poland's nationalist, clericalist and conservative Right (including the present leadership of Solidarity) are gradually regrouping around this orientation, with Lech Walesa at the centre of it. This project is extremely dangerous. It represents the first option described: accelerated privatisation at any cost, with a sharp attack on wages, social services, etc. Walesa has repeatedly made it clear that all means necessary should be used to "speed things up", and that parliamentary democracy seems to be more of a hindrance than a help in this respect. The ideological basis for such moves would undoubtedly be a nationalist, Catholic brand of anti-Communism. This orientation is all the more threatening in that it feels free to make use of populist rhetoric concerning the "Red bourgeoisie"; since this corresponds to the popular experience regarding who has really benefited so far from the restorationist project, this rhetoric strikes a deep chord not only among the petty bourgeoisie but among sections of the working class.

The labour movement

In contrast to the above projects, the workers' movement still has not developed an alternative project of its own. Despite outbreaks of militancy in both industry and public services, including strikes against Western and private-sector employers, where the unions have correctly highlighted the meaning of privatisation for the working class, no section of the labour movement has managed to pose a more general alternative to capitalist "reform". Even the partial responses floated by some workers' leaders in 1989/90, e.g. a cooperative type of self-management at plant level, have now lost currency. In the meantime, unionisation levels have declined and the union movement has become increasingly fragmented. The various radical splits from Solidarity have all fallen under the control of populist/nationalist demagogues.

The major political parties that present themselves as being of the Left - the Social Democrats and the Union of Labour - are incapable of going beyond the idea of a "social market". Nor are there significant

currents within these parties that have moved leftwards. While these parties have developed their electoral base, they remain very small in terms of membership; the Union of Labour, running at almost 10 per cent in electoral opinion polls, has a tiny membership. The only organisation with parliamentary representation that is further to the left, the PPS (Polish Socialist Party), has only several hundred active members.

The process of rebuilding a class approach to politics within the workers' movement, after the havoc wrought by Stalinism, is a huge challenge. The basis on which this could be built is the continued readiness of a large part of the working class to take direct action in defence of living standards as well as the impressive electoral support for the Social Democrats and the Union of Labour; this support can only be interpreted as a vote against the policies of privatisation and clericalisation.

In the short term, the task facing the left in Poland is to encourage the struggle to stop the Right. This was the basis of left-wing support for the Social Democrats and the Union of Labour in the parliamentary and recent presidential elections. This immediate task cannot obscure the fact that the only force capable of defeating the anti-democratic restorationist offensive is a politically organised working class. The goal of such a political movement has to be socialism, not the social market. Today, the Social Democrats may stand in the way of the authoritarian forces, but they are a feeble defence. ■

Polish Presidential Election Results
5/19 November 1995

First round turn out: 64.8% Second round turn out: 68.8%

Aleksander Kwasniewski 35.11 % (1st round) 51.72% (2nd round)
Lech Walesa 33.11 % (1st round) 48.28 % (2nd round)
Jacek Kuron 9.22%
Tadeusz Zielinski 3.53%
Jan Olszewski 6.86% (65 years old. Barrister and long time defender of political dissidents. Adviser to Lech Walesa from December 1981. Adviser to Episcopate of Poland under martial law. Dec 1991-June 1992 Prime Minister.)
Waldemar Pawlak 4.31% (36 years old. Prime Minister twice: June-August 1992 and September 1993-March 1995. Chairman of Polish Peasant Party (PSL) from June 1991. Chairman of PSL Parliamentary Group. Farmer. Owner of 17 hectare farm in Kamionka near Pacyna.)
Hannah Gronkiewicz-Waltz 2.76% (43 years old. PhD Law (1981) Dec. 1993 - Assistant professorship. Thesis: "Central Bank - form a Centrally Planned Economy to a Market Economy. Legal questions". From 1989 Parliament and Senate expert on public and economic law. From 1992 Chair of the Polish National Bank. No party affiliation.
Janusz Korwin-Mikke 2.40% (53 years old. MA Philosophy Warsaw University. Chairman of section of Sociocybernetics at the Polish Cybernetics Association. Founder of underground publishing house Oficyna Liberalow. 1980-91 Adviser to Individual Craftsmen's Solidarity. 1984 co-founder with Stefan Kieslewski of Liberal Party 'The Right.' 1987 co-founder of Union of Real Politics. 1990 founder of Conservative-Liberal Party of Real Politics (UPR). Chairman of UPR 1991-92 Member of Parlaiment. National Bridge champion.
Five other candidates also ran, securing between 0.04% to 1.32% of the first round vote. They were **Andrzej Lepper** (Chairman of Samoobrona Farmers' Union), **Leszek Bubel** (Chairman, Fight Against Lawlessness Forum), **Tadeusz Kozluk** (Common Sense Party), **Jan Pietrzak** (independent entertainer), **Kazimierz Piotrowicz** (independent businessman).

David Mandel

Russia: The Labour Movement and Politics

I. The Political Situation

State offensive against living standards

The official ideology defines the relations between workers, management and the state as "social partnership." But even in the best of circumstances, partnership between unequal parties with conflicting interests is a dubious proposition. In the Russian case, the state does not even bother with pretence: it is waging an open, massive offensive against workers' living standards.

This is not simply a by-product of the introduction of market relations and privatisation or even of the economic crisis. It is a deliberate state policy, often based upon illegal methods, to reduce real money wages as well as the "social" wage. Alongside the heavy taxation of enterprise wage bills, non-indexation of the minimum wage, of public sector wages and of social allocations, as well as delayed payment of wages, subsidies, allocations and the like, the state's representatives in tripartite sectorial negotiations, even in predominantly privatised sectors, consistently strive to worsen the terms of agreements already reached between the employers and unions (*Informatsionnyi Byulleten* PGMPR, May 1995, p. 5).

This policy is officially justified by the need to reduce the

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The present article is the second part of a survey of the situation of Russian workers and of the labour movement in the fourth year of "shock therapy". The first part, covering the economic situation of labour and privatisation, appeared in the previous issue (no. 51).

budget deficit and fight inflation. But real wages that have declined by two thirds can hardly be a source of inflation. The argument about the deficit is equally spurious, in view of the government's unwillingness to take effective measures against massive tax evasion in the private sector.

State enforcement of the labour code is weak and inconsistent. And for good reason. The labour code has been amended but not fundamentally changed since Soviet days and in a number of aspects is still quite favourable to workers. When they have a mind to, management can flout labour law with relative impunity.

The government has produced a draft revision of the labour code in order, as it claims, to bring legal norms into line with "market standards." This draft has been condemned by almost all unions, as well as by the President's own Human Rights Commission. For example, the section on labour contracts basically consists of two lists: workers' obligations and employers' rights. It allows employers freely to change the terms of employment, to transfer workers, to assign overtime and to lay off. Under the old code, all these decisions required the consent of the union committee (*Solidarnost*, no. 16(89), 1994, p. 4). The right of unions to demand the removal of directors who violate the labour code, collective agreements, or health-and-safety norms would also be eliminated. And while the existing law (introduced under Gorbachev) on resolving collective labour conflicts imposes a long (at least a 28-days) waiting period and complicated procedure for a legal strike, the new draft code would virtually outlaw strikes.

The state has also deprived the unions of two of their key functions in the past: administration of the social security system and of the technical inspectorate. Both of these are funded by payroll taxes. Social security provides for benefits such as sick pay, pensions, subsidised vacations, and various allocations for women with children under three years of age, for births and burial, food for the sick, etc. The technical inspectorate is in charge of workplace health and safety.

It has been argued that these functions distracted unions from their basic task of defending workers vis-à-vis management. But even if they were a contributing factor (though clearly not the major one) to the unions' weakness in that area, there were ways of dealing with

the problem other than state takeover. As noted earlier, this has resulted in a decline in the quantity and quality of the benefits and services in both areas.

"Prikhvatizatsiya"

Despite the distribution of vouchers to the population for the purchase of stocks and the option giving work collectives (this includes management) the opportunity to acquire up to 51 per cent of their enterprise's shares, Russia's privatisation has been one of the biggest swindles in human history. Without any pretence of democratic consultation, this programme was forced upon a population that consistently opposed privatisation of large enterprises. In the summer of 1993, for example, following a massive propaganda campaign (largely US-financed), 72 per cent of the respondents in a national survey opposed privatisation of large-scale enterprises (*Financial Times*, 6/7 October 1993). Moreover, even by the state's own legal norms, it has been characterised by massive illegality that has been tolerated and even actively abetted by the government (see, for example, the documented series in *Rabochaya Tribuna*, 24-27 January 1995).

Russians commonly refer to privatisation as "prikhvatizatsiya", from the verb "khvatit'" - to grab, or, "rip off". Historically, "primitive accumulation", that is, the setting in place of the social and economic conditions for a capitalist economy, has been characterised by widespread violence and robbery. Russia today is no exception: the priority goal of "shock therapy", next to which the government considers all else of secondary importance, has been the rapid formation (speed is of the essence to make the "reform" "irreversible") of a small, minority class of big property owners and a vast majority class of workers who depend on the sale of their labour for subsistence. (The "reformers" are hostile to collective producers' ownership and to self-management.)

Since the Soviet system did not allow the legal accumulation of large private fortunes, and since the means of production, as well as most real estate, constitutionally belonged to the people as a whole, the rapid achievement of this goal necessarily involves state-directed and supported theft on a vast scale. Even sale of privatised enterprises

to foreigners, who presumably have the money to pay for them, have been giveaways. According to one report, 500 enterprises worth a total of $200 billion have been sold for $7.2 billion to foreign firms or to Russian front companies (J-M Chauvier, *Le Monde Diplomatique*, April 1995, p. 7).

Privatisation in Russia has also been accompanied by widespread violence. The more visible, everyday violence has been private, as witnessed by the phenomenal growth of the "mafia" and of private security forces. In 1994 alone, according to a government report, there were 562 contract killings (OMRI, 10 April 1995). While much of this has taken place within the new bourgeoisie itself, some of it has been committed by representatives of that class against labour activists defending workers' group interests in the course of enterprise privatisation.

Rabochaya Tribuna, a daily with links to the major union federation, FNPR, reflected the popular view of the "reform" three years after it began: "It is entirely obvious that the reforms, as a way of improving the economy, failed long ago. All that remains is the cover for the theft and sale of what remains of Russia's national wealth." (*Rabochaya Tribuna*, 24 February 1995)

A "soft" dictatorship

But the main source of violence that has made possible the relatively unfettered progress of "primitive accumulation" is the state. It is true that, in the strict sense, the level of the everyday state repression is relatively low, although a broader definition of violence would include the thousands of additional deaths, illnesses and physical mutilations reported in the demographic statistics - these are largely the consequence of state policy.

In any case, the level of overt state violence has been adequate to the situation. For popular opposition to the government's course, although widespread, is very weak and ineffective. In these conditions, the state can achieve its purposes mainly through selective non-enforcement of laws that obstruct the realisation of its policy goals. Much was made during Perestroika of the creation of a law-based state. But under Yeltsin's "reform" government, Russia has moved father from this goal than probably it has been ever since

Stalin's time. Ordinary people feel defenceless against crime and administrative arbitrariness and they avoid turning to the law enforcement agencies, knowing it would do no good and might even make things worse.

The President of the Russian Republic himself set the tone in October 1993, when he dissolved the Constitutional Court after it declared his coup against the legislature illegal. Yeltsin, in fact, routinely violates the law, including his own signed commitments and decrees. Hence the anomalous, though characteristic, placard carried by a demonstrator in the April 23 1995 labour protest against government social and economic policy: "We demand implementation of the presidential decrees concerning enterprises working on state defence orders. It is impossible to live like this."

Even so, overt state repression has played a pivotal role at critical turning points. Most notable were the bloody suppression of the Supreme Soviet in October 1993, and more recently, the military offensive against Chechnya that has cost 20,000, mostly civilian, lives. The first action installed a dictatorship, and the second, though its origins are complex, was an object lesson to Russia's national minorities that the Russian government would not respect any claims to self-determination.

The presidential coup in the autumn of 1993 against the Supreme Soviet played a particular role in smoothing the path for continued "reform". In the months leading up to the coup, opposition to Yeltsin's privatisation policy and to "shock therapy" generally had been mounting in the Supreme Soviet, which constitutionally had the power to put a stop to them. In July 1993, for example, the Supreme Soviet voted to suspend Yeltsin's decree aimed at speeding up privatisation. Yeltsin at this time announced the start of his "artillery barrage", whose declared aim was to soften up the parliament for his final offensive in the autumn. At the time, few took the military metaphor literally. Yet even before Yeltsin came to power in Russia, some Soviet liberals had been calling for a "strong executive regime" that would free policy from the whims of parliament, whose members, elected locally, tend to be more sensitive to the electorate's desires. The "Chilean model" was very popular in these circles.

Official figures on how many people died in the military attack on the Supreme Soviet have never been published, but journalistic accounts put it at least in the high hundreds. The dissolution of the Supreme Soviet was followed shortly by the suppression of the local soviets, which in any case had already lost much of their power in 1990 and 1991 to appointed local representatives of the President.

Union leaders today often cite the events of October 1993 to explain (or justify) their moderation: the tanks and blood in the streets of Moscow, the government's threat to dissolve the union federation (rumour has it that the draft decree is still on Yeltsin's desk), to expropriate its property and end automatic dues check-off (which was attempted in some regions), the loss of union control over the administration of the social security system during those events. In the months preceding the coup, the main union federation, FNPR, had been adopting an increasingly radical, if erratic, anti-government stand, and at the start of the coup itself, its executive came out forcefully in support of the Supreme Soviet and the constitution. A few weeks later, an extraordinary congress of the federation elected a new, much more moderate leadership. This was the price Yeltsin demanded for the federation's continued existence.

Under the present constitution, the population has no effective say in the formulation or execution of state policy. Except for relatively minor amendments, this is the exclusive domain of Yeltsin and his close entourage. Locally, real power belongs to his appointees. (On the powerlessness of most local assemblies, see *Rabochaya Tribuna,* 15 February 1995.) This new constitution was written without any public consultation by Yeltsin and his advisors and adopted in December 1993 through falsification of voting results, according to the President's own Commission of Inquiry. The Commission was summarily dismissed before it could formally submit the report. A former close associate of Yeltsin, G. Burbulis, stated later: "The main thing is that the constitution was adopted, and it isn't important how - through the ear or through the ass" (*Nezavisimaya Gazeta,* 21 July 1995).

Thanks mainly to the coup, "shock therapy" continues to be implemented even though in December 1993 the population elected a majority to the new Duma that opposed that policy. When, in the

summer of 1994, the Duma debated the proposed second phase of privatisation (the sale of government-held shares through public auction), the Minister of Privatisation publicly warned it not to repeat the mistakes of its predecessor. And when the Duma nevertheless showed signs of opposition, he told the press that: "The President considers it possible to give the Duma one last chance until the end of the week to discuss and adopt the programme, after which it will be passed by presidential decree." (*Rabochaya Tribuna*, 16 April 1994). The present régime can thus be termed a "soft" dictatorship: while the population has no control over government policy that is transforming the very nature of their society and moving it in a direction that most do not want, there are relatively few political restrictions on freedom of association; the printed press is more-or-less free, by liberal, market-based criteria; there has been no bloody repression of workers' collective actions. But, as noted, this anomalous situation is explained largely by the weakness of the oppositional forces. There has so far been no need for more repression.

The repressive apparatus at the ready

No one knows the limits even of the proverbial long-suffering Russian people. An old saying has it that Russians harness slowly, but they ride quickly. Yeltsin is taking no chances. In April 1995, a new law gave the 76,000-person FSB (Federal Security Service) sweeping new surveillance powers. This successor to the KGB, which operates out of the same headquarters, has gradually concentrated in its hands all the powers of its predecessor.

In recent months, another, even more shadowy, organisation has attracted the attention of the press - the GUO (Main Security Directorate). This is the former Ninth Directorate of the KGB, that had been charged with the protection of high state personnel. This is where Yeltsin's very influential advisor and drinking buddy, A. Korzhakov, made his career, as did M. Barsukov, now head of the FSB. The GUO was created by a secret presidential decree and it is free of any outside oversight, answering directly to Yeltsin. After the events of October 1993, during which Yeltsin initially found some difficulty in enlisting active army support, he added to the GUO various élite militarised units, including the Spetsnaz (special assignment comman-

dos), paratroopers, the Alpha and Vimpel special KGB units, as well as various structures inherited from the old KGB struggle against dissidents. According to press reports, the GUO has a personnel of 40,000, is well financed and owns vast real-estate (*Novaya ezhednevnaya gazeta*, 29 December 1994). Just as ominous, the period following the coup has been marked by the open politicisation of the army, largely thanks to government efforts. A. Smolesnkii, head of the Stolichnyi Bank, told an interviewer that he was "terrified" to imagine the outcome of elections. L. Skoptsov, whom the *Financial Times* describes as "one of Russia's most prominent investors," declared himself "passionately negative about elections." (*Financial Times*, 26/27 April 1995).

A US-style two-party "democracy"?

Yeltsin would clearly like to avoid this. If at all possible, he would like to maintain the democratic facade, if only to help Western governments sell their support for his regime to their electorates. With the Duma elections looming, he decided to set up a US-style two-party system. While, in most societies, parties form the governments, in Russia the government apparently forms the parties.

One of these parties, actually electoral blocs, is headed by Prime Minister Chernomyrdyn and is "right-of-centre." The other, headed by Duma speaker I. Rybkin, is said to be "left-of-centre." Both leaders are members of Yeltsin's Security Council, which is, in effect, Yeltsin's kitchen cabinet and was responsible for launching the war against Chechnya. And, most important, both have declared their loyalty to the President (*Financial Times*, 25 July 1995).

It is not clear how much of the active electorate these two blocs will capture in the December elections. But most parties count themselves either as "left" or "right" centre, which means that they are either liberals or want to "correct" but no fundamentally change the direction of economic policy. Most unions support the "left centre", though at this point, it does not seem that they will join Rybkin's bloc. The main parties outside of the "centre" on the left are the Communist Party and Agrarians, which may do relatively well but will be far from a majority. On the right are V. Zhirinvoskii's Liberal Democrats and G. Yavlinksii's Yabloko. Zhirinovskii's star seems to

have faded somewhat since December 1993. In any case, though he is a lose cannon, in critical moments he tends to support Yeltsin. For example, he supported Yeltsin's constitution in December 1993, the war against Chechnya, and finally opposed, after initially supporting, the CP-initiated (largely symbolic) move to impeach Yeltsin in the summer of 1995. As for Yavlinskii, his real economic programme hardly differs from that of the government. The outcome of the Duma elections will determine the likelihood that presidential elections will be held as scheduled in June 1996.

II. The Political Response of Labour

Radicalisation and widespread demobilisation

Labour's collective response to the assault on its economic and political rights has been and remains weak. Some of the reasons for this will be analysed below. Nevertheless, over the last year and a half there has been a trend toward increased activism, following the relative quiet of the first two years of "shock therapy". In 1994, the last full year for which statistics are available, the government reported that strikes occurred in twice as many enterprises as in 1993 (*Sotsialno-politicheskoie polozhenie Rossii 1994*, Moscow 1995, p. 142). The trend has continued into 1995, with almost twice as many strikes in the first nine months as during the whole of 1994 (*Trud*, 6-12 October 1995). February saw a successful one-day national coal strike, the first co-ordinated (as opposed to spontaneous) national strike in any sector. According to the head of the miners' union, 500,000 miners took part in the strike (*Profsoyuznoe obozrenie*, no. 2, 1995, p. 5).

Nevertheless, the overall number of strikes remains small relative to what one might expect, given the extent of the offensive against workers. But the fragile economic situation of so many enterprises does not favour economic strikes as a pressure tactic on management. Many enterprises are on the verge of bankruptcy. Workers fear for their very jobs, and management may be interested in the enterprises coming to a stop. Besides that, there is a widespread perception among union leaders and workers that the main cause of their problems is state policy and that there is not much

that enterprise management can do in the crisis conditions. Most of the strikes that are occurring are in the state sector, especially coal, education and transport. These are among the few areas where withholding labour can have some impact. However, even here the strikes are very defensive: the basic demand has been to pay wages that are owed, sometimes for many several months, and the real target is more often not immediate management but the state.

The limited utility of economic strikes, aggravated by the long waiting period required by the law for the strike to be legal, has led to the use of other tactics. Increasingly frequent in 1994 and 1995 were hunger strikes and/or (among miners) "underground strikes", which directly involve only a part, sometimes a very small part of the work force, and are designed more to put moral and political pressure on the political authorities rather than economic pressure on management. In the coming period, one can expect to see more militant actions, along the lines of the coalminers of Andzhero-Sudzhensk, who blocked the main Trans-Siberian railway line in October 1994 for four and a half hours (*Alternativy*, no. 3, 1995).

Again, these were all strictly defensive actions - the basic demand was to pay owed wages. They were all successful, where strikes and other pressure tactics were judged inadequate or had proved to be so in practice. But although the problem of owed wages is general throughout the economy, these actions were for the most part isolated. This plays into the government's policy of divide and rule through selective concessions to those who shout the loudest at the given moment. Hunger strikes, in particular, while they have achieved their immediate aims, do little to strengthen workers' solidarity and confidence in their collective strength. If anything, they are a sign of weakness.

On the other hand, national protests called by the Federation of Independent Trade Unions of Russia (FNPR), the main union federation, in April 1994 and October 1994, showed a growing potential for solidary and co-ordinated political action. In both cases, the decision to call the protests was a response to pressure from the regional and branch union organisations, themselves responding to their own member organisations (*Rabochaya Tribuna*, 10 September 1994). Although there are no reliable overall figures for the October

28 protest (the form of participation was left to local unions and it varied from brief stoppages to street demonstrations to meetings after work at the plant), observers agreed that it was the most successful, in terms of numbers, than any FNPR had organized in past years. One of the largest demonstrations took place in St. Petersburg, where at least 40,000 gathered in the Palace Square. According to the president of the union of a Samara metallurgical enterprise, his plant sent five packed buses to the local demonstration in October, whereas the previous spring he could not even fill two *(Informatsionnyi byulleten GMPR*, December 1994).

The FNPR leadership declared that this action was purely "economic", although its demands were directed at the government. The two main official demands were payment of wages owed and a government programme to halt the growth of mass unemployment. But almost half the local meetings and demonstrations demanded the government's resignation and early presidential and parliamentary elections (*Trud*, 29 October 1994). Three months later, in FNPR's assessment, "not one of the demands put forward was in practice satisfied" (*Nezavisimaya Gazeta*, 22 March 1995). It was therefore decided to call another national protest on 22 April 1995. This one was significantly larger than the previous ones. In St. Petersburg at least 60,000 demonstrated; a similar number took part in Omsk, a provincial capital in Western Siberia with a population of a million and a half (*Vesti FNPR*, no 4, 1995, p. 5).

In April 1995, FNPR's leadership put forth the same two economic demands, calling on the government "to correct the course of the reforms in the interests of working people". But now a significant majority of local demonstrations and meetings demanded the government's resignation and early presidential elections. These demands had become increasingly widespread over the previous year. In several cities, including Omsk, protesters passed resolutions calling for a general political strike (*Vesti FNPR*, no.4, 1995, 5-6).

FNPR's leadership realised that it could not call hundreds of thousands of people into the streets twice in six months without offering them anything new. But all it could offer as a "next stage" was union participation in the Duma elections scheduled for December.

The issue of the appropriate target

Government spokespersons, liberal commentators, and leaders of the "alternative" unions (that arose from 1990 onward in opposition to the "traditional" unions - the latter still have over 90 per cent of total union membership) are critical of FNPR's political actions for choosing the wrong target. Rather than the government, enterprise management should be the target of union pressure. According to them, management, through corruption or incompetence, is mainly responsible for wages not being paid. The unions' job is to put pressure on management, not to assume responsibility for how the enterprise is run. These people also characterise public sector worker actions directed at the government as "director's strikes."

It is a political issue when no effective legal sanctions are applied to directors who do not pay wages, while the law requires that workers continue to work for at least four weeks without getting paid before they are in a legal position to withhold their labour. It is also unclear what effective actions to pressure management might be. In a collapsing economy, these are quite limited. It is not by chance that the "alternative" unions exist mainly in sectors, enterprises and shops where economic pressure on management can be effective: in transport (ports, airlines, railway, city transport), as well as in coal; there are also small unions in some auto, metallurgical and machine-construction enterprises whose products have relatively strong markets. Unions can, of course, take directors to court, but the decision might take months, and there is the risk that the court will declare the enterprise bankrupt.

The need for political action by the unions in the current situation is obvious. That it is not recognised by many leaders of the "alternative" unions is related to their support for the government's "reform" (a position that the AFL-CIO does its best to reinforce through its "fraternal aid" to "free", i.e. non-FNPR, unions - see Renfrey Clarke's article on this in *LFEE* no. 148)) and, at least in the case of the "alternative" transport unions, the relatively good economic position of their members.

Union positions vis-à-vis management

How have the "traditional" unions responded to the changes in

management behaviour towards workers and their unions? Leaders of "traditional" unions accept that relations between management and workers are destined to become more adversarial under the "market economy" and they recognize that in certain enterprises that change has already occurred. But most claim that the time has not yet come for a fundamental revision of their own practice.

For the most part, they do not subscribe to the view that successful defence of their members' interests today depends ultimately on the balance of forces between the union and management. This in turn is based upon a view that management's and workers' interests are not fundamentally antagonistic. Although they feel that negotiations with management are getting tougher, they still describe them as basically joint problem-solving exercises, in which management can be moved uniquely by moral and economic arguments. Even the "alternative" unions, which are more independent of management, do not question the linking of wages to profits. For example, a leader of the "alternative" union at the Moskvich auto plant explained that they specifically chose a time to strike over owed wages when they knew the enterprise would not be working at capacity and would not suffer financially. The idea that unions should strive to equalise wages across their sector - for reasons of justice and solidarity, among other things - and that wages should not depend on enterprise market performance is usually met with blank stares.

Aside from their more pro-"reform" politics, what most distinguishes the "alternative" unions from most "traditional" ones is that they are much less inclined to accept on trust management's definition of the enterprise's situation. Officials in the "traditional" unions admit they generally accept management's definition of the situation. It is significant that even in the largest auto enterprises (and VAZ has 140,000 employees in all), the "traditional" unions do not have research departments.

But it is not simply a question of trusting management or not. The fact is that most "traditional" union leaders, when faced with a choice of confronting management or maintaining friendly relations with it, opt for the latter. There is often an element of corruption here - these leaders have decided to further their own interests at the workers' expense by colluding with management. They will defend

workers' interests to the extent that management allows, and they are duly rewarded by management for this loyalty.

There is some objective basis for the difference in outlook of the two types of union. The "alternative" unions have been most successful in winning workers to them in those sectors and professions where pressure on management has the most chance of being successful: among dockers, locomotive drivers, municipal public transport drivers, air-traffic controllers. The threat of bankruptcy and mass layoffs is more remote here because these are vital services and/or the workers are highly skilled and not easily replaced.

On the other hand, the Independent Miners' Union, the "alternative" union in the coal sector, where bankruptcy and closures are tangible threats, has remained a minority organisation, with probably never more than ten per cent of the miners. While it remains somewhat more militant vis-à-vis management (but not toward the government) than its "traditional" rival, at the mine level the distinction between the two unions is increasingly blurred. "Traditional" unionists also have little confidence that their membership would support them in a confrontation with management; the "alternative" unions typically attract the more militant and committed workers.

In sum, all these factors, along with the still widespread view that workers' and management's interests are "not yet" fundamentally antagonistic (and even many "alternative" union activists remain ambivalent on this) help to explain the relative absence of adversarial positions in the "traditional" unions. There is a general sense that, when everything is weighed in the balance, more can be gained by not "ruining relations with management" than by confronting it.

Most workers still perceive their "traditional" unions essentially as administrators of the enterprise's "social sphere" who are subordinate to management. They do not identify with the unions as their own organisations created to defend their interests against management. And in practice, almost all "traditional" union energies go into administering this "social sphere" and to making deals with management. Very little time or energy is spent on building the union as such, on educating and mobilising the members, on creating among them a sense of commitment to the union and confidence in their collective strength.

Of course, the deals the union leadership makes with management may often be in the workers' interests, but the rank and file play no active role in them. No effort is made actively to involve them in the process and little to inform them of what the union has achieved. The union does not act as the representative of the independent, collective force of the workers but rather as a sort of intermediary that intercedes with the authorities on behalf of the workers. This behaviour only fosters the traditional view, still prevalent among the rank and file, that what really counts is management and that workers should seek salvation in it, not in their own collective strength through the union.

Even if for the sake of argument, one accepts that the situation in most enterprises does not "yet" call for adversarial relations, union leaders are doing little to prepare their union for the changes that they say are inevitable. In this context, it is of interest to note a tendency among "traditional" union leaders to idealise the past. One often hears the claim that the absence of union independence and conflict with management under the old régime was due to the fact that the enterprises were state-owned and the directors were state employees, "just like the workers". Some even describe the old system as democratic, conveniently forgetting the existence of the huge repressive apparatus. Such an uncritical view of the past does not bode well for the ability of these leaders to adapt their unions successfully to their new reality.

Rank-and-file attitudes at enterprise level

The "alternative" unions arose after 1989 in large part as a response to the "traditional" unions' refusal to abandon enterprise corporatism. But their failure to attract more than a small minority of workers (especially outside of the transport sector) indicates that there is still a mass base for enterprise corporatism - or at least, that there is no mass pressure opposing it.

Two basic factors that shape rank-and-file attitudes are the deep sense of insecurity about jobs and incomes and the often valid perception that the real source of their difficulties lies outside the plant, in the state's economic and fiscal policies. As for the distribution of shares to workers, it might have had some initial

impact, but today, if anything, workers feel more alienated than under the old system.

Nevertheless, workers do not consciously question the "market" principle that wages should be tied to enterprise profits, the new basis of enterprise corporatism. It is difficult to oppose this in part because workers are still reacting against their experience under the old system, where wages were held uniform and relatively egalitarian, regardless of the quantity and quality of work, by the central authorities through coerced "solidarity". Russian workers had no opportunity to develop a genuine sense of solidarity through autonomous collective action. The extreme decentralisation and the weakness of national union structures is both a consequence and a contributing factor to today's weak rank-and-file solidarity.

Whatever the relative weight of the different factors, there is not doubt that the corporatist policy of much of the union leadership has its counterpart in widespread rank-and-file attitudes, much to the frustration of union reformers. The economic crisis has created a widespread sense of insecurity and a reluctance among workers to do anything that might "ruin relations" with management. It has also pushed many of the most active workers out of the large, former state enterprises. A disproportionate number of those who left had been active in the revival of the labour movement in the last Gorbachev years. They were the more skilled and dynamic elements, people who also felt more confident about their chances of surviving in the marketplace. The industrial work force has also become older, as young people were laid off first or else left the enterprises on their own. The departure of these people is bitterly lamented by the remaining activists, who find themselves isolated.

Union politics

A union movement that is serious about defending its members must be involved in politics. This is all the more so when the state is leading an all-out offensive on their rights. The "traditional" unions have shown a certain amount of independence vis-à-vis the state, certainly more than was the case under the old regime and more than the "alternative" unions. The high point of "traditional" union political independence was reached in September 1993, when FNPR's executive

openly denounced Yeltsin's coup and even issued a call to strike in defence of the constitution. However, it soon beat a retreat (true, under threat of dissolution) and since then it has never raised the issue of the regime's legitimacy. Nevertheless, FNPR today opposes the government's economic course, while most leaders of the "alternative" unions have sided with Yeltsin at the critical junctures and are generally supportive of his economic "reform". The "alternative" Confederation of Free Transport Unions, for example, has forged an electoral alliance with "Democratic Russia", a liberal political movement that, in its better days, played a key role in bringing Yeltsin to power (*Trud*, 5 September 1995).

But the attempts of the "traditional" unions to put pressure on the state cannot be reduced simply to "doing the directors' bidding". Government policy really is the basic cause of the economic crisis and the drastic decline in the workers' situation. There is also no doubt that directors are often relatively powerless in face of the economic crisis brought on by "shock therapy" and that at least some of them share with workers a general interest in a more interventionist and supportive state economic policy to help enterprises restructure.

The real problem, once again, is not political co-operation as such with management, but what form this co-operation takes. There are striking parallels between the behaviour of the "traditional" unions in the enterprise and their behaviour in the political arena. In both spheres they are unable or unwilling objectively to analyse the respective interests of workers and management and in both spheres they tend to subordinate themselves both organisationally and programmatically to the directors. In the political sphere, the so-called "directors corps", which represents a significant part, though by far not all, of the directors of privatised enterprises, takes a "centrist" position: they support "market reform", while calling for increased state intervention, a larger state sector, protection of the domestic market, and a more pronounced "social orientation."

On September 6, 1995, the daily *Trud* ran the following headline: "In Alliance with the Directors: the Unions Will Go to the Elections Together with the Employers." It reported that the leaders of FNPR had concluded an electoral alliance with the Industrial Party, led by such figures as A. Volsky and V. Shcherbakov, both long associated

with the "directors' corps".

This electoral coalition is based upon at least three dubious assumptions, and, as such, can only sow illusions among workers (although, if past experience is any guide, few workers will vote for this alliance). The first is that the interests of workers and directors fundamentally coincide, so that a reform in the interests of "the entire society" and "social partnership rather than confrontation" are realistic goals. The second is that the "reform" can be made to serve the people's interests by a "correction", rather than a fundamental rejection of its guiding principles.

The third and most patently false assumption is that the election can change government policy. In December 1993, the electorate sent a majority of opposition deputies to the Duma, but it failed to "correct" the government's course in any significant way. Yeltsin made sure of that could not happen when he drafted his new constitution and then rammed it through on the basis of faked referendum results. But even if the Duma had the constitutional power seriously to influence government policy, the election of union officials and other "centrists" to the legislature would make little difference in itself, without a mobilised population to maintain the pressure outside of the Duma. "Market reform" has its own logic and is supported by powerful extraparliamentary forces both within and outside the country. This was amply demonstrated in other East European countries by the election over the last two years of left governments, which failed to reverse neo-liberal economic policy. Moreover, there is a well-established pattern in Russia of co-optation of oppositional popular leaders.

Another parallel between the "traditional" union's behaviour in the enterprise and in political sphere is their lack of serious concern with mobilising the membership. The main focus is on lobbying and deal-making at the top. The last thing they want is a confrontation with the government that might "ruin relations". In a highly contradictory speech, M. Shmakov, FNPR's President, explained to its general council on June 1, 1995 the need for moderation: "Today it is clear that a decisive, open confrontation with the régime would throw our trade unions onto the backwaters of public life, would deprive them all of the constitutional means of defending the interests of the toilers, and

would be a real threat to the existence of the Federation and of FNPR unions as a whole." In veiled terms, Shmakov was saying that a more militant and radical strategy, in particular one that challenged the basic course of "reform" and the government's legitimacy, would provoke repression of the unions and possibly their dissolution.

One can debate the validity of this assessment, but the point is that FNPR does not tell the workers it is asking to support its electoral alliance that it is acting out of duress, that it is forced to make these concessions under threat of repression. On the contrary, it tells them that the elections can change government policy, that social partnership is a real option for improving the workers' lot. The reality is that if the unions were effective in defending their members, the regime would try to repress them. Logically, then, if the unions were serious about defending their members, they would be seeking a strategy whose fundamental goal is to build union strength, so that they cannot be repressed.

Instead, FNPR has chosen a strategy that seems designed to deepen the already profound disillusionment of workers in their unions and in political action. It seems clear that, at least as far as FNPR's leadership is concerned, the main function of its "national days of action" was to let lower-level union activists and rank-and-file members harmlessly let off steam and to allow FNPR too adopt a militant pose while not "ruining relations" with the government.

Not all the "traditional" unions have joined FNPR's electoral alliance with the "industrialists". But like FNPR's leadership, they all have rejected independent labour politics and have linked up with political groupings that at best are "centrist" but are sometimes closer to the liberals. What all these electoral alliances have in common is what might be called the "politics of intercession" - a strategy of linking up with non-labour forces that, it is hoped, will be able more effectively to intercede with the government on behalf of the particular interests of the given economic sector.

The unions' electoral alliances are generally based upon the flimsiest and narrowest of analyses of the respective interests of the allies. The Metal Foundry and Mine Workers' Union, which left FNPR a few years ago (at least at the national level - local organisations often remain affiliated to regional FNPR bodies) has linked up with the

Yabloko party of G. Yavlinskii, author of the 1990 "500-Day Plan", a first Russian version of "shock therapy". (This Union also has close links with the AFL-CIO's representatives in Russia.) The main basis of this alliance seems to be the good personal relations between the head of the union, B. Misnik, and Yavlinksii, who has done some interceding on the union's behalf with the government. (Union officials claim Yavlinskii has been converted to Keynesianism.) Another factor is probably that the union basically covers a resource and primary processing sector, and at least a part of its membership is doing relatively well thanks to exports.

On the other hand, the Union of Trade Workers and the Union of Educational Workers have decided to link up with "Women of Russia", a party of no definite political profile - certainly not feminist (unless one counts promotion of women's entrepreneurial activity) - that waivers between "centrism" and liberalism, but is quite loyal to Yeltsin. The reason given for the alliance is that there is a high proportion of women in these unions.

The quite left-wing regional union federation in Omsk had helped to elect one of the very few independent, labour-oriented, socialist deputies, Oleg Smolin, in December 1993. Smolin had hoped to run an independent socialist, union-supported list based in the region in the coming elections. But in May 1995 the regional union federation decided to throw in its lot with Yu. Skokov's Congress of Russian Communities. Skokov is also associated with the "industrialists" and, is argued, will fight for increased state support to the defence industry, the main employer in Omsk. But another important reason seems to be that Skokov's organization has money and has given some crumbs to the federation for the electoral campaign, whereas Smolin, a university teacher, has no rich backers or personal wealth.

Although none of the national unions have concluded alliances with the Communist Party of the Russian Federation, the main party of the "left", in some regions the unions have formed alliances with it. Such an alliance between the union federation and the CPRF has been formed in the industrial and mining region of Kemerovo (once the heartland of the "alternative" IMU) in Western Siberia. A. Tuleev, popular head of the Kemerovo regional legislative assembly and a

consistent opponent of Yeltsin and his policies, is second on the CPRF's electoral list.

To the CPRF's credit, it has wisely refused overtures from "left centrists" groups to form an electoral alliance, which would endanger its separate identity among voters. Of course, given its electoral strength, as shown in the December 1993 elections, it had nothing to gain from such an alliance. At the same time, however, its claim to be a socialist and radical alternative to the present government has to be taken with a grain of salt. The party's leadership has moved it in a strongly nationalist direction, and its economic programme is in practice more social-democratic than socialist (though this is more than one can say for most of the sundry groupings that actually claim to be social-democratic). In addition, its failure seriously to come to terms with the past - nostalgia predominates among large sectors of the party - raises doubts about its commitment to democracy.

Rank-and-file political attitudes

Most workers today have shed all illusions about the real goals of the present regime and its policies. Their grasp of what is happening to their country and themselves is surprisingly sober and realistic. The predominant attitude to the government and to the President is one of profound hostility. But so far workers have been unable to translate this into effective political opposition. There is widespread resignation and a sense of impotence to affect the course of events.

The elections of December 1993 were a stunning rejection for the political forces identified with "shock therapy". Together they received about 25 per cent of the vote cast according to party lists (*Financial Times,* 14 December 1993). Fortunately for them, Yeltsin's preventive coup two months earlier had deprived this vote of any real significance, except as an opinion poll. A very large part, over half, of the electorate showed its understanding of this by not bothering to vote. (Officially, 53 per cent of the electorate participated - 50 per cent participation was needed to ratify the new constitution - but these returns were faked. See *Nezavisimaya gazeta,* 19 July and 21 July 1994.) The continued decline in support for the government since that time is amply documented in numerous surveys, as well as the increasingly frequent demands for the government's resignation and

early presidential elections voiced by workers at demonstrations and in strikes. In May 1995 almost two thirds said they had no confidence in the executive branch and the government (*Pravda*, 23 June 1995).

Insecurity engendered by the economic crisis plays some role in the workers' inability to develop effective opposition. The tendency to retreat into the private struggle for survival is strong. It is commonly accepted, for example, that the summer months are a dead season for workers protests or other types of political activity, since they are busy tending to their garden plots, which have become an important supplement to their meagre wages. Nevertheless, while the economic crisis and the fear of unemployed are powerful factors for quiescence at the enterprise level, they cannot of themselves explain the widespread political demobilisation. In other conditions, one can well imagine so vicious an attack on social and political rights sparking a vast mobilisation.

A more important factor in explaining the workers' sense of powerless is their perception of the futility of political action, which in the past has failed to bring any improvement to their situation, which, on the contrary, is constantly getting worse. The biggest deception is associated with Yeltsin himself and the "democratic" (i.e. liberal) movement, who rode to power on a wave of popular enthusiasm (as well as on the demoralisation and rush to capitalism of much of the old Communist bureaucracy). Turnout in the December 1993 elections was the lowest since more-or-less free elections were first held in 1989. And it was particularly low in regions that had been the strongest supporters of the government and of Yeltsin personally. But perhaps more important than disillusionment is the quite realistic understanding of the repressive nature of the present "democratic" regime and of the kind of force it would take to bring about real change. This is reflected not only in the small turnout of December 1993, but also in the unprecedented 17 per cent who voted against all candidates and in the additional seven per cent who spoiled their ballots outright. This means that nearly two thirds of the electorate abstained in the December 1993 elections, either actively or passively.

This is an indication of how far out of step with rank-and file attitudes is the "traditional" union leadership's exclusive focus on participation in the elections. (The "alternative" union leaders, who for

the most part support Yeltsin and the liberals, are, of course, even more distant politically from the mass of workers.)

Widespread rank-and-file passivity is a fact often cited by union leaders in support of their present policy. But there are also signs of growing potential for mobilisation: the disappearance of past illusions about this régime and its policies, the growing number of strikes and strikers, the increasing prevalence of anti-government demands put forward in strikes and demonstrations, the increased participation in, and radicalisation of, the national actions in October 1994 and April 1995.

Even if these actions have included only a minority of workers, many who did not participate share the growing anger and frustration. This, of course, does not mean the workers would immediately rush to the barricades in support of a socialist revolution, if only they had leaders to point them in the right direction. It does mean, however, that there is a potential upon which to build an independent workers' political alternative.

Such a strategy would, of course, "ruin relations" with the régime. It might even, as Shmakov hinted, tempt it to step up repression. But the alternative is certainly worse. For the most probable outcome of pursuing the present strategy of moderation and dependent alliance with the "directors' corps" and other "centrist" forces is not simply more of the same (one safely can rule out the possibility that this strategy might be able to reverse the régimes economic policy in the workers' favour), but the rise of even more authoritarian, nationalist, right-wing populist forces. Zhirinovskii's personal star may have faded since December 1993, but there are others waiting to take his place. In the absence of a progressive alternative, increasing numbers of workers may be attracted to a reactionary one. ■

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Boris Kagarlitsky

Russian Trade Unions and the 1995 Elections

After the Russian parliamentary elections of 1993, in which the trade unions failed to participate as an organised and independent force, the majority of union leaders declared that they would not repeat this mistake in the elections due for December 1995. And indeed, trade union bodies are now showing enormous interest in the elections. But apart from the trade unions of the agro-industrial complex, these bodies lack both clear plans and reliable allies.

Since 1989 Russian trade unions have been divided into two camps, "alternative" and "traditional". Most of the latter are affiliated to the Federation of Independent Trade Unions of Russia (FNPR). The FNPR has been preparing to take part in elections for many months, but its own inconsistency has repeatedly forced it to abandon existing gains and to start again from the beginning. In the years from 1991 to 1993 discussion was taking place in the trade unions around the idea of establishing a Party of Labour. However, this idea failed to win the support of most of the trade union bureaucracy, and was rejected in the end as too radical. In 1994 discussions were held on a proposal to found a Union of Labour, but again there were no positive results. In the spring of 1995 FNPR chairperson Mikhail Shmakov made a fresh attempt to form a political bloc around the trade unions; on the basis of the FNPR, the movement "Trade Unions of Russia - to the Elections" was established. In launching this movement, the FNPR declared its readiness to go to the polls independently, but the federation's leaders meanwhile held talks with a number of political groups.

Here the internal contradictions of the FNPR made

themselves felt. Many sectoral trade unions were gravitating toward their respective ministries. The trade unions of the fuel and energy complex in particular showed a readiness to set up their own electoral bloc together with management. When this alliance failed to materialise, leaders of these unions preferred to collaborate with the pro-government bloc, Our Home is Russia, rather than with the opposition. This course, however, met with resistance from the trade union rank and file.

The Independent Coal Employees Union formed its own electoral movement with the name Miners of Russia; this received support from the coal industry management. In similar fashion, the trade unions of road transport workers also drew up their own list of candidates. The Union of Workers of the Agro-Industrial Complex remained faithful to the Agrarian Party of Russia, which it had been instrumental in setting up. Basing itself on the union's local organisations, the Agrarian Party is the only one of the "new" parties to have an all-Russian structure comparable in breadth to that of the Communist Party of the Russian Federation (KPRF). Meanwhile, the regional trade union federations that operate within the FNPR structures have tended to collaborate either with the Communists, or with the Federation of Manufacturers of Russia, headed by Yuri Skokov. When Skokov emerged as a key leader of the Congress of Russian Communities (KRO), many local trade union leaders promptly began supporting this organisation.

Shmakov, however, was categorically opposed to collaborating either with the KRO or with the KPRF. He and Skokov personally dislike one another, and Shmakov was also concerned that the trade unions would come to be subordinated to the Federation of Manufacturers. The possibility of a bloc with the KPRF was ruled out by the importance for the FNPR of convincing the government of its moderation; this made it impossible for the union federation to ally itself with an openly Communist organisation. One should not forget that Igor Klochkov, Shmakov's predecessor as Chairperson of the FNPR, was forced to resign in October 1993 by pressure from the Kremlin.

Because the lower-level trade union bodies are much less intimidated by threats from the authorities, the FNPR Executive

Committee has been forced to allow local trade union organisations to choose their electoral allies for themselves. As a result, the regional union federations have begun working with the KRO or the KPRF, irrespective of decisions taken in Moscow. The KPRF election slate includes seven trade union officials. Meanwhile, as many as a third of the territorial organisations of the FNPR have signed independent agreements with the KRO.

At one point, the leaders of the FNPR held discussions with State Duma speaker Ivan Rybkin on joining his pro-Yeltsin "left-centrist" bloc. Within the FNPR apparatus, this move was said to be less the result of the union federation's own wishes than of demands from the authorities. A preliminary agreement was reached with Rybkin, but Shmakov was unable to force this through the FNPR's Executive Committee and General Council. Hardly anyone except the members of the federation's central apparatus supported the agreement.

The conference of the "Trade Unions of Russia - to the Elections" movement took place in two sessions. The first, in August, rejected collaboration with Rybkin but left open the question of the general course the FNPR should follow. The second session, in September, discussed three proposals: to go to the polls independently; to refrain from putting forward an all-Russian list, instead contesting only single-member territorial constituencies; and to enter a bloc with the United Industrial Party and the Russian Union of Industrialists and Entrepreneurs (RSPP). Unlike Skokov's Federation of Manufacturers, the RSPP was a long-time partner of the FNPR. Leaders of the FNPR took the view that collaborating with the RSPP would not threaten the independent role of the trade unions in the workplaces, particularly since the enterprises involved were mainly in the military-industrial complex, where the survival of production was under threat.

The conference decided to establish a bloc with the RSPP and the Industrial Party. This alliance of the trade unions and industrialists of Russia received the second name Union of Labour; someone in the FNPR had remembered the half-finished work of earlier months. There seems little chance that this bloc will attract the 5 per cent of votes needed to win representation in parliament, especially

since local union bodies are orienting toward the KRO. Significantly, a number of trade union officials who enjoy support at the local level are pushing their own candidacies in territorial districts. For example, one of the leaders of the FNPR's bloc, Vladimir Kuzmenok, is running independently in the city of Kaliningrad on the Baltic coast.

Of the traditional trade unions that are not affiliated to the FNPR, the most prominent is the Union of Workers of the Mining and Metallurgical Industries. This union quit the FNPR in 1993, accusing the then leadership of pursuing an excessively leftist and "anti-reformist" course. The leadership of the metallurgical union has remained true to its liberal bent, and has now joined the Yabloko bloc. However, most of the rank and file members of the union are likely to vote for the KPRF and other anti-reformist formations.

The alternative trade unions have also split into several groups. Although some alternative unions have declared that they will not participate in the elections, the general level of electoral activity by these unions is high. A typical example is the Confederation of Labour of Russia (KTR). Candidates from the KTR are running in single-member constituencies in St Petersburg and Pskov. The KTR has a certain influence among seafarers, air traffic controllers and locomotive drivers. But in August a split occurred, and the Independent Union of Miners (NPG), traditionally the leading force within the alternative union movement, left the KTR. NPG leader Alexander Sergeev joined Rybkin's bloc. Taking into account the NPG's past - for years, the NPG had the reputation not just of being pro-Yeltsin, but of being a "liberal trade union" - this amounts to a significant shift to the left. In Sergeev's words, the Rybkin bloc is the most left-wing formation which the NPG might join without risking a split. It is obvious that the NPG's shift to the left is only just beginning. At the local level, members of the NPG are establishing contacts with the KPRF and with the "traditional" Independent Coal Employees Union.

Together with other alternative unions that left the KTR, the NPG established the All-Russian Confederation of Labour (VTK). The founders of the VTK anticipate that Shmakov's failure in the elections - which they see as inevitable - will seriously shake the FNPR, and perhaps lead to its downfall. In these circumstances they foresee

the reorganisation of the Russian trade union movement and the creation of a new, large federation on the basis of the VTK. This prospect is rendered more remote, however, by the feeble chances of Rybkin's bloc, to which Sergeev has linked his fate.

The sole hope for Rybkin's bloc now lies in sinking the Union of Labour, while the latter has no chance of success except through campaigning against Rybkin. The two forces thus gravely weaken one another. The centrist electorate is small - no more than 15 per cent of the total, by the most optimistic estimates - and it is to this sector that most of the blocs that include trade union candidates are appealing. There are unlikely to be any victors in this fight. Apart from the NPG, the strongest group of alternative trade unions is the federation Sotsprof. Officially, Sotsprof has given its support to Vladimir Polevanov's bloc, For the Homeland. Sotsprof members are running in Chelyabinsk, Lipetsk, Udmurtia, and in Orekhovo-Zuyevo near Moscow.

The conclusion is irresistible that for the trade unions, the elections of 1995 will at best represent a lost opportunity, as was the case in 1993. Corporative-sectoral ties and the personal ambitions of trade union leaders have clearly prevailed over solidarity. The actions of trade union leaders during the pre-election period bear absolutely no relation to the goal, proclaimed in union charters, of defending workers' interests.

The trade unions are linked to weak electoral blocs that are doomed to defeat. These blocs hope to strengthen their positions with the help of millions or at least thousands of trade union members. But these members do not see why they should support some new party list they have never previously heard of. The trade union apparatuses in most cases are totally incompetent in electoral work, and worse still, do not understand the extent of their incompetence. As a result, even the simplest tasks go unattended.

If trade union bodies were to work together, and if they had a good understanding of what they were seeking to achieve, they could undoubtedly become a real factor in the elections. But in the present ambiguous situation trade union functionaries will find it difficult to convince workers to sign petitions in support of electoral slates. And there is even less chance that it will be possible to

convince people to vote for these slates. The debacle in the elections will probably be close to complete. Even if the KPRF and KRO are successful, it is unlikely that their friends in the trade unions will benefit much from this victory, since the union contribution to the "common cause" will have been limited, and as a result, union representatives will rarely be given winnable places on the electoral lists. Trade union candidates running as individuals in single-member constituencies have a somewhat better chance. But if elected, these people are not especially likely to work as active representatives of their trade unions. Meanwhile, it is not hard to foresee that whatever the overall result of the voting, an acute crisis will emerge in the trade unions after the elections. The main victim of this crisis will be the leadership of the FNPR, but shocks are inevitable in the alternative trade unions as well. ■

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Marko Bojcun

Ukraine Under Kuchma

The conflict between the president and parliament over the constitutional structure of the state

In June 1993, in the midst of Leonid Kravchuk's term as the first President of Ukraine after the collapse of the Soviet Union, a powerful strike wave engulfed the eastern industrial oblasts. Driven to strike by a collapsing industrial base, the break-up of trade ties with Russia, upon which their coal, steel, machine building and other sectors depend, and by the central government's failure to advance a credible strategy of economic recovery, the regional strike organisations demanded a vote of confidence in all the national institutions of power, greater economic and political autonomy for the eastern oblasts, and Ukraine's fuller integration with the CIS. As acting Prime Minister, Leonid Kuchma was forced to step down in September 1993. The Rada negotiated an end to the strikes by conceding to hold referenda of confidence in both state institutions in September, but as the moment approached it changed its mind and called new parliamentary and presidential elections for March and June 1994 respectively.

The Kuchma victory

In a second round on 10 July between Kravchuk and Kuchma, in which 71.6 per cent of the registered electorate took part, Kuchma won with 52.1 per cent against Kravchuk's 45.1 per cent. Kuchma owed his victory mainly to a fundamental change in Ukrainian attitudes over the previous two years about independence, the economy, and relations with Russia and the CIS. Eighteen months of independence under the

leadership of President Kravchuk saw the country sinking deeper into its economic crisis, with a contraction of gross domestic product approaching half its pre-independence level, inflation running at 10,000 per cent annually in 1993, a mounting debt to the Russian Federation for fuel imports, embittered relations between Russia and Ukraine over Crimea, participation in the CIS and other issues, and very little offered in the way of credits, loans or investments from Western industrial states.

Kravchuk did not make the economic crisis a priority in his election campaign, but focused instead upon a continued defence of Ukraine's statehood through a pro-European orientation in foreign affairs. Kuchma, on the other hand, campaigned for economic recovery and reform as the best guarantee of continued state independence, and for the restoration of ties with Russia and other CIS states as a necessary condition of economic recovery. He demanded the establishment of a strong executive authority to carry through domestic reform. He also called for granting of official status to Russian as a state language, which set him apart from Kravchuk. Furthermore, he called for a decisive suppression of crime and mafia organisations in the state and economy.

Kuchma's victory mirrored the results of the parliamentary election in March and April 1994, when the left wing parties (Communist, Socialist and Peasants) emerged as the largest single bloc. Kuchma did not share this bloc's views on economic recovery, but there was in this election campaign a certain coincidence between the left wing parties' regional identity (eastern and southern Ukraine) and Kuchma's own - as a defender of Russian minority interests and, of course, as an advocate of renewed economic ties with Russia. The outcome of the second round showed a regional division of the electorate between Kravchuk, who gained most support in the western oblasts, and Kuchma who gained it in the east.

Yet this east-west division has a paradoxical effect upon Ukraine's politicians. They may ride to power on an understanding of it, but they are determined to overcome it when they assume national responsibilities. Kuchma quickly learned to speak Ukrainian, the state language. He dropped the issue of official status for Russian. Kuchma's team in the president's administration was drawn from his long

standing supporters and collaborators in Dnepropetrovsk, where he studied and worked for many years, from the Nova Ukraina bloc of 1993 and the Inter-regional Bloc for Reforms of 1994, and from the Galician "Nova Khvylia" group of economic reformers. Good relations with Russia also proved more difficult to restore than many thought, while relations with Western institutions and countries featured prominently in his first foreign policy initiatives.

The Rada had elected Oleksandr Moroz, head of the Socialist Party, as its chairman in May 1994. It was the first victory in parliament of its left wing bloc of deputies. Moroz did not agree with Kuchma with regard to macro-economic reform, privatisation and foreign investment. He opposed rapid privatisation of the state economy, the privatisation of land, an open door policy for foreign investment, or any sharp reduction in the state social security budget as a condition for Ukraine gaining credits and technical assistance from the International Monetary Fund. He also defended the established powers of the Rada.

Voting patterns in the Rada throughout the latter part of 1994 showed that, by a slim majority, it wanted to return to a soviet-type state with fused legislative, executive and constitutional powers. But, by an equally slim majority, it was reformist with regard to economic change - that is, in favour of a capitalist market, tempered by strong welfare state provision.

The conflict with parliament

Nevertheless, Kuchma came into direct conflict with the Rada, as well as with vested interests in the ministries and agencies of government, as he attempted to turn his election platform into state policies. A good deal of the opposition expressed by the Communist, Socialist and, to a lesser extent, the Peasants Parties was public, directed against the pro-market, pro-Western and privatisation aims of his policies. Much of Ukrainian society by 1994 had come to hold a negative view of capitalism and the market, identifying it with the looming "grey economy" that the state could not tax for its budget, with inflation, unemployment, the steady collapse of state industry and the appropriation of its choicest parts by the new business class. The Western capitalist countries, seen as models of development at

the time of independence, were regarded widely as tightfisted and bent upon penetrating the Ukrainian economy and market for their own advantage.

Kuchma's anti-crime offensive encountered silent, but determined, resistance from state officials and elected deputies suborned to the mafia. There was an attempt on the life of the newly appointed Minister of Foreign Economic Relations in September 1994. This ministry issued licences to trade abroad, which allowed some state and private firms to re-export Russian fuels and dump Ukrainian minerals, metals, chemicals, railway rolling stock, ships and other goods on world markets for considerable profits, most of it banked abroad. Kuchma's attempts to impose fiscal discipline upon the national budget, to collect taxes on company profits, to unify the karbovanets' exchange rate, to halt the flight of capital abroad - estimated in 1994 in excess of $25 billion - ran up against powerful financial oligarchies straddling the state and private sectors.

To be sure, Kuchma was a pro-market, pro-capitalist reformer. But there are many kinds of national capitalist economies in the world. Ukraine could be driven into the periphery of the world market, supplying raw materials and semi-finished goods, developing a strong class of traders in these goods while allowing its manufacturing sector to decline and thereby making the country more dependent on imports from the metropolitan states. On the other hand, Ukraine could preserve those industrial and technological sectors in which it has a distinct advantage in world trade, and develop a more self sufficient domestic market. It could sink into the Third World, or it could balance more evenly between the Second World of the former Soviet Union and the West. The social consequences of these divergent paths into capitalism and the world economy are markedly different. Kuchma openly chose the latter path, seeking to foster a private economy that could be taxed, an industrial policy to save Ukraine's most promising extraction, processing and manufacturing sectors and a strategic trade policy to accumulate hard currency earnings for further economic development. A different kind of capitalist class would emerge from this process to co-exist in a regulated relationship with the state economic sector, different from the class of "robber barons' already undertaking the primitive

accumulation of their capital.

Why is there a conflict between the executive and legislature? In the beginning there was only the Supreme Rada, an instrument of the Communist Party of Ukraine, itself an instrument of the all-Union Party leadership. As the popular movement for independence gained ground in 1989-90, a growing wing of Ukraine's Communists moved to accommodate and take advantage of it. The Rada, in which they held a two thirds majority after the March 1990 elections, claimed increasing powers from the Moscow centre, expressing this claim constitutionally for the first time in the July 1990 Declaration of State Sovereignty. Throughout this period the Rada combined legislative and executive functions, as well as operating as a kind of constituent assembly in continuous session.

The Rada then delegated some of its higher representative and executive functions to its chairman - Leonid Kravchuk from July 1990 - and a year later wrote these responsibilities into the Law on the President. The President was to be the shield of the Rada against Moscow, with a responsibility to prevent application of all-Union laws if they contradicted republican legislation. As a popularly elected statesman, he was a legitimator of Ukrainian national statehood.

In 1992, after his election President Kravchuk became not only head of state - a role directed essentially outward, internationally - but also chief executive, a role directing him to domestic concerns. He assumed the right to appoint the Prime Minister and key members of his Cabinet, though not without approval of the Rada. The President also had the right to legislative initiative from within the executive branch. The system of President's Representatives, created in March 1992, provided the chief executive with a vertical line of command from the national through the regional, district, city and village governments.

The Supreme Rada however, took measures to limit the power of the head of state and chief executive and weaken his influence. It could veto his decrees, it could override the President's veto of its own draft legislation, and most important, it confirmed and dismissed the Prime Minister and Cabinet. The President, on the other hand could not dismiss the Supreme Rada if the government resigned.

The Prime Minister and Cabinet emerged as an independent

entity in the executive branch only with the appointment in November 1992 of Leonid Kuchma, succeeding Vitold Fokin as Prime Minister. The Rada gave Kuchma legislative initiative to rule by decree in matters of the economy and prevented Kravchuk overriding him through Presidential decrees.

The erosion of recently gained presidential power that began here was illustrated in the difference between the first draft of the new constitution, debated in 1992, wherein the President was both head of state and chief executive, and the revised draft issued in 1993, wherein the President was only head of state. The President was forced to give up the network of his representatives in lower government levels when parliament legislated in February 1994 that their heads be popularly elected. So began a new struggle for subordination of the regional and local councils - under Rada or President. Following the Rada's acceptance of Kuchma's resignation in September 1993 and a subsequent disastrous nine months in office of Yukhym Zviahilski (currently facing prosecution for serious economic crime), a new Prime Minister - Vitali Masol - was chosen right on the eve of the Presidential elections in June 1994. Ex-Premier Kuchma then defeated Kravchuk for the presidency on July 10.

The Kuchma presidency

The election of Leonid Kuchma marked a turning point in the evolution of relations between key central state institutions. Kuchma wanted much greater influence over domestic policy making than did Kravchuk, and this led him to redefine and expand his prerogatives as chief executive, to lead the Cabinet and Prime Minister and to restore presidential control over lower levels of government. All these developments challenged the power, influence and prerogatives of the Supreme Rada.

Kuchma subordinated the Cabinet of Ministers directly to his office by a decree on 6 August 1994. It required the direct participation of the president in all cabinet meetings that take up matters of economic transformation and reform, the president's approval of all daily Cabinet agendas, the Cabinet's participation in drawing up presidential decrees on economic reform, and the president's right to decide appointments to all state organisations subordinated to the

Cabinet.

Kuchma again subordinated all regional and local governments to the president's office by another decree issued on 6 August 1994. Accordingly, the heads of all oblast, Kiev and Sevastopol city governments, as well as the heads of all lower tier (local) governments were made answerable to the president. The heads of these governments, elected for the first time on 26 June 1994, thus saw their democratic local authority limited by central executive authority.

Kuchma sweetened the subordination of regional and local councils by promoting greater contact with them through a new consultative body. To that end a Rada of the Regions was created by decree on 20 September, attached to the presidency, to advise in matters of economic and social policy and central-regional-local government relations. The Rada of the Regions included the heads of all oblast, Kiev and Sevastopol city governments, as well as the vice-premier of Crimea. The President was its head and the Prime Minister its deputy head.

The debate on the constitution

Kuchma wanted to reach a constitutional accord with the Rada. The prime issue for both sides was who would control the government. Kuchma conceived this accord as a "mala konstytutsiia" (small constitution) prefiguring a comprehensive constitution to be adopted later. The Constitution of Ukraine was adopted last in April 1978. It was substantially amended and expanded in the period from 1990. Naturally, the evolution of the constitution in this latest period led to an incredibly complex and contradictory set of legal documents because its original Soviet terms of reference did not accord with the new historical context and the new values that accompanied it. A draft constitution was considered by the Supreme Rada in 1992 and was released for public discussion. It was later redrafted to reduce the powers of the presidency as chief executive. However, it proved impossible for the Rada to muster two thirds of its deputies to agree on the new constitution, and so it was never tabled for discussion or adoption.

In November 1994 the President and the Supreme Rada relaunched the constitutional process by agreeing upon the composi-

tion of a Constitutional Commission of the Supreme Rada. Kuchma and Moroz were made its co-heads; there were 15 members each delegated by the Supreme Rada and the President, 2 each by the Supreme Court, Arbitration Court and General Procuracy, and one each by the Crimean Supreme Rada and the Constitutional Court. Such proportions reflected the real balance of power between the central institutions.

There appeared to be at least three orientations within the Commission: the Communist and Socialist Party deputies wishing to build a new constitution on the basis of the 1978 version; the reformist centre from the national democratic and liberal democratic camps wanting to use the 1993 draft constitution as a basis; and President Kuchma's supporters having their own "little constitution".

In December 1994 the President submitted his draft constitutional Law On State Power and Local Self-government to the Rada, which the latter passed on first reading (published in Uriadovy Kurier, 6 December 1994). The draft contains the following essential provisions with respect to the central state institutions:

1. Division of powers between the legislature, executive and judiciary.
2. Judicial supremacy to be exercised by the Constitutional Court, with the responsibility to arbitrate between the branches of state power. Its head to be nominated jointly by the President and the Supreme Rada, and appointed by the latter.
3. President is head of state. Executive power is vested in the President, exercised by him and through the Government he establishes. He conducts Ukraine's foreign policy, subject to Supreme Rada ratification. The President is head of the National Security Rada and Commander-in-Chief of the Armed Forces. He appoints and dismisses the higher command and declares war and state of war, subject to Supreme Rada ratification.
4. The President independently establishes the government. He may likewise dismiss it. The Cabinet of Ministers and the Prime Minister are subordinate to the President.
5. Presidential decrees concerning economic reform not yet regulated by law have the force of law until relevant legislation is adopted.
6. The President can veto Supreme Rada legislation and send it back for revision. The Rada must have two-third support for its version in order to require the President to sign it and make it public.

7. The President may dissolve the Supreme Rada, after consultation with its chairman and the Constitutional Court, if the Rada twice rejects in a row his Government's programme or does not approve its state budget within a period of three months.
8. The President can nominate persons to key posts: Supreme Court, Higher Arbitration Court, General Procurator, Head of National Bank.
9. The Supreme Rada is the supreme legislative authority.
10. The Supreme Rada can vote no confidence in the government's programme, not its composition.
11. The Supreme Rada can veto the decrees of the President on the basis of their unconstitutionality, which must be established by the judiciary.
12. The Supreme Rada can initiate impeachment proceedings against the President for serious crime, and can proceed to completion, on the condition of a favourable ruling by the Constitutional Court.

How a new constitution might be adopted was already the subject of debate. Moroz proposed that a draft be adopted by the Supreme Rada, a referendum be held to resolve matters on which Rada could not agree, and the final version be debated and adopted by an All Ukrainian Congress of Councils, composed of deputies from every level of government. President Kuchma proposed adoption of a constitution by the Supreme Rada, by referendum in matters of disagreement, and finally by agreement of the three central state branches in joint session.

The draft Law on State Power was subjected to commission hearings from January to mid April 1995 in an attempt to reach a compromise formulation that could be put to the Rada. From early on, it was apparent that the Rada would give up its prerogative to appoint the government - the Cabinet of Ministers, but not its right to monitor and approve its programme. The main point of disagreement, however, was the perceived imbalance between the powers of the president and the legislature, in particular the president's right to dismiss the legislature if it would not accept the government's programme or its budget. Furthermore, the president would have control of appointments to the judiciary, which was meant to be the arbiter between executive and legislature branches of state. And he would control regional and local government executives through the

system of state administration, undermining their authority as elected governments and eliminating the channels of communication and influence between them and the Supreme Rada. In short, a majority of the Rada would not agree to a decisive shift in the direction of a presidential republic. On April 12, the Rada moved to second reading of the draft law and began considering it article by article.

After a month of deliberations, in which behind-the-scenes negotiations must have played a part in narrowing the differences, a presidential spokesman proposed to the Rada on 16 May that all articles referring to the Rada's dissolution and the President's impeachment be dropped altogether. Two days later it was adopted, by a simple majority of 212 deputies. The national democratic and liberal democratic fractions in the Rada (Centre, Statehood, Inter-regional Bloc for Reforms, Unity and Rukh) as well as the Peasants Party voted in favour. The Independent fraction, the Communists and Socialists were opposed. The Peasants Party, representing interests of the agricultural and agro-industrial sectors, had been aligned all year with the Communists and Socialists, so their defection to the centre right assured it a majority. How was this achieved? News began to leak out that Oleksandr Tkachenko, deputy head of the Rada and Peasants Party leader was being investigated by the Procuracy for alleged profiteering from agrobusiness contracts with an American supplier of hybrid seed corn. Then on 3 June the Rada's newspaper *Holos Ukrainy* carried a short item announcing that the Cabinet had instructed the National Bank to issue credits to the agricultural sector in the form of a 50 per cent advance on 1995 state contracts to purchase grain and seed. The Rada suspended Tkachenko's authority as its deputy head on 6 June, pending an outcome of the investigation. These developments suggested that a split had been made in the ranks of Peasants Party deputies.

The Rada now regrouped around the still-functioning 1978 constitution. In order to implement the new Law on State Power, explicit provision had to be made to override all contradicting articles of the constitution. This would require a two thirds majority. The left parties managed to prevent the crucial constitutional amendments that would have made the Law operative. On 31 May Kuchma issued a decree announcing a national plebiscite for 28 June. The question

was: "Do you have confidence in the President or the Supreme Rada?" and the only two answers offered would force the electorate to choose between the two institutions. There was no provision to indicate confidence or non-confidence in both of them. Public opinion surveys suggested the president would win.

The Rada responded on 1 June: it vetoed the plebiscite on grounds of unconstitutionality. It forbad government at all levels to issue funds to conduct it or any other plebiscite in 1995. It further proposed a meeting with the President to reach a compromise, and asked him to submit a new government to the Rada for approval. The government had resigned in March after the Rada voted non-confidence, Yevhen Marchuk was appointed Acting Prime Minister, but Kuchma was waiting for a solution to the constitutional impasse before proposing a new government. The resolution further proposed that Kuchma and Moroz jointly submit to the Rada a new list of candidates for election to the Constitutional Court. The resolution showed that the ongoing struggle for the constitutional division of powers was simultaneously a struggle over the actual composition of the next government and of the Constitutional Court, framed by the broader struggle over the direction of Ukraine's post-Communist transition.

But Kuchma had been meeting with the representatives of the fractions of the Rada that supported him against the left bloc. They agreed to sign with Kuchma an alternative agreement if the Law on State Power failed to be implemented. It contained the same provisions on the division of power as the amended Law did, but it was framed as a temporary agreement between the President and the Rada, to remain in force until a new constitution could be adopted. On 7 June, the Rada considered the "Constitutional Agreement between the Supreme Rada and President of Ukraine on the basic principles of organisation and functioning of state power and local self government in Ukraine until the adoption of a new Constitution". Deputies voted by name, adopting the Agreement by 240 votes in favour, 81 opposed and 8 abstaining. Moroz and Kuchma signed it at a ceremony in the Mariinsky Palace the next day. The plebiscite was cancelled. Preparations for a new constitution were announced. Kuchma named Yevhen Marchuk as Prime Minister and asked him to

form a Cabinet.

The Constitutional Agreement broadly follows the provisions of the draft Law on State Power, with several important changes and elaborations:

1. The division of powers between the executive, legislature and judiciary is affirmed.
2. The head of the Constitutional Court, exercising judicial supremacy, is nominated jointly by the President and the Supreme Rada, and appointed by the latter. However, these two institutions each nominate half of its judges. The President nominates the heads of the Supreme Court, Higher Arbitration Court and all their judges.
3. President is head of state, chief executive and head of the Cabinet of Ministers. The Cabinet reports directly to the President. The President is head of the National Security Rada and Commander-in-Chief of the Armed Forces. He appoints and dismisses the higher command and declares war and state of war, subject to Supreme Rada ratification.
4. The President must establish his government within a month of taking office or of the previous government's resignation. Within two months the government must present its programme to the Rada, which must be within the budgetary limits set by the Rada. If this condition is not met, the government can face a no-confidence motion. The Rada can vote no–confidence in the programme, but it cannot challenge the composition of the government until one year after it is established.
5. Presidential decrees concerning economic reform not yet regulated by law have the force of law until relevant legislation is adopted.
6. The President can veto Supreme Rada legislation and send it back for revision. The Rada must have two thirds support for its amended version in order to require the President to sign and make it public.
7. The President has the prerogative to nominate persons to key posts: Supreme Court, Higher Arbitration Court, General Procurator, Head of National Bank.
8. There is no provision for the President to dissolve the Supreme Rada. The Rada is responsible for its own dissolution and for setting new elections, both of the Rada and the President.
9. The Supreme Rada exercises legislative, constitutional and control

functions, as foreseen in the existing constitution and the new Agreement. It will adopt the new Constitution. A broad range of subjects, including the state budget, rights and freedoms of citizens, education, currency value and state taxes are the exclusive prerogative of the legislature. All subjects not already defined as the prerogative of other branches of the state lie within the Rada's.

11. The Supreme Rada can veto the decrees of the President on the basis of their unconstitutionality, which must be established by the judiciary.

12. There are no provisions for the impeachment of the President.

13. Elected heads of the oblast, district, Kiev and Sevastopol city governments are appointed as heads of their respective level state administration by the President. Their dismissal as state administration heads carries with it the automatic termination of their positions as elected heads of government. Higher levels of the state administration, from the President down, can overturn decisions of lower levels. The state administration can delegate responsibilities to lower levels of government (village, town, city) and can overturn their decisions, subject to judicial review.

Conclusion

By June 1995 Kuchma had succeeded in establishing presidential control of the central government, thereby taking it out of the hands of the Central Rada. He subordinated the lower levels of government to the state administration system, undermining the elective authority and accountability of their heads. Combined with his successful courtship of elected oblast leaders by their inclusion into a Rada of the Regions, Kuchma dispelled practically all hope that a soviet system of government - with lower governments accountable to the higher ones all the way to the pinnacle of the Supreme Rada - could be created. The Rada thereby became - at least by definition - a more purely legislative arm of state.

Kuchma's hopes were not realised completely. He was denied the power to dissolve the Rada. He conceded to the joint nomination of the Constitutional Court chief justice and its member judges. And, not the least important, the Rada agreed only to what Oleksandr Moroz called "a temporary juridical and political agreement", not a

constitutional agreement, between the Rada and the President.

The struggle over the division of state powers is by no means just a struggle for power. The functional division between the arms of state masks another division: a complex ideological division between the Rada's left wing bloc and the President's team and his supporters in the Rada. It is no longer a division between capitalism and socialism/communism as the long term goal of the transition period that is underway. It is more a choice between different paths for Ukraine to the capitalist society and the world market, with still widespread disagreement about the relative benefits of ties to the East as opposed to the West, the welfare state versus neo-liberal austerity in welfare, and so on.

Behind the ideology there are real material interests that divide Ukraine's political elite. It is too simple to say that Kuchma is the pro-capitalist reformer and the Rada holds an anti-capitalist bloc. De-facto privatisation of productive assets has gone so far in Ukraine today that one can already speak of distinct concentrations of capital with distinct interests. These owners are all represented in politics, within the Rada, the presidency and other central and regional state institutions. On the one hand they all have an interest in holding the state and the country together, building up the national market, creating a national economic leadership.

However, the struggle over the division of state powers is also the struggle between these separate and sometimes contradictory interests of privately or corporately accumulating wealth. And thus new questions must arise: who among Ukraine's new business elites will benefit materially from a strengthened presidency in the person of Leonid Kuchma and who will suffer? And what impact, if any, will a strengthened presidency have upon the living standards of the Ukrainian population as a whole? ■

(This paper was presented to the Second Conference of the Ukrainian Studies Association of Australia at Monash University, Melbourne, in May 1995.)

László Andor

The Role of the Debt Crisis in Hungary's Transition

Researchers of the debt crisis have always been cautious to include Eastern Europe in their studies, given the tremendous political specificities of the region as compared to Latin America or Sub-Saharan Africa, which have been the typical groups of countries concerned by critical indebtedness in the 1980s. "Serious study on the East European debt crisis is almost entirely absent", Buiter (1988: 615) wrote seven years ago, and, this is more or less the case ever since.

Similarly, researchers of Eastern Europe have always been cautious to include the debt crisis in their analysis, because often it would have interfered with their favourite theories about Communism/ State Socialism/Stalinism/State Capitalism/Transitional Society etc. In this essay, we attempt to initiate a stereo analysis, examining the case of Hungary. This country has been deeply studied for her economic reforms, and has been considered since the late 1970s as one of the most indebted countries in Europe, but the relationship between the two factors has seldom been displayed. The essay tries to assess how the geo-political features of the country provided special conditions for her debt management, and, on the other hand, how the debt problem contributed to political changes of different magnitudes in certain periods.

Debt and reforms before 1989

Let us see first how the debt crisis emerged in Hungary, and afterwards how the financial crisis triggered off more and more, as

well as deeper and deeper changes in the sphere of politics. The precondition for Hungary's indebtedness in Western capital markets was a slow, but certain opening of the economy towards the capitalist economies. This took place after the reforms of the late 1960s, and the motivation of the leadership was to provide an improvement in the consumption standards of the population. However, as early as the early 1970s, i.e. before the first oil price shock it turned out that keeping the current account in balance will not be so easy if the inflow of Western goods was to be maintained. The impact of the first oil price shock was significantly mitigated by the CMEA (Council of Mutual Economic Assistance, or COMECON) price mechanism, and the advisors of the leadership suggested that the cheap availability of foreign loans allows the government to go for growth. This decision resulted in the greatest investment boom in Hungarian history between 1976 and 1978.

The planners were not totally ignorant about the future need to repay debts in foreign exchange, but the HUF 40 billion export development fund fell short of what was later demanded by the international markets. In 1978, economists from the National Bank alarmed the leadership by a report about the scale and consequences of foreign indebtedness. This, at the end of the year, resulted in a resolution of the Central Committee (CC) of the HSWP to slow down growth, and try to balance the current account, while only maintaining existing living standards of the people. Leading politicians opposing this "New Path of Growth" were replaced. Since the change in the economic policy was belated, and the second oil price shock as well as the interest rate shock hit soon after, by the end of 1981 a serious liquidity crisis took shape. This situation led the CC to decide to join the International Monetary Fund (IMF) and the World Bank (IBRD). Some politicians (allegedly Imre Pozsgay, then Minister of Education) raised doubts concerning the necessity and the consequences of this step.

The quick financial arrangements with the IMF and the Bank of International Settlements (BIS) helped the country to survive the critical year of 1982.

> "The loans to Hungary reflected a traditional BIS connection, and were crucial in maintaining that country's liquidity. Hungary lost

some $1200 million of reserves between December 1981 and March 1982, with a fall from $1.6 billion to $460 million, thought to be as a result of the Soviet Union and others taking funds out of that country. The quick action of the BIS, lightly referred to as the reincarnation of the Austro-Hungarian empire, given its support from Austria, as well as Switzerland and Germany, was exceptionally helpful to Hungary in that situation." (Lomax, 1986: 94)

From financial to political crisis

Hungary joined the Bank and the Fund in 1982, in the middle of a virtual insolvency. This was a period of a new round of the cold war, and a gradual foreign policy re-orientation in Hungary. In this situation, the IMF did not prescribe a conventional stabilisation programme with tough requirements about demand contraction. Launching a second phase of institutional reforms was enough to gain support and confidence. The fact is that the pressure of debt decreased in the following two years as a result of a heavily centralised ("manual") foreign exchange management. A favourable trade agreement with the USSR, which allowed Hungary to earn dollars for her surplus in the "meat and wheat for oil" deal, also contributed to the relatively successful consolidation. Finally, hard currency earnings were boosted by the increase in "transit trade", when oil, cement and other goods imported from the East were simply resold on Western markets.

After 1985, however, due to an ill-conceived attempt to return to growth after seven years of stagnation, and partly to adverse changes in exchange rates, the gross debt stock doubled again within the space of three years. The only invention in structural change in the 1980s, the development of Western tourism resulted in an increase in the related hard currency earnings from $180 million in 1980 to $540 million in 1987 but this was far from enough to counter-balance the yawning trade deficit. Hungary remained in the cluster of "severely indebted middle income countries", and had the highest per capita debt in Eastern Europe in the second half of the 1980s. The country moved towards the limits of its debt carrying capacity, and the problem became acute with the decline in Hungarian credit-worthiness on international financial markets.

While the leadership was puzzled by the new round of run-away indebtedness, in autumn 1986, a pamphlet by neo-liberal economists ("Turn and Reform") rocked the intellectual and political circles. Soon after, a Central Committee resolution took alarmist voices about the necessity of structural adjustment, but did not explicitly tell what the fundamental problem was. At the end of the year, top economic ministers (President of the National Planning Office and the Minister of Finance) were replaced, apparently as scapegoats. The following Summer, however, further deterioration in the national finances ended the 12 year premiership of György Lázár. The ambitious party bureaucrat Károly Grosz took office as Prime Minister with the image of a devoted reformer. He was welcomed by the West, the most striking evidence of which was his visit to Chancellor Helmut Kohl, who presented him with a DM 0.5 billion loan package and a BMW car in addition.

In September 1987, soon after Grosz announced his government programme tailored to the taste of the IMF, the first opposition organisation, the Hungarian Democratic Forum was formed. The semi-dissident founders of the Forum were encouraged to come out by the rhetoric of Mikhail Gorbachev, and launched their organisation to facilitate discussion about the questions of national fate, open to anyone regardless of party-membership. The proclamation of HDF, dominated by nationalist and populist slogans, was published in a daily newspaper with the help of Imre Pozsgay, then president of the Popular Front (an umbrella institution for non-governmental organisations and responsible for parliamentary elections every five year).

Beyond a major reshuffle, Grosz introduced changes in the system of governance in 1987. He made the policy process quicker and more efficient. The ironic situation was that the one-party communist regime included too many negotiations, bargaining relationships and articulation of competing interests for the taste of the World Bank and the IMF. According to Henderson, "the consociational system's reliance upon compensation-based consensus-building frustrated IMF pressure for rapid adjustment" (Henderson, 1992: 251). Adjustment policies had often been delayed, not just because the original programmes were sometimes lost in the endless bargaining process, but also because the promoters of the adjustment policies had to take

care of Hungary's image as "a most successful country of market reforms" in the eyes of the rest of the Soviet bloc.

Under Grosz, "Turn and Reform" economists became influential advisors of the government. Major market reform measures were prepared, including a new tax system (value added tax or VAT and personal income tax or PIT), abolition of state subsidies, and a massive liberalisation of foreign trade. The way to privatisation and to an increased role of monetary policy was opened up. Having gained the confidence and support of the party and state apparatus to fundamental reforms, Grosz took over the party leadership from János Kádár in May 1988, when more than half of the Politburo and the Central Committee were also replaced in a national party conference. By coincidence, a stand-by agreement was signed with the IMF also in May, which was followed by a personnel change on the top of the National Bank too.

A year later, as marketisation rapidly increased the power of the business lobby, Grosz was already classified as conservative. His brave performances, like the one on his US tour in summer 1988, when he said for example, that he would not object as much as 25 per cent foreign ownership in Hungary, were soon quickly forgotten. The lack of popular trust in those obstructing allegedly vital reforms was displayed by a three-day capital flight in April 1989, when Hungarian families left hundreds of millions of dollars in the shopping malls of Vienna, in exchange of video sets, TV sets, freezers, and cars. As a result of such events, the young prime minister, Miklós Németh changed his style and policies. In order to regain creditors' confidence, he started to speak about the need for a "market economy without adjectives", as opposed to a "socialist market economy". All these developments indicated, that the Hungarian leadership did not have the intellectual courage and political power, let alone unity, to achieve stabilisation and economic renewal on a socialist basis. The collapse of the HSWP in October 1989 was a logical outcome of this process, even without the popular unrest on the scale of the Velvet Revolution.

In a school programme on the transformation in Hungary, Channel 4 of Britain pointed out the crucial relationship between indebtedness and political crisis with the following statement: "In 1989,

weighed down by debt, the Hungarian government simply collapsed." (Channel 4, 1992). Indeed, the evolution of the debt crisis in Hungary accelerated the erosion of the one-party Communist rule, and cleaned the way before the fundamental political transformation of 1989, followed by the first multiparty elections in 1990 after 43 years. Some analysts speak about the direct role of the IMF and the IBRD in bringing about democracy. However, several facts indicate that the main concern of the financial institutions was not necessarily democratisation but to help those forces into power which have less reservations towards their neo-liberal policies.

Transition and adjustment since 1990

The spectacular collapse of the East European Communist parties and states really brought about the end of history among large circles of the intelligentsia and politicians in Hungary. A programme of full transition to capitalist financial, legal and accounting systems, with a wholesale privatisation of state assets in its heart, found consensus among the major political parties which were to form the new parliament in May 1990. But, exactly the austerity experience resulting from the exposure to foreign finance, and the vast benefits supplied to multinational companies by the Németh government were among the crucial circumstances that alienated certain sectors of the electorate from the liberal parties, and helped a nationalist coalition led by HDF to office. They, however raised almost as much problems for western financial circles as the previous communist governments.

The parties that formed the government in May 1990 had expressed views seriously differing from those of the IMF, e.g. debt forgiveness. Their nationalist attitudes caused an immediate withdrawal of foreign deposits when the election results were published. The government led by József Antall, an expert on 19th century Hungary and director of the Institute of Medical History until the elections, was forced to adjust their policies, and regain the confidence of foreign creditors and investors. The main guarantee for that was the nomination of György Surányi, a young economist and a former employee of the World Bank, as a new Governor of the National Bank of Hungary. At the end of 1990, i.e. after only half a year, Antall replaced his first Finance Minister by Mihály Kupa, who had been an

architect of the VAT and PIT schemes a few years before, and came from the same monetarist circle of economists as Surányi. The intentions of nationalist politicians, and some government officials, to reach some kind of debt relief did not fade, but remained well hidden. The newly appointed Hungarian ambassador in Washington, D.C., the famous liquor producer Péter Zwack, was also replaced before the first anniversary of his appointment, because he started independent negotiations about a possible debt relief for Hungary.

When the government was sworn in, Hungary's foreign exchange reserves stood at a disastrously low level, i.e. below $1 billion. To avoid an immediate collapse of state finances, the government had no choice but to go along with the policies offered by the IMF and the World Bank. Having taken several stand-by loans from the Fund during the previous years, Hungary signed two Structural Adjustment Programmes (SAPs) with the Bank, in 1990 and 1991. The content of these contracts was not published, according to the usual practice of the World Bank, and the fact of the agreements was never interpreted publicly as a change in policies. The measures agreed upon in the SAPs were synthesized into a government programme of transition under Kupaœs name, and this became a broadly publicised, and repetitively discussed document. The end of the four year programme was marked with full convertibility of the forint, the accomplishment of a major restructuring of the government incomes and expenditures, an overall change in the system of economic laws, and the establishment of the dominance of private ownership.

The evaluation of the Kupa-programme is not easy, since it is usually very difficult to distinguish between the consequences of the original problems to which the programmes were to be an answer, the programmes proper, and the lack of their full and timely implementation. The first thing to be noted about the programme is, however, that, as compared to Poland, the planned pace of change was much slower. This was just partly due to the inclination of Antall towards the cautious reformers in the 19th century Hungarian aristocracy (Count Széchenyi, primarily) as opposed to the revolutionary groups of the nobility (eminently Lajos Kossuth). More importantly, the government was increasingly aware that the negotiated transition of

Hungary did not provide sufficient social and political support for a rapid industrial suicide on the scale of the Balcerowicz programme.

This expectation was justified by the petrol riot of October 1990, when, under the double pressure of the deepening Gulf Crisis and the disturbances in the oil supply from the Soviet Union, the government announced a massive increase in petrol prices, despite earlier promises that such a thing would never happen. This announcement took place just a few weeks after the first free municipal elections, and just a few days after the government enthusiastically celebrated itself on the anniversary of the 1956 uprising. The enormous popular unrest triggered off by the decision and the way it was made indeed shocked the government. The question of political sustainability of the adjustment programme was again and again raised when some trade unions put forward demands in a more and more noisy manner - although in practice never going further than a two-hour warning strike.

Despite the agreement between the political elite groups about fundamental questions of transition, building a social alliance around the adjustment programme was rather difficult. In spring 1991, the parliament eventually passed an act on compensating the private owners expropriated after 1945 by vouchers they could use to buy assets during the ongoing privatisation. The coalition parties expected the beneficiaries of these schemes to support them in following elections. A few month later, in exchange to recall a one day national strike announced by the largest trade union federation (MSZOSZ) in May, the government promised to pass an act about an employee stock ownership programme too. In July, adding the stick to the carrot, as a result of a three-party proposal boycotted only by the Socialists, the parliament passed two anti-union laws, that paralysed the trade unions and pushed them into a two-year long dispute over their finances and legal status.

Given the emerging apathy, it had already no serious importance, that whenever government forecasts were published about the near future, the figures always underestimated the burden people were to face. Predicted figures of GDP growth or unemployment have always proved fairly optimistic not more than one year after they served as arguments for the government to justify austerity.

One can wonder whether it was the incompetence of policy-makers and advisors, what made the difference, or their fear of popular opposition to what the programmes were to deliver. But, however cautiously and gradually, the programmes started to work, and the transition was going ahead.

Economic and social transformation

In Hungary, SAPs of 1990 and 1991 simply continued the reform process from planned towards market economy started with the 1968 reforms, when the leadership actually first considered to join the IMF and the World Bank. This process accelerated in the second half of the 1980s, with introducing VAT and PIT, as well as a two-tier banking system, foreign trade liberalisation, and eliminating most food subsidies. Bank/Fund recommendations, partly linked to stand-by loans, appeared as guidelines for policy-making in this period. But SAPs proper came as a response to the collapse of the East-European economic integration, with the promise to re-direct the economy towards Western markets, and to regenerate growth after a short period of painful, but necessary adjustment.

Having accomplished the liberalisation of foreign trade (90 per cent) by 1990, the HDF government was left only with exchange rate policy and monetary policy to curb imports. The most significant devaluation of the forint (15 per cent) took place in January 1991, which was also to provide better terms for potential foreign purchasers of state assets. Lending rates rose to around 40 per cent in the period of most severe austerity, exercising a massive stagflationary effect. However, inflation was curbed by the government through maintaining a harsh penalty tax on wage increases, thus the Consumer Price Index (CPI) reached its peak in 1991 just below 40 per cent. On the other hand, production contraction was mitigated by an immense increase of commercial credit between companies, which resulted in the accumulation of bad debts. The emerging "queuing" problem was later addressed by the government by a "credit consolidation" programme following the end of 1992.

A massive inflow of foreign capital (half of all foreign investments coming to Eastern Europe came to Hungary), and a slow down in consumer price increase (down to some 20 per cent in 1994)

were perhaps the relatively successful elements of the four years of the HDF government. But even this extraordinary capital inflow was unable to counterbalance the decline in investments and growth. Instead of 2 to 3 per-cent growth in GDP, that was forecasted in the SAP agreement of 1991, the actual figure was 6 to 8 per cent, and growth remained a promise in 1993 too. As a "very unfortunate, but certainly necessary, and hopefully temporary side-effect", unemployment has grown from 3 per cent to 15 per cent between 1990 and 1993. Nevertheless, due to the capital inflow and the aggressive export drive in particular, the total amount of debt did not increase in the 1990-92 period, and the debt-service ratio decreased significantly. The forint, devalued many times during the 1980s, slightly appreciated in 1992-93, and came close to full convertibility.

The two subsequent SAPs, with the demand of rapid privatisation, coinciding with the endeavours of the leading political parties, have led towards a qualitative change in social relations. Wholesale privatisation in a country where public ownership has been overwhelmingly dominant requires the creation of a completely new capitalist class. In a period of lasting depression, the emergence of such a class is possible only at the expenses of the wage-earning and salaried majority, which is, apart from some gains in civil rights, undoubtedly a loser of the current transformation. While retail food and clothing prices have practically reached West European standards by 1993, wages remain six to eight times lower compared to Western Europe. This has unavoidably led towards a vast impoverishment of large sections within society and a sharp increase in the number of those living below the poverty line.

The rise and fall of nationalist populism

As the transition to the market economy failed to deliver the increase in living standards, and other promises time after time, the political tension around the prevailing line of economic philosophy and policies increased. Ironically, it was not the political opposition first of all, who raised the over-exposure to Western creditors, but some moderates and extreme rightist politicians and advisors within the government coalition parties. Of course, parties on the left, like the extra-parliamentary HSWP (from January 1993 known as the Workers Party),

as well as the left platform of the Socialist Party, have formulated their policies including the demand for debt relief, usually on a global scale.

Out of more influential opposition politicians, Imre Pozsgay, the former Politburo member and presidential aspirant in 1989, who in 1992 became a leader of the National Democratic Alliance, has spoken publicly about the need for a radically different debt management strategy. To speak out on this issue, he used the occasion of a conference of international experts on the debt crisis in Budapest, March 1992, when all other politicians in a panel including representatives of all coalition and main opposition parties expressed their loyalty to the conventional debt management and the IMF. The conference proper succeeded to give a broad publicity to the adversity of the established policies, as well as the need and possibility of new ones, but was rejected by official and mainstream scientific circles saying that debt was not a problem for Hungary, and if it were, nobody else should deal with that but the National Bank.

However, a few month earlier, the wind of change blew away György Surányi, who had been Governor of the National Bank since Summer 1990, and was suddenly replaced by Péter Akos Bod, then Minister of Industry and Trade, a party loyalist of HDF. Although the Prime Minister justified the replacement by Surányi's signing of the Democratic Charter - a liberal document to safeguard democracy - it was apparent that the fundamental disagreement between Surányi and Antall was about Hungary's relationship with the creditors and their representatives. This was later revealed in a public lecture by a Secretary of State for the Foreign Ministry, Tamás Katona. Speeches like this revealed that the era of free market illusions was over, and, like elsewhere in the region, a realist approach was developing in international affairs. Later that year, Katona's established charm and politeness was replaced by a blood-thirsty pamphlet by the vice-president of the HDF, and the editor of the party's political weekly. In his manifesto in August 1992, István Csurka compared the IMF to the Allies' supervisory commissions after World War II, and analysed the relationship between Hungary and the creditors within the context of a world-wide Jewish conspiracy, and blamed opposition liberals and hiding communists for the steady decline.

Such tendencies were fuelled by the disillusionment with the

market transition, and especially by the lack of sufficient assistance from the West. Another case for nationalist repercussions have been the surviving trade barriers, that were strengthened by new ones as the recession in the German zone became tougher at the beginning of 1993. The bargaining power of the government was really increasing in the meantime. Assisted by the vast capital inflow, and the simultaneous increase in the monetary reserves, since spring 1992 the Hungarian government was able to afford not to draw the due stand-by loans from the IMF, and remain in conflict with the Fund over the size of the budget deficit (PSBR) and the pace of the reforms. Much of the tasks of adjustment over, and unemployment at a record level, Kupa was replaced at the beginning of 1993 by Iván Szabó, then Minister of Industry and Trade, a party loyalist of HDF.

Szabó was the politician listening to voices like that of György Szakolczay, a senior economist of the Academy of Sciences, who has been an advisor for the Christian-Democratic Party, and a devoted critic of Kupa's line. In an article, he pointed out the yawning gap between the promises and the achievements of the Kupa-programme and called for a radical change in the basic principles of economic policy. Szabó's appointment reflected the hope of the government to revive growth, and deliver some improvement in the living standards for some layers of the society at a price of further indebtedness, before the government had to face general elections in spring 1994.

This financial extravagance was suddenly interrupted as early as May 1993, when the worsening foreign trade position and the decrease in capital inflow forced Szabó to please the IMF with new austerity measures (primarily VAT increase and government spending cuts) in order to reverse the increase in PSBR. "Only by reducing the shortfall can Hungary realise a draft 18-month credit agreement with the IMF which would return the country to financial respectability", the Financial Times commented. (Denton, 1993: 3) As a confidence building measure, the representative of the IMF in Budapest was appointed as vice-governor of the National Bank.

However, the coming election was more important for the HDF than financial respectability. Pay increases and various forms of easy money were directed to all different layers of society where the government expected some votes. Within the 18 months prior to July

1994, they created an all time record in trade deficit and budget deficit. Despite this short-lived populism, however, they badly lost the parliamentary elections in 1994. They left behind a more than $25 billion foreign debt instead of $20 billion they took over four years before.

Return to Chicago

A widespread evaluation of the fall of the government and the persisting crisis alleged that the main problem was that the government did not entirely fulfil the IMF agreements, and went for growth prematurely. This diagnose, suggested by leading experts, was shared by dominant policy makers of the Socialists as well as the Free Democrats. While HDF politicians were struggling to advertise the great achievement of one per cent growth forecasted for 1994 - remember the huge deterioration in the balance of payments - opposition Liberals and Socialists urged more "unpopular but necessary measures", and promised the electorate quicker privatisation, more consequent budget reform, and better relations with the IMF. It was not a surprise, after all, that the first step of the government formed by Socialists and Liberals in July 1994 with Gyula Horn as Prime Minister was to call in the IMF delegation, demonstrate some austerity measures for stabilisation, and agree upon the need for a three-year agreement with the Fund.

The novelty of the Socialists' policy style was that they wanted to legitimise the inevitable austerity policy by a social pact with trade unions and employers to be accomplished before the 1995 year budget went before parliament. Despite these attempts, the three sides failed to come to a compromise, and hopes for a Hungarian "Moncloa Pact" were abandoned in January 1995. In the meantime, renewed pressure from the Fund and the Bank urged the government to start a fundamental public sector reform. A thorough study by the World Bank gave detailed ideas to the government policy makers, calling for demolishing the "premature welfare state" (the phrase was taken from a article by János Kornai in 1993). Michel Camdessus, managing director of the IMF visited Budapest in October 1994, and explained Horn how patient he should be about violent demonstrations triggered off by the recommended adjustment measures.

Eventually, having received the same encouragement from the German and Austrian governments as from Washington, Horn gave in, and appointed Surányi as governor of the National Bank again, and Lajos Bokros, leading banker and Surányi's friend to be minister of finance. On the 12 March, three of them together announced a programme to devalue the forint by 9 per cent again, to introduce an eight per cent tariff increase, to reduce government expenditures for the rest of the year, and to end universal welfare and introduce means-testing in health-care and tuition fees in higher education. Some minor strikes and demonstrations followed, the popularity indices of all three politicians sunk, but the two coalition parties pulled together and passed all necessary laws in parliament to carry out the programme that was to end Kádárism at last and to prove that HSP was not a Kádárist party.

Bokros promised to pursue growth and equilibrium simultaneously, but even his fellow professionals started to lose hope in the prospects of the Hungarian economy. In the rivalry of East-Central European economies, the Czechs have taken over the position of leading reform country in the region, while Hungary, once proud pioneer of marketisation, fell behind as a more and more apparent basket-case. The feeling that Western friends betrayed us gained power again, fuelling nationalist tendencies, and boosting the fortunes of the Smallholders this time.

However, the picture is rather disappointing for the entire region. It cannot be said that six years of transition and adjustment have resulted in a solid economic and political situation for the countries in the Eastern half of Europe. Social costs of reforms appear immense, and achievements remain fragile. Without an overall change in international institutions and policies, it is hard to imagine consolidation and lasting recovery. Even liberal experts have expressed their concern and disappointment. Jeffrey Sachs, a Harvard professor and advisor of many bankrupt governments, including the Polish and the Russian, for example, warned that Eastern Europe might be approaching a Latin American condition, surrounded by two abysses: "the Pinochet version of economic policy - forced introduction of a free market along with authoritarian suspension of political freedom - on one side, and the Peron version on the other".

(Milenkovitch, 1991: 3) Although one cannot expect the adaptation of the very same patterns and stories, as those in Latin America, the tendencies are clearly there.

Conclusions

Pragmatism and gradualism have been a common feature of debt management and reforms in the pre-1989 and post-1989 periods. This is perhaps the main specificity of Hungary as compared to the other countries of the region, if one takes into account the past twenty years altogether. The end result of this policy style has been an apparently high slippage rate in the stabilisation and adjustment policies, but also a relatively favourable environment for businesses. As usually, structural adjustment has not led, and does not seem to lead to the restoration of the pre-crisis growth in Hungary, although the smart manoeuvring of the macroeconomic management has avoided the open financial crises that emerged in other highly indebted countries. Debt and adjustment, however, significantly contributed to the emerging political crisis in the late 1980s, and remains a destabilising factor in the 1990s as well.

The incorporation of agreements with the multilateral institutions into domestic programmes has made the programmes of transition and adjustment politically acceptable before as well as after 1989. However, in the most severe period of adjustment, i.e. 1991-92, a crucial part of this manoeuvring was the breaking of labour resistance to fiscal austerity, plant closures and lay-offs. Although the debt service ratio has decreased significantly, and the monetary reserves rose high by 1993, the slow-down in the foreign capital inflow, and the alarming deterioration in the trade balance suggest that the debt burden, as well as the invisible hand of the IMF, will still be with us in the 1990s. ■

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In the next issue....

At the Congress of the Hungarian Socialist Party in November 1995, the left wing of the Party, organised in the Left Platform, presented a wideranging "Declaration of Principles" that addressed such issues as the transformation of the world system and the left, the reasons for the collapse of state socialism, the consequences of systemic change in Eastern Europe, and what is a socialist identity. It also formulated a programme of political demands. The complete text of this "Declaration of Principles" will be published in the next issue.

Against NATO Intervention in Bosnia

Letter to the British Prime Minister

To: The Prime Minister 5 September 1995
10 Downing Street, London SW1

Dear Mr Major,

The participation of British troops and aircraft in NATO's aerial and artillery bombardments in Bosnia is contrary to your government's express assurances in parliament that British forces would not be asked to take sides in the civil war in former Yugoslavia.

In a statement to the House of Commons on 31 May of this year you said: "Our troops are not going to Bosnia to wage war" and "the protection force remains neutral and it remains impartial". You specifically said: "Let me emphasise one point that I know is of concern to the House, which should not be misunderstood... the protection force is in Bosnia as a humanitarian and peace-keeping force. It is not there to impose peace." You concluded: "These points are fundamental and we do not intend that they should be changed."

These statements should have ruled out British participation in recent aerial and artillery bombardments in Bosnia. For, as the *Financial Times* put it: "the Western allies are now clearly taking sides" (31.8.95). The *Economist* was equally clear in its headline: "NATO declares war on the Bosnian Serbs".

All sides in the former Yugoslavia have committed atrocities. All atrocities must be condemned. However, the international community loses all moral authority when it simply adds to the atrocities taking place more of its own. The one-sided nature of NATO's intervention will not be lost on the world. When more than 200,000 Serbs were driven from their homes in Krajina by the Croatian army in the biggest ethnic cleansing operation of this conflict, the UN, NATO and your government did nothing.

UN observers reported that villages were systematically razed

to the ground and many civilians wantonly murdered, yet there were no threats of NATO air strikes or even of economic sanctions against Croatia. In fact, the Croatian army's offensive was explicitly welcomed by the United States government.

We remain convinced that bombs and artillery fire will not bring peace to former Yugoslavia. But it will result in those responsible losing any moral authority they might otherwise have brought to bear for a negotiated settlement to that tragic conflict. The first step to peace is for all military action to cease. This should be the UN's first proposal to all sides. On this basis the UN should resume its humanitarian and mediating role by promoting all-inclusive negotiations for a permanent settlement.

In line with your government's previous declaration that British forces would not be asked to take sides in the civil war, we call upon you to rule out all further British participation in bombing, artillery bombardments and other offensive military actions in Bosnia.

Yours sincerely,

Tony Benn MP **Tom Dalyell MP** **Alice Mahon MP**

(*The signatories to this letter are members of the* **Committee for Peace in the Balkans,** *which can be reached at the following address*: c/o Alice Mahon MP, House of Commons, London SW1A 0AA.)

The UN and the War in Former Yugoslavia

A Statement by Labour Action for Peace

All of us are appalled at the mounting human suffering of ordinary people in the war that has engulfed the former Yugoslavia. The most urgent task for the United Nations is to continue its efforts to maximalise relief supplies in Bosnia, Croatia and also in Serbia, and to help refugees. The UN must maintain its neutral role. The war results from the break-up of Yugoslavia which was encouraged by some leading Western countries. Tito created a federal state in which, for over 40 years, ethnic and nationalist differences were subordinated to building a society based on socialist principles. In addition to its relief role, the UN should continue as the "honest broker" trying to arrange cease-fires and eventually agreement by the warring parties to end the violence.

NATO air attacks, done in the name of the UN, and lifting the arms embargo will intensify the human suffering and the country's destruction. Aerial bombardments failed to affect the military outcome in, for instance, the Second World War, Korea, Indo-China and Iraq. Civilians and their homes are usually at the receiving end. The main beneficiaries of lifting the arms embargo will be the international arms traders. A worrying development is the NATO takeover of the UN's role with NATO-US war planes bombing only one side in the Bosnian war. The UN's neutral role is being undermined largely by pressure from the US, yet the US has no ground troops in Bosnia. The demand to lift the arms embargo comes mainly from the US Congress.

As in Korea (1950-53) and in the Gulf (1991), Western interests are using the UN for their own purposes. We must insist that the UN's role is not to become militarily involved with one side in the former Yugoslavia on its own or jointly with NATO. The latter is redundant and is using the Bosnian war to enhance its role and extend itself into Eastern Europe.

August 1995

*(**Labour Action For Peace** is an organisation of British Labour Party members working for peace, disarmament and socialism. Its address is:* ***37 Hoillingworth Road, Petts Wood, Kent BR5 1AQ.****)*

PDS Condemns Military Intervention

The leader of the German PDS, Lothar Bisky, called on the German government "to urge NATO to cease its one-sided military intervention" in former Yugoslavia. A PDS Statement in September 1995 said: "German Tornado fighter aircraft have ushered in a new quality in a disastrous reorientation of Bonn's foreign and security policy. German foreign policy, by means of its overhasty recognition of Croatia and Slovenia in 1991, contributed to the causes of the war. But the German government has learned nothing from history. No military involvement, bombs or destruction can bring peace to Bosnia... It is difficult to understand how the SPD and Greens can have faith in a policy that promotes peace by means of military intervention."

GROUP OF THE PARTY OF EUROPEAN SOCIALISTS

Tom Megahy MEP

Says No to Nuclear Testing

Leaders of the Socialist Parties in the fifteen Member States of the European Union at Cannes in June 1995 condemned the nuclear testing programme undertaken by the French government and called for a Comprehensive Test Ban Treaty. Such a treaty would be a major contribution to strengthening the legitimacy of the Non-Proliferation Treaty as it would curb the development of new nuclear arms. The decision of the French government to resume testing was an unnecessary blow to the non-proliferation regime.

Review Article

Tamás Krausz

Political Economics Without Alternatives

János Kornai, the internationally acknowledged economic theoretician and leader of Hungarian liberal economics, has appeared before the national and international scientific public with a comprehensive critique of socialism. His work, *Socialist System**, deserves more general attention since it is not a specialized economic analysis. The author's main goal is of enormous interest: he looks for the answer to the question, "What was the social formation that we lived in for so long?"

Kornai's work was written with the claim to be a textbook for university students of economics both in Hungary and abroad. Since the textbook touches upon quite a few basic problems in the history of socialism (movement, ideology, structure for production etc.), and since various chapters and parts of the work are of a historical rather than economic nature, it's worth examining such an interdisciplinary work in the light of recent historical studies.

I do not wish to submit Kornai's text to the demands of a specialized historical work. What I wish to examine is whether his theoretical conclusions are consistent with consensus-based results of historiography. I do not wish to deal with purely ideological questions since the ideological foundation of the work, as stated by Kornai himself in the foreword of the Hungarian version, is that "the author considers the socialist system to be history's dead end" (p. 20). In an

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* Janos Kornai, *The Socialist System*, Oxford University Press, 1993, £9.99 (paperback).

interview in May, 1993, his opinion was that socialism failed because it tried to surpass capitalism: "The kind of socialism which finally materialised became distorted and failed because it tried to avoid three fundamental social institutions: pluralist democracy, private ownership, and the market." (*Heti Világgazdaság*, 22 May 1993)

Methodology and definitions

In the Hungarian foreword it becomes obvious that the author offers purely "conceptual models" and that the experiences of different countries are mentioned only in order to "provide illustrations" (p. 20). These "models", however, are not too convincing. János Kornai defines his theoretical method as eclectic, in that he experiments with the "synthesis" of representatives of radically differing scientific trends such as Marx, Schumpeter, Keynes, and Hayek. But in his methodology, Kornai has no such defined "sources". His usage of quotes from various works is often arbitrary and fortuitous.

From a historical perspective, however, the most basic methodological deficiency of Kornai's work is not of a technical nature, but rather the fact that he does not view the world economy as a structured and unified whole in which the ruling structural factors were formed on a historical basis (for example the structure of relations connecting countries of the centre, semi-periphery, the structure of the division of labour, relations between exclusion and exploitation, unequal trade and political power relations, etc.). As a result, historical regions which "lend colour" to the development of the world disappear and historical development is depicted as a colourless process with no alternatives. Great ideologies descend from the heights of "the concept" to materialise on earth. The realm of the "good" and the "bad" appear as a battle of the two basic principles in the work: economic reality, pure market logic on the one hand, and irrational state exploitation on the other. History has been transformed into a teleological process once again. The myth of an attainable capitalist paradise, a "democratic market economy", steps in the place of the "realisation" of world socialism.

The essence of the work is determined by the fact that the concept of socialism remains undifferentiated and without structure, merely an "ideology". The concrete historical web of the transforma-

tion of the concept remains unexplored. Only one remains, the propaganda claim of the Stalinist power apparatus: socialism is that which developed in the Soviet Union under Stalin.

What is surprising is that the author defines "Stalinist socialism" as "classical socialism". The analogy was probably inspired by Marx's concept of "classical capitalism". Even the disintegration of socialism is interpreted in the spirit of Marxist theory in reverse. Paraphrasing Marx and Lenin, Kornai writes about the historical course of socialism: "Sooner or later truly revolutionary changes will take place which will eliminate the socialist system and lead it into a capitalist market economy." (p. 29) To act as though this were the most obvious conclusion in 1991 or 1993 is incompatible even with Kornai's earlier works, to say the least. Kornai's analogical method slips into exaggerations elsewhere as well, for example when he defines the "pure" form of socialism as that which existed in its Stalinist, Rákosi-ist form, attributing all types of reform as being part of the precursor to a "democratic capitalism". Once again the mediation between theory and practice disappears.

The old regimes in Eastern Europe have collapsed and from this collapse (and of course from the given state of the world-system) a new, half-peripheral form of capitalism has emerged which is difficult to discuss in an optimistic fashion, considering either Russian, Ukrainian, or even Hungarian developments. This is why an examination of the concept of socialism and a comparative historical analysis of the historically developed state-socialist system requires a more concrete and historical study of the relations between the centre and the periphery.

Kornai completely disregards a considerable amount of international literature, not only Marxist but liberal and conservative as well, which provides a more differentiated approach to the concept of socialism. One tends to accept simplifications in a textbook, but after a certain point this superficial schematising undermines the scientific authenticity of his own approach. He is not exempt from this obligation by the fact that old textbooks are just as oversimplified and superficial concerning this question. They approached prevailing practices in the light of theoretical generalizations of the concept of socialism. These books also tried to prove that practice is equivalent

to theory. In this respect Kornai was not able to break with the concepts and methods of the old textbooks. Kornai does not possess theoretical and empirical knowledge accumulated by historical research which could serve as a prerequisite to a truly comprehensive analysis of socialism.

Empiricism contra theory

Kornai himself considers socialism to be an extensive and varied phenomenon - and rightfully so - yet he refuses to "discuss it systematically" (p. 41). As a result, all those theories that are not suitable for fitting "Stalinism" into the concept of socialism as a form of production, are all but nonexistent for him. Kornai views "true" socialism as a theoretical abstraction, a utopia. For example he mentions the "new left" concept of socialism only as a utopian theory with good intentions, but does not illustrate it with a single serious reference. An absurd situation emerges: the authentic theorists of socialism are all but missing from the processed literature. Kornai's work does not acknowledge either Gramsci, Ernest Mandel, Wallerstein, Arrighi, Andre Gunder Frank, or the contributions of such journals as *New Left Review* or *Telos*. Even György Lukács himself is mentioned only incidentally, whereas third rate Hungarian political scientists and economists are referred to as serious authorities. Kornai brushes aside this objection by stating that he deals only with the system, not the ideology or the theory (p. 42). At the same time he attributes decisive historical importance to the ideological component and derives the system itself from ideological and organisational facts. If a few ideologists of a given system declare their country socialist, then Kornai accepts this. Based on this criterion, states described by ideologists as "countries of socialist orientation" are plucked from the capitalist economic system and deposited in the "socialist camp". This approach raises political empiricism to the rank of theoretical truth.

There is only one factor Kornai can cite in support of his ideological criterion, and that is the leading role of the Communist Parties: "In this book the concept of a socialist system refers strictly to the system of countries governed by Communist Parties." (p. 43) As a result, Hungary and Benin, Yugoslavia and Afghanistan are all members of the socialist "camp". Subsequently, we can hardly be

surprised that Kornai declares the Nicaraguan Sandinistas to be Communists. Kornai does not provide any economic criteria whatsoever when labelling countries socialist. No economic factor counts: neither economic structure nor ownership forms. Of course if we deem all single party powers which view China or the Soviet Union as a role model socialist, then Zimbabwe, South-Yemen, and East Germany can all be grouped into a single category. But if we took Kornai's criteria seriously, we would face quite a few problems. In Zimbabwe and South-Yemen, Communist Parties were not in power, at least according to their leaders and members. It seems that it is criterion enough if Kornai considers them Communist.

The origins and division of socialism

For Kornai, the specificities of the "operation" of the world system, economic structures and ownership structures, are all third-rate questions. Kornai goes even further: the Communist Party is itself the deus ex machina and the "prime mover". The basic importance of state ownership and a one-party system, the "dictatorship of the proletariat", emerges as a consequence of the ideology.

Two very basic elements are missing from the conceptual part of the textbook. The first one is the historical tradition that made state ownership a basic phenomenon of "state socialism" in the 20th century. State ownership cannot be derived from socialist-communist ideology, not only because the ideology itself is preconditioned by material, economic and social prerequisites, but also because, according to Marx's theory, socialism is not a state-type system but the "free association of free producers". Kornai considers the Stalinist system to be socialist, following Stalin. It is thereby understandable that with the help of the "concept of totalitarianism" he implies a direct linear development from 1917 up to Gorbachev, since this is the only way he can leave out periods, phenomena, or structures of Soviet history which do not fit into his scheme.

Kornai, for example, doesn't have an answer to the question, why the New Economic Policy preceded the period he refers to as "classical socialism". Neither can he explain why the liquidation of the NEP began when Stalin was one of its most eager supporters, evident in Stalin's private letters to Molotov (Molotov 1990, p. 184): in order

to protect the NEP, the elimination of the industrial-agrarian scissors in 1923 was to be carried out by price measures imposed by the state. In reality this is already the era of state intervention.

Therefore the periodisation of "revolutionary system", "classical system", and "reform system" all stem from Kornai's own approach. They do not correspond with actual historical processes. The American historian and Sovietologist, Robert C. Tucker, explained in detail two decades ago that distinct economic-structural and political-ideological differences can be found between the revolution and the turn of 1929 (Tucker 1973).

The important fact that the left-wing opposition and the "democratic centralists" of the 1920's formulated their theoretical and political standpoint against the identification of state ownership with socialism, and against Stalinist rule, is completely ignored. The opposition debates and the debates in exile among Trotsky and his followers demonstrate that, against all odds, there really did exist an opposition movement opposing Stalinism as a political-ideological trend and which, in a renewed form, represented alternative socialist concepts in subsequent decades. Debates in the Austrian Communist Party in the 1920's already tied ownership problems to theories of social forms, first and foremost in connection with the Asiatic mode of production (Krausz 1991). Until the end of the 1920's, the Austrian CP's "official" interpretation of common property was an anti-statist one (although some opposition circles, like the Zinoviev group, defined state ownership as nothing less than a form of state capitalism). Without these intellectual and political preconditions neither the Hungarian workers' councils of 1956, nor the Polish Solidarity movement of 1980-81 would have been able to adopt the very slogans which, embodied in documents, preserved the tradition of an alternative historical development. Without these, neither Khrushchev nor the "market-socialism" that Kornai himself elaborated would have existed. It is also interesting that Kornai doesn't consider Alex Nove's important work on this question (Nove 1983).

While Kornai works with a static concept of socialism from Lenin to Gorbachev, concrete historical reality paints a completely different picture. The fact is that between 1917 and 1923 even Lenin made major modifications of his concept of socialism at least three

times (Liebman 1975). Within the Communist Party, basic transformations have taken place over seven decades in the interpretation, ideology, theory and of course the practice of socialism. The party programme of 1919 which set as its goal the achievement of a self governing society and self-managing workers was forgotten by the end of the 1920's, and the Stalinist form of state socialism became the dominant ideology. This basic difference was even more apparent in the area of agriculture. The agricultural communes seemed to be the embodiment of the Bolshevik agrarian program in the 1920's. After 1929 these co-operative forms began to disintegrate and the Stalinist solution, the collectives, took their place. However, collectivisation in this state-bureaucratic form was never a part of the original Bolshevik concept.

Since Kornai derives the creation of socialism from ideological and power-political factors, he has to either evade or push the historical role of social interest conflicts into the background. It is comparable to imagining that the international isolation of Russia was part of the Bolshevik programme. The "Stalinist ideological inheritance" itself, however, is to a large extent the product of international historical conditions of isolation. Because of his exaggerated importance of ideology, Kornai doesn't even notice that the differences or similarities between the programmes of the Soviet Communist Party and any Third-World country of "socialist orientation" were completely unimportant compared to the differences in general economic development, social structure, educational level of the working class, lifestyle, etc. To Kornai, the downfall of a power-political system is analogous with the downfall of a mode of production.

The avoidance of history in Kornai's work is most apparent when he attempts to periodise the development of socialist systems and to fill these periods with historical and economic content. We never find out why these periods follow each other without ever passing over into capitalism. These "passages" cannot be explained with "thought models". With regard to the "revolutionary period", Kornai neglects the works of Rabinovich and S. Cohen, as well as the works of the school of socio-historical Sovietology, leaving the reader with an unfortunately schematic caricature. It is grave one-sidedness to view the essence of this period only in the light of revolutionary

terror and the robbing of the rich, not to mention the fact that modern historical literature has refuted this thesis years ago based on detailed archive research (Daniels 1967, Smith 1985, etc.). Contrary to the allegations of the author (pp. 58-61), War Communism's "redistribution" does not exhaust the revolutionary period of transition. This military redistribution was not just the result of the revolutionary period, but a product of "state-capitalist reforms" of the First World War and "Russian tradition". Revolutionary traditions do exist here which touch upon the essence of the new mode of production: new production structures were developed along with forms of social self organisation not or barely known before, in which the Communists, at that time still anti-statist, saw the first islands of the new socialist mode of production. These revolutionary experiments that aimed at reforming, or trying to reform, the traditional structure of the division of labour were either aborted do to the absence of adequate historical conditions, or suppressed by the Stalinist turn; but to pretend, by means of schematic "thought models", that they never even existed is to ignore history.

The basic categories of the revolutionary period were: workers' councils, self-management, co-operative unions, communes, independent activity, and community, democratic production. The practice of "socialism in one country", developed under Stalin, was something completely different: state planned economy, unequal trade, forced industrialisation, collectivisation, etc. According to Immanuel Wallerstein, the "mercantile strategy of catching up" was the essence of this practice. Using this strategy, the Socialist or Communist parties that came into power undertook the historical duties of the bourgeoisie, such as the abolition of the remnants of feudalism, the primitive accumulation of capital, etc. It is "a fact of the 20th century that Communist parties in power in socialist countries did as much in the interest of spreading the rule of the law of value as did transnational corporations" (Wallerstein 1984, p. 93).

The "classical system"

Kornai doesn't really deal adequately with the question of the creation of the "classical system". This is rather unfortunate, since this happens to be a rather central question. It's no accident that Kornai is not able

to quote documents that set the founding of a "Stalinist system" as a goal. Today, historical literature considers it evident that not even Trotsky wanted to do away with the NEP (Mandel 1994). It should finally be acknowledged that Stalinism had no theory.

When the activation of history as a science does not provide results, what remains is a particular kind of political science with its static schemes and categories, bearing a distinct resemblance to the "system formation" of old "scientific socialism".

In Kornai's work, methodological confusion is evident in the evaluation of "socialist systems". He alternates between evaluating the system immanently, according to its own goals, and evaluating it according to the value system of advanced capitalism. He does not notice that the essential advantages of socialism which he himself names (existential security, full employment, free education, advantages provided to the poorer strata of society, primarily the working class, as a result of the acquirement of education and cultural life, etc.) would not be possible after the reinstatement of the rule of private ownership.

It is therefore no accident that Kornai is unable to explain the circumstances of the development of "classical socialism". Since he is unable to tackle this problem he reverts again and again to deriving the system from the existence of "ideology and organisation". The Communist Party carries "classical socialism" within it as some sort of DNA molecule. Kornai sticks to this explanation even when the Party obviously carries within itself the total opposite.

In subsequent chapters, Kornai of course does discuss important and basic problems, but there they are isolated and removed from their real historical context. When analysing forms of ownership, Kornai describes the stockholders, the council of owners, as those whom the managers depend on. But he fails to raise the question, which was all but obligatory for every socialist to raise from Marx to Lenin, precisely in the interest of avoiding "state socialism": if management can depend on a council of stockholders, then why couldn't it depend on the councils of workers, factory workers, producers, etc.?

Kornai could have mentioned the problems of worker ownership and worker control during his analysis of the concept of

bureaucracy, but this would have put a question mark over his whole concept. Kornai's interpretation of bureaucracy stands close to that of Max Weber and Leon Trotsky in that he describes it as a "unified social formation in socialism" (p. 107). He does not paint a more detailed, differentiated picture of bureaucracy. According to the textbook's concept, the system is motivated by the self-interest of bureaucracy. Evidently bureaucracy has such independent interests that all other interests of society remain practically inarticulate. Kornai analyses the concept of bureaucracy only on the level of political science (party, union, military, police, etc.). This is why he has no answer to the question of why, despite this irrationality, the Soviet Union became such a super power and why it is still a decisive factor after its disintegration, not only in Europe, in the form of the Commonwealth of Independent States.

Reform socialism and private ownership

Kornai's point of departure is the unproven thesis according to which private ownership, ab ovo, makes for a more efficient economy than state ownership. The examples he cites always come from highly developed capitalist countries, never from other regions of the world economy where less attractive capitalist conditions prevail.

Kornai explains the victory of socialism over private ownership in terms of the rule of the Communist Party and bureaucratic state collectivisation. Although, in theoretical literature, it has long been considered evident that neither Marx nor Lenin gave parties or isolated bureaucratic apparatuses a role in socialism as a developed mode of production, Kornai still stipulates that this is the alpha and omega of socialism (p. 120). He analyses private ownership as a purely economic category, closing his eyes to decisive global, regional and national power relations it always integrates. He goes as far as to criticise, correctly, the inequalities of state socialism, while justifying the much more striking and universal inequalities of capitalism (p. 583).

The book is also weak when it comes to the social forces that executed the transformation within national limits. Since no popular movements demanding capitalism played a role in the transformation, we must raise the question of whether bureaucracy, the social group

Kornai criticizes the most, played the most important role. The privileged class of society he so often condemns (partly intellectuals and partly bureaucrats from circles of the old and new elite) wished to keep their privileges and obtain new ones. The international economic and political background for this was increasingly favourable from the mid 1970's (debt crisis etc.), and at the same time unfavourable for the system. Parties were created as political interest protection groups for the elite that had an interest in privatisation.

To retroactively eliminate the alternatives from history is not the "presentation of harmless models", but the closing off of some specific alternatives of the historical process and the amplification of others. The change of regime is the most outstanding proof that socialism cannot be reformed further in a market direction, because it turns into capitalism. No other theoretical perspective exists than either finding a new road towards the socialism of self-government and free association, or the justification of the existing world system, of capitalism. ■

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