international

VIEWPOINT

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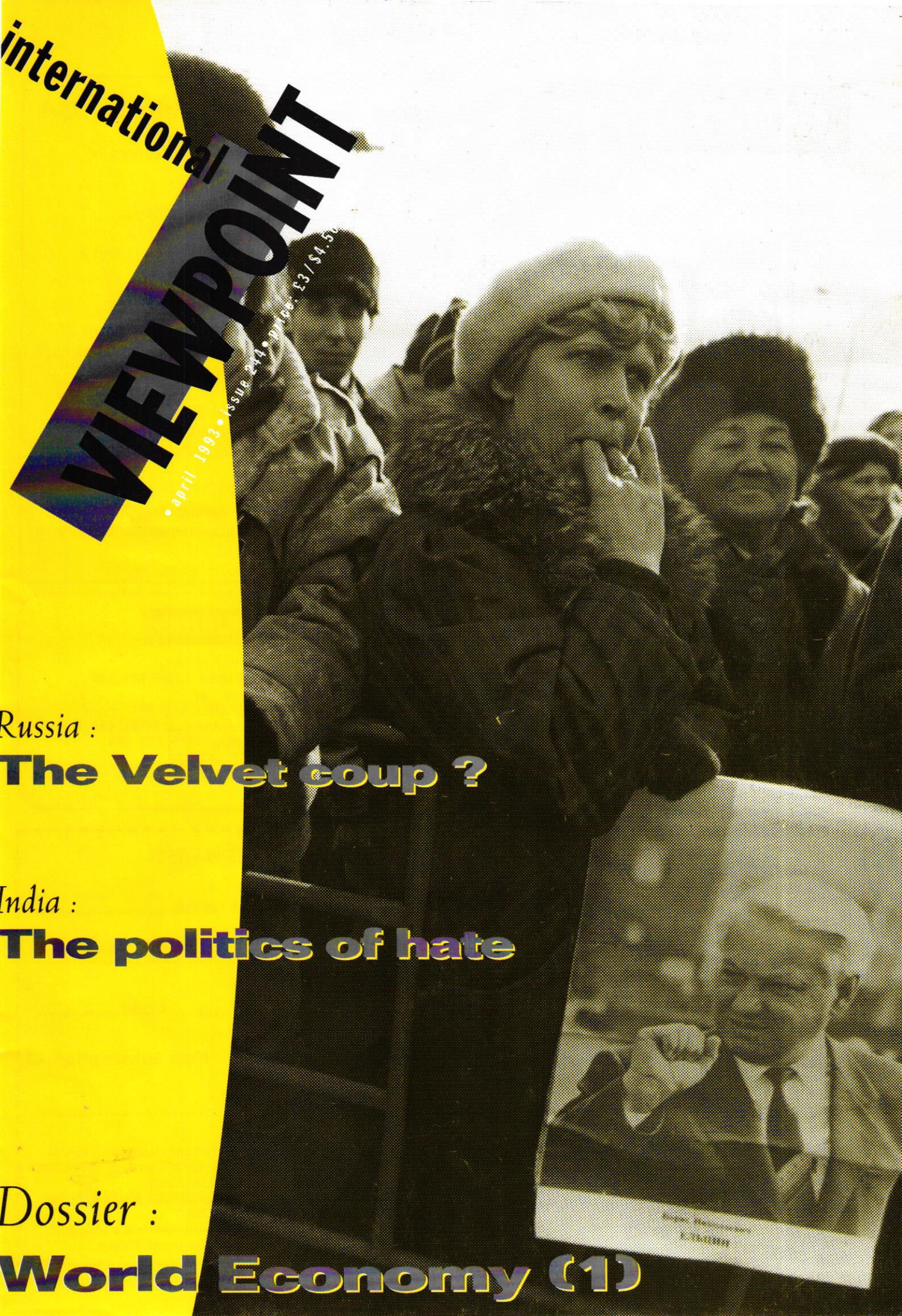

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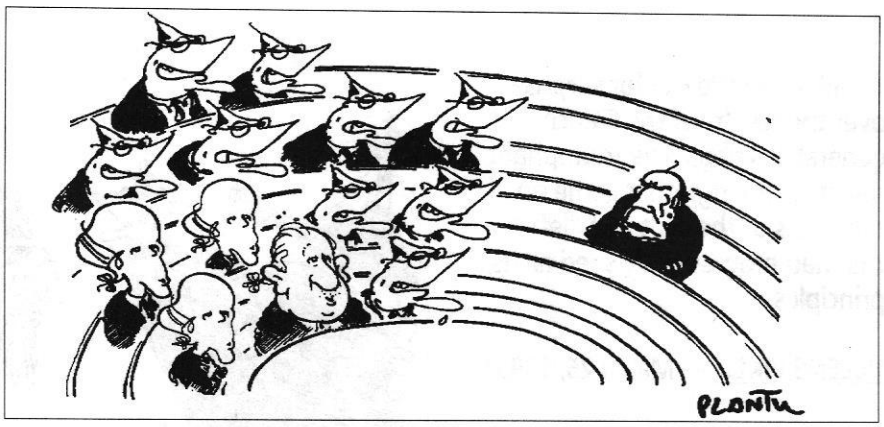
La débâcle

DESPITE the fact that the results were entirely predictable, the French elections of March 21 and 28 represent a major political upset of disturbing dimensions. Given the importance of the elections, we have given this month's editorial page over to the Political Bureau of the Ligue Communiste Révolutionnaire, French section of the Fourth International.



THE right has returned in force. The tidal wave has produced the most rightwing parliament of the Fifth Republic founded by De Gaulle in 1958. The Republican Asssembly Party (RPR) of Mayor of Paris, Jacques Chirac has 247 deputies and the Democratic Union of France (UDF) of former President Valery Giscard D'Estaing 213 (thus 460 for the Patriotic Union of France coalition, UPF) which, with 24 "diverse right" deputies makes 484 seats.

On the other side are 70 Socialists (PS) and allies and 23 Communists (PCF).

In fact, however, the enormous triumph of the UPF is not the result in the rise of the number of votes cast for the UDF and RPR. The moving factor in the whole electoral panorama is the collapse of the PS. millions of voters who turned out for that party in 1988 changed their vote this time, many abstaining or casting blank ballots.

This is a straightforward punishment for the policies pursued by the PS in government in recent years. Over time, the frustration has built up. It seems that the number one issue was unemployment. This Socialists, despite their promises did nothing to tackle this problem, allowing job losses to mount up to top the three million barrier.

On all fronts, the rise of racism, ecological questions — which are increasingly a part of political consciousness — during the Gulf War or over the Maastricht Treaty, the Socialist regime showed no sign of having any original or effective ideas that would meet the concerns of the bulk of the population.

The overall balance-sheet is stark. While profits have risen spectacularly, unemployment and inequality have risen inexorably. On top of all this were the scandals. The obscure financing of the PS, the accusations of personal gain of some PS bosses and the contaminated blood affair all created a feeling of pervading disgust.

These things were made more unbearable in that this was all proof that, at a time when the adoption of neo-liberal economic policies was hurting many, money was still easy for those in the circles of power. This is the context that led the left's habitual voters to repudiate the "red rose elite".

It seemed at one point as if the ecologists would benefit from the PS' problems as a refuge for left voters. At one point the alliance of Ecology Generation (GS) and the Greens was getting 19% support in the opinion polls — ahead of the PS. Their final score of 7% is thus a big failure and a cruel awakening.

The chest-thumping by former Socialist Prime Minister Michel Rocard about a "big bang" to realign the left — bringing together Socialists, ecologists and centrists in a new organization — did not succeed in halting the PS' debacle, despite plenty of media attention. Nor did it save Rocard himself, who lost his seat.

The Communist Party, meanwhile, despite a slight decline, has kept its parliamentary group resting on its remaining bastions in some working class areas. The far left got its usual scores, small without being derisory.

Candidates representing currents critical of the PS or the PCF leadership did less well than might have been expected on the basis of the recent regional elections. No breakthrough from this side of the chess board!

Only the right and far right benefited from the desire to punish the Socialists. The electoral system amplifies the movement — the RPR/UDF alliance got 40% of the votes in the first round, but 80% of the seats in the second. Nonetheless, it remains the fact that the right and far right got 63% of the votes in the second round and that the right now controls all the levers of power and occupies all the key institutional positions apart from the presidency.

The most worrying is the result for the far right National Front (NF). Contrary to all the reassuring talk about its decline, it got 13% in the first round, and, while it did not win any seats, it got 100 or so candidates through the second round, some of which got 30 to 40% of the vote. The FN remains a serious threat and will be ready to take advantage of the inevitable setbacks of the new right majority.

In 1981 a period in which the left was the "natural party of government" opened up — made possible by the previous decade of the Union of the Left which united the PS and PCF and other forces. This is now over. We are in a new period of rightwing domination. The right will have to control its appetites and its desire for revenge to win the forthcoming presidential elections.

But very soon it is going to have to govern and face up to big challenges. As everybody has been saying, unemployment is the number one problem: what will the right do about it? Against a backdrop of recession and monetary problems, Maastricht and the future of European union will return to centre stage. The right is seriously split on this question — with much of the RPR opposed to Maastricht.

Such questions were eliminated from the pre-election debates, dominated by the sins of the Socialists. But they will now return with a vengeance.

The left meanwhile faces an ambitious task: its overall reconstruction. ★

The shipwreck of the left

THERE was little call for surprise over the results of the French general elections. The triumphant return of the right has come on the backs of the rout of a "left" that had progressively shed all its principles.

HELENE VIKEN — March 25, 1993*

THE responsibility for the scale of the crushing defeat of the left lies squarely with the Socialist Party (PS) of President François Mitterrand, which has held governmental power for ten of the past 12 years. This is true not only in the sense that the voters have deserted it in droves but also because it has stubbornly clung to a two-round simple majority electoral system[1]. This has ensured that the already clear victory of the right in terms of winning 40% of the votes (and only 26% of registered voters) in round one will become a tidal wave in terms of seats in the second.

The SP's legacy for the left is a parliament where 80% of the deputies are reactionaries, who will now hold all the levers of power.

The largest number of votes in the first round went to the Republican Assembly Party (RPR) of Mayor of Paris Jacques Chirac. In second place was the Democratic Union of France (UDF) of former president Valery Giscard D'Estaing — and in third Jean-Marie Le Pen's neo-fascist National Front (NF).

It is true that the UDF is somewhat fragile. There are important differences on Europe and the difficult economic and political situation will leave big problems for the victors, who would in fact probably have preferred a less overwhelming victory.

This is all the more true given the success of the National Front. Many expected the ground to be cut from under the feet of this party by the certain victory of the traditional right, but in fact it has maintained a solid electoral base. It will now present a challenge to the new majority and a pressure towards radically rightwing policies.

The strong showing for the NF despite a lack of media coverage of its campaign shows that in France a proportion of the population has been won over in lasting fashion by a fascist party and is now wedded to a series of nationalist, racist and police state themes.

Furthermore, the size of the victory — exaggerated both by the electoral system and the collapse of the "other camp" leaves the right in the paradoxical situation of enjoying unchallengeable institutional power with the express support of only one in four registered voters.

To be sure to some extent this result expresses a rightward shift in French society. The National Front and traditional right as a whole won 60% of the votes cast. But this is, in the first place, the result of its knockout win over the PS and the absence of any alternative on the left to that party.

Even under a proportional electoral system, the vote on March 21 would have given the right an absolute majority in parliament and the PS would have been sharply reduced. The Socialists had attempted to use the evidence of the opinion polls predicting a big rightwing victory to scare voters back into its camp, but this campaign clearly failed.

Furthermore, the rate of abstention, at a national average of 31% in the first round, clearly worked to the detriment of the left. Adding on the many young people not registered, and others who have fallen off the lists, more than a third of potential voters did not bother to turn out. In some strongly working class constituencies the abstention rate was much higher than the average — 40% in such traditional strongholds of the workers' parties as Aubervilliers and Saint-Denis for example.

This is the result both of disgust with the political establishments — and the discredited candidates they put forward — and of the withdrawal from social involvement resulting from protracted crisis and long-term unemployment.

There were also record numbers of spoiled ballots, particularly in the constituencies where the PS suffered its most dramatic losses. The overall rate rose from 2% in the 1988 elections to 5.27% in the first round this time — revealing yet another part of the left's electorate who could think of no other way of expressing their frustration.

The Socialist Party has lost four million votes since 1988. Whatever its ups and

* A version of this article appeared in the March 25 issue of *Rouge*, weekly paper of the Revolutionary Communist League (LCR — French section of the Fourth International).

1. All candidates who gain 12.5% or more of the number of registered voters (not of votes actually cast) in the first round can go through to the second. Often candidates withdraw in the second round in favour of the front-running left or right candidate in line with national or local agreements.

downs in the past twenty years, the PS has never before lost so much of its traditional base — to abstention, spoiled ballots, ecological candidates, dissident leftists and the right.

Thus, these results are not simply an expression of some inevitable alternation in power by two formations who oscillate round the centre ground. For the left it is the end of the epoch opened up by the Union of the Left, and of the Socialist Party as Mitterrand reshaped it 20 years ago, and thus of the "Mitterrand era" and the "left" in its existing shape.

The Socialists' pretensions to undivided hegemony over the left have meant that all the left's representation has gone down with the PS ship. No Socialist leader has been spared, from whatever current.

Former PS prime minister Michel Rocard, looking towards the forthcoming presidential elections, has dramatically proposed a "big bang" on the left, in which the discredited PS would disappear into a new left formation. However, given the pull of the victorious right and the opportunities opened up by internal alignments within the new right majority, centre forces are unlikely to want to fill their allotted role in schemes to save the bacon of the losers.

Furthermore, such a scheme needs a PS "hard core" when what is in prospect in that party is fiercely destructive battles powered by the search for scapegoats for the debacle. And, finally, who on the left will want to join in a realignment towards the centre when the rout of the Socialists is clearly seen as a punishment inflicted by the left's natural voting base on all those who have systematically abandoned every attempt to defend their interests.

The Communist refuge?

The French Communist Party (PCF) has "resisted well" as the papers here put it. However, it cannot "resist" the overall disaster of the left. Its own decline set in a few years ago and it has not succeeded in reversing the downward trend. Indeed, it has lost 430,000 votes since 1988. If a vote for the PCF has been a refuge for some left voters it hardly represents an overall alternative to the PS.

This refuge has a strictly limited appeal, and this is true both of those loyal to party leader Georges Marchais and the various types of dissidents still running on the party's tickets. Its decline in historic bastions such as Seine-Saint-Denis in the erstwhile "red belt" around Paris has been confirmed. And cases where it came out ahead of the PS are the result of the collapse of the latter's score, not of big increases for the PCF.

Much was expected of the ecologists. In vain as it turned out. They showed that it is possible to lose more than half of a potential electorate in three weeks — quite an unusual feat in electoral history — despite immense puffing by the media. While the alliance of the two main ecological currents, the Greens and Brice Lalonde's Ecology Generation (GE), may have lost 4% to the confusion caused by the appearance of numerous "false Green" candidates, many of their candidates were too well known — given the media exposure — to be seriously harmed by such confusion. In any case only 16 of their candidates went through to the second round, only two of them ahead of the SP.

Both the bright prospects and thedisappointing achievements were the result of the fact that many on the left saw the ecologists as a potential baulwark against the debacle of the left. Their vacuous campaign, which avoided all thorny issues, and examples of collusion with the right at regional level — as well as the highly visible sight of former minister Brice Lalonde chopping and changing his line from day to day on the TV, seriously compromised their unsullied image and cast suspicion on their real intentions.

Lalonde both shook Rocard's hand and made it understood that he could work in a government of the right — making it obvious that he was planning to go where the grass was greenest. This was an absolute disaster for a movement whose real chance of success lay in appearing as a clear alternative on the left and which had made a big point out of its independence and probity. Of the two big ecological formations, the Greens have by far the most serious orientation and a far more developed programme — but their independent profile was blocked out by the leader of the GE with whom they were allied.

Hopefully, the Green movement will draw a serious balance sheet of this experience. Sections of it have been prominent in campaigns against the Gulf War, in favour of the Third World, against Maastricht Europe, for the 35-hour week and for the right of immigrants to vote, and this is why they built up momentum before the elections.

Candidates supporting the appeal "Commitment for a Change on the Left" ("L'Engagement") attempted to provide a reference point for the realignment of a principled left, with modest success. Unable to have a national impact, and lacking any media attention, they were able to undertake some useful campaigns at a local level, stimulating debate and collaboration between different currents on burning questions of the day.

Where presented on PS and PCF lists they shared the electoral fortunes of those parties and where they were run in opposition to those parties they had small scores of between 1 and 5% — in a similar band to those of the far left lists presented by Lutte Ouvrière and the Revolutionary Communist League (LCR — French section of the Fourth International).

In any case, there is plenty for the left to do. The right will go on the attack right away over such obsessions as restrictions on civil liberties, anti-immigrant measures and stepping up police powers. An assault on social gains, in particular the minimum wage, privatization and attacks on women's rights will not be far behind. The left will have to organize united resistance to all this.

But, over and above the various concrete struggles looms the crucial issue of the building of a new representative force on the left to replace that of the Mitterrand epoch. The LCR, through its own campaign in the election and its involvement in the "l'Engagement" has already shown itself ready to address this central problem. ★

Second round knockout

THE second round of the French elections on March 28 confirmed the results of the first round on March 21. In particular, despite frenetic efforts by the Socialist Party, there was little sign of any last minute rallying round that party in the face of the expected huge rightwing majority. Indeed, the rate of abstention rose to 32.44%.

The latest estimates are that the right will have more than 480 seats, and the left 90. On the right the leading party will be the RPR with 242 seats followed by the UDF with 206 with 36 seats going to other right formations.

On the left, the PS got 67 seats (down from 282 — a figure that included a number of non-PS "allies" — in the outgoing parliament) and the PCF 25 — the latter registering only a slight fall from 27 seats.

The fascist National Front (NF) failed to gain any seats, as did the ecology candidates.

Leading members of Socialist Party governments lost their seats, including former Prime Minister Michel Rocard, whose "big bang" scheme for reconstructing the centre-left has thereby lost further credibility. ★

The velvet coup?

YELTSIN'S attempt at a "soft" coup d'etat, through the introduction of "special rule" and the calling of a referendum for April 25 considerably raised the stakes in the power struggle at the summit of the Russian state.

Western leaders rallied round Yeltsin, insisting that he is the standard-bearer of democracy, who is "of course" only seeking dictatorial powers to save democracy and human rights from "communist revanchism". Meanwhile, Russian lawyers were busy discussing exactly how many breaches of the constitution could be found in Yeltsin's address to the nation — the latest count indicated some 18.

POUL FUNDER LARSEN — Moscow, March 24, 1993

YELTSIN's moves were carefully prepared through consultations with his supporters in the state apparatus and designed to get strong Western support. Indeed, the Yeltsin administration was in close contact with the leading imperialist powers throughout the whole process of drafting the "special rule".

In his TV speech, Yeltsin tried to outline the basis for a broad coalition behind his initiative promising everything to everyone. The regions have been promised increased independence through a speedy implementation of the federation treaty, workers were told that the fight against unemployment would get top priority, and populist "standards" like land reform, protection of and support for small businesses, and compensation for savings wiped out by inflation, were also included.

Yeltsin is obviously hoping to accomplish two things at the same time: to throw responsibility for the collapse of the Russian economy and infrastructure on to the "Bolsheviks" in parliament and to obtain wide-reaching authoritarian powers as the undisputed leader of Russia.

The former objective was spelt out by Yeltsin in his TV address: "Today it is extremely clear — the root of all the problems lies not in the conflict between executive and legislative power, nor in the conflict between the congress and the president. Its essence goes deeper; it is in something else — the deep contradiction between the people and the former Bolshevik system, hostile to the people, which has not yet disintegrated and which is today striving to renew its lost power over Russia".[1]

The authoritarian gospel of the Yeltsinites has been on display in the fierce media campaign after the 8th People's Congress, with prominent "democrats" like mayor of St. Petersburg Anatoly Sobchak, calling for "an end to Soviet power" and for "the president to take decisive steps".[2]

At the pro-Yeltsin rally in Moscow on March 21, "democratic" leaders were calling on Yeltsin to temporarily intern political opponents. The pretext for these authoritarian overtures is the alleged 'revanchism" of the parliament, but their real logic lies elsewhere — in the failure of liberal reform.

As the chair of the official Russian trade unions (FNPR) Igor Klochkov remarked at a press conference on March 23: "Anatoly Chubais (head of the privatization programme) recently told us that to implement sweeping privatization the government and president would need extraordinary authorities. The point is that the people do not need such a move".

Yeltsin has declared "special rule" until the referendum set for April 25, but it is far from clear that he would be ready to give up these powers afterwards. Even a slight victory in a referendum — which will be marked by a high abstention rate — can be used to dissolve parliament and introduce the "presidential republic" that Yeltsin wants, with new elections for parliament indefinitely postponed. Yeltsin could still hope to win such a referendum because he would himself write the questions and control its conduct.

Yeltsin retains control over most of the mass media, and the liberal intelligentsia in the big cities is rallying to his support. But the democratic mass movement of 1989-91 which was instrumental in Yeltsin's rise to power, is dead and gone. And while the imperialist powers are vocal in their support for Yeltsin, they have little concrete on offer. As is well known, last summer's "grand bargain" between the Group of Seven (the world's seven richest nations) and Russia involved $24bn in aid (mostly credits) but only a fraction of this sum has been forthcoming.

As a final option, Yeltsin could try to muster armed support in the confrontation with parliament, which would mean throwing himself on the mercy of the

1. *Russian Television*, March 20, 1993.
2. See, for example, *Moscow News*, no 13/1993.

Statement of the Political Committee of the Party of Labour

THE Russian president Boris Yeltsin, who received extraordinary powers from the People's Congress [in the autumn of 1991] has used them to carry out a socio-economic genocide in our country.

The mild attempts of the Congress to stop these anti-popular policies has provoked the president's anti-constitutional actions. In fact, in doing this, Yeltsin announced his own impeachment.

We are calling on the Supreme Soviet of the Russian Federation and the Congress of People's Deputies to:

- **Take cognizance of the president's self-impeachment**
- **Swear in A. Rutskoy as acting president**
- **Carry out early general elections simultaneously for the legislative and executive powers on the basis of a law worked out by the Supreme Soviet with the participation of the political parties, trade unions and social organizations. — Moscow, March 21, 1993 ★**

"power ministries" (of defence, security and the interior). But the army at least, and probably the other armed forces, are highly reluctant to be drawn directly into a power struggle and has no tradition of independent action. If it eventually enters the stage, it is unlikely to do so in support of Yeltsin.

Meanwhile, opposition to Yeltsin's "special rule" is gaining momentum as most political forces support the parliament and initial reactions from the regions indicate that it could be next to impossible for Yeltsin to get his decrees implemented locally.

However, the leading opposition forces are in a weak position for waging a principled struggle against Yeltsin's anti-democratic measures, as authoritarian tendencies in favour of a "firm hand" are also widespread in their ranks. The 8th People's Congress handed Yeltsin an important victory by its failure to call for early elections.

Many conservative deputies are afraid they would lose their seats since elections would certainly strengthen the forces around the Civic Union as well as moderate post-CPSU forces such as Roy Medvedev's Socialist Workers Party to the detriment of hard-line Stalinists, "patriots" and the pro-Yeltsin Democratic Choice bloc. This is also one of the reasons why Yeltsin prefers a referendum to early elections.

Reaction in the workers' movement and on the left has tended to be cautious. A clear signal, however, has come from the new "independent" trade unions, including the Independent Miners Union — which have called for Yeltsin to proceed with his special rule. The "official" TUs on the other hand have come out against Yeltsin and called for early elections:

"The real causes of the current crisis are the continuing breakdown of the economy, the sharp fall in the living standards of working people, the depreciation of the rouble, rising crime, and the state's violation of all its responsibilities towards its citizens. We think that to strengthen and develop democracy it is necessary to carry out in the immediate future simultaneous, new elections for president and the people's deputies".

The leftwing Party of Labour greeted Yeltsin's emergency measures with a sharp statement calling for Yeltsin's impeachment and early elections.

Other leftwing organizations, such as the Congress of Democratic Left Forces, have made similar statements. In this connection the most controversial issue is whether the left should call for vice-president Rutskoy to be sworn in as acting president if Yeltsin is impeached. There was resistance to this demand inside the Party of Labour on the grounds of Rutskoy's well-known reactionary views on relations with the non-Russian nationalities and his long-standing collaboration with Yeltsin, but it was eventually adopted under pressure from trade union circles.

As the battle rages on, it is clear that the political crisis in Russia will be protracted, no matter what confrontation or deal is produced in the short term. All the problems thrown up by the liberal reform remain unresolved, and Yeltsin's attempt at a "soft coup" is as much a sign of the weakness of the ruling circles as of their resolution. The general political turmoil and powerlessness of the state institutions show how profound and systemic the crisis is. For the time being, neither side has the strength to gain a decisive advantage over the other and the war of position will therefore continue. ★

DECLARATION OF THE EXECUTIVE COMMITTEE OF THE FEDERATION OF INDEPENDENT TRADE UNIONS OF RUSSIA (FNPR) AND OF THE LEADERS OF THE RUSSIAN BRANCH UNIONS

THE statement by the President of the Russian Federation on March 20, 1993 of announcing the introduction of "special rule", and of the placing of limitations on the activity of the representative organs of power, has heightened the political crisis. This crisis threatens to spread outside the higher echelons of power into the regions and labor collectives, to sharply destabilise the situation in Russia, and to bring about the country's disintegration. The real causes of the crisis are the continuing collapse of the economy, the devaluation of the ruble, the sharp fall in the living standards of the workers, the spread of crime, and the violation of all the obligations of the state to its citizens. We consider that if democracy is to be strengthened and developed, it is essential to call new elections for the presidency and for the Congress of People's Deputies. These elections should be held simultaneously and as quickly as possible. The task of drafting a law on the elections and on the mechanisms for conducting them should be assigned to the parliament of Russia together with the country's main social forces and the trade unions.

We stress once again that a resolution of the crisis is possible only on the basis of strict observance of the current constitution; of collaboration between all the organs of authority; and of deliberate action by the government aimed at stabilising the economy, ending the impoverishment of the people, fighting corruption and other crime, and ensuring the welfare of the population.

We reaffirm the commitment of the Federation of Independent Trade Unions of Russia to reforms in the name of working people, and call on the member organisations of the FNPR and labor collectives not to be swayed by provocative statements and actions, whatever might be their origin.
— March 22, 1993 ★

On top of the rubble

AS the 8th Congress of People's Deputies was drawing to its close, Sergei Shakhrai, main parliamentary advisor to Russia's President Boris Yeltsin during the congress, told Russian television: "If we do not settle this dispute we are on the brink of a situation where revolution and chaos will prevail".

POUL FUNDER LARSEN — Moscow, March 17, 1993

EVEN though there is certainly no revolution — or even major mass mobilizations — on the cards for the immediate future, it is true that the outcome of the congress represented a serious blow to attempts to streamline an efficient and centralized power structure in Russia.

Underlying all the fluctuations in the relationship of forces between the congress/parliament and the president are fundamental shifts in Russian society, which to a large extent determined the outcome of the congress.

These are, notably, the failure of Yeltsin's economic reforms — and consequently a rapid fall in his popularity — translating into a crisis for the whole neo-liberal project; the strengthening, within a "statist" consensus, of opposition forces, which, nonetheless, remain divided into a multitude of different currents; the passivity of the working class and the people in general expressing increasing scepticism towards all parties to the power struggle; and finally, the explosive rise of regionalism within the Russian Federation which may soon overshadow the fight for leadership at the weakened centre.

The defeat suffered by Yeltsin at the 7th People's Congress in December 1992, where he had to abandon his neo-liberal prime minister Yegor Gaidar, was neither unimportant nor essentially the result of machinations by forces around Ruslan Khasbulatov, Chair of the Supreme Soviet. It was first and foremost an expression of the growing resistance to the reform in society in general and in the apparatus in particular.

Gaidar's reform programme gave unilateral priority to "financial stabilization" along lines obediently mapped out in a memorandum to the International Monetary Fund (IMF) in winter 1992. But the extremely ambitious targets for cutting the budget deficit, slashing inflation and moving rapidly towards convertibility for the rouble, were never met. The programme has caused a major drop in the living standards of the population as prices have risen about twice as fast as wages throughout 1992 and the start of this year. This has meant an average net drop in real wages of a third. Meanwhile, industrial production plummeted by around 20% in 1992, investments were cut by 50% and no financial stabilization whatsoever occurred.

At the end of 1992, inflation again approached 40% a month, while all dreams of rouble convertibility (originally envisaged at 80 roubles to the US$) were long forgotten with the rouble trailing at more than 500 to the US$.[2]

However, after the 7th People's Congress Gaidar's cabinet remained largely intact (in the absence of Gaidar himself) and no decisive changes in economic practice were implemented. Indeed, the Chairman of the State Committee for Property (minister for privatization) Anatoly Chubais spearheaded a stepping up of privatization to "make the transition to the market irreversible". By the end of 1992, only 10% of enterprises in Russia had been privatized — and those were overwhelmingly small enterprises in the trade and services sector. However, by late January a wave of auctions of larger enterprises was underway, including, most recently, of the huge Zhil car enterprise.

The failure of Yeltsin and his team to take any notice of the signals from the 7th People's Congress to slow down market reform united the opposition in the runup to the 8th Congress.

Growth of regionalism

But the impasse of the neo-liberal economic reform had other, possibly more serious, consequences for Yeltsin than alienating most of the People's Deputies.

The growing independence of different parts of the apparatus and the breakdown of governmental structures which was already apparent in the Gorbachev era has accelerated as the reform has removed government controls, thus injecting further instability and inequality into relations between regions, branches and state institutions. The rift between the administrative branch (the soviets) and the executive which reached a peak at the 8th Congress, can be found at all levels.

One example among many is the dispute between Moscow's mayor Yuri Lyushkov and the Moscow city council which has been stripped of nearly all its powers. In this climate corruption is becoming a massive social phenomenon as state institutions, commercial structures and in some cases organized crime merge.

The loss of his overwhelming popularity after the failed coup of August 1991 has further weakened Yeltsin's position. He remains the single most popular politician in Russia — with vice-President Rutskoy not far behind — but for the time being polls reveal a population in their majority not prepared to endorse Yeltsin or any other leader.

Yeltsin's declining popularity is an indication of the breakdown of the liberal ideological hegemony of the past three years. Under the slogan "a return to the civilized world" (that is, capitalism) the liberal intellectuals and new entrepreneurs, in an alliance with a part of the old nomenklatura, managed to win widespread backing for their market reform.

But as the real face of the civilization on offer has become apparent and after Yeltsin's claim that things would begin to improve by autumn 1992 turned out to be hot air, the belief in the market as a miracle cure has quickly receded.

In the runup to the 8th People's Congress, Yeltsin therefore resorted to two of his old stock-in-trades: the populist calls for a referendum with highly slanted questions on the establishment of a presidential republic and the right to private ownership of land were combined with increasingly explicit threats of a coup d'etat in the form of "direct presidential rule" if the congress failed to comply with his demands.

In his own words: "It is necessary to res-

1. *Vesti*, March 12, 1993.
2. On the Gaidar reform, see *International Viewpoint* 235, September 28, 1992. The rouble currently trades at 700 to the dollar.

pect the constitution, but if the conservatives go to extremes in demolishing Russia, then in order to save democracy, in order to save the reforms..."

And the liberal weekly *Kommersant* added: "Either the 'fourth scenario' [a coup] is implemented or the mere threat of it pushes the deputies towards a compromise".[3]

While Yeltsin is counting his losses the parliamentary majority — symbolized by Khasbulatov — was almost unanimously being declared the victor of the 8th People's Congress. But it was a victory that raised as many questions as it provided answers. First of all, the opposition is tremendously heterogeneous both inside and outside parliament and can hardly be said to have a common goal, let alone programme.

Beyond counteracting Yeltsin's economic reform and curtailing his powers, the congress majority behind Khasbulatov consists of deputies from some 10-11 parliamentary factions and countless parties. They span moderates (the Civic Union), die-hard nationalists (The National Salvation Front) and several kinds of neo-Stalinist organizations. The common denominator is first and foremost the call for the re-establishment of a strong state both in connection with the economic reform and in foreign relations.

The words of Sergei Polozhkov, a leader of the Civic Union, describes the economic thinking: "There are two possible roads of development for Russia — either a 'Latinamericanization' with a loss of political and economic sovereignty and the omnipotence of corrupted bureaucrats, or the preservation of the industrial potential, a reasonable policy of structural investments and state control over the transition to market relations in order to bring an end to the crisis"[4]

In foreign relations, the congress majority is inclined towards a firm line in relations with the West, a re-orientation of Russian foreign policy towards Asia and a more interventionist approach in dealings with the "Near Abroad" (the CIS). At least on the latter point, Yeltsin has moved closer to the congress majority.

Outspoken opposition

Developments over the past year have radicalized the opposition to Yeltsin. Moderate oppositionists such as the Civic Union's Arkady Volsky have faded somewhat and more outspoken figures such as the "patriot" Sergei Baburin have come to the forefront. Khasbulatov is a useful barometer. Originally seen as a liberal when he succeeded Yeltsin as Chair of the Supreme Soviet in 1991, until the 7th Congress he acted mainly as a buffer between Yeltsin and his most radical critics. But at the 8th People's Congress he came out against Yeltsin's whole reform project in a vehement speech calling for the ouster of Anatoly Chubais and foreign minister Kozyrev.

However, this polarization remains a phenomenon confined to faction fights at the top levels of state and does not correspond to any growth in organized popular resistance to the reform.

Inside the opposition a clear, and worrying, trend is the growing prominence of what can be termed "the new right". Increasingly broad layers of the opposition endorse chauvinist positions and it is becoming increasingly difficult to distinguish the neo-Stalinists from the patriots inside their so-called "red-brown" alliance. On the eve of the congress, Gennady Zhuganov, the chair of the newly-formed Russian Communist Party (itself a fusion of currents from Gorbachevites to Great Russian chauvinists) presented the tasks of his party in the following way:

"Today in Russia there are no organized forces able to resist the current rulers, propose and realize a constructive programme for a rebirth of the country and the salvation of its people. The Communist Party, uniting with the patriotic movements, can become such a force".[6] Many of the leaders of the neo-Stalinist currents are now courting the patriots in this manner, giving priority to a bloc "for Russian national salvation" over and above considerations of democratic rights in Russia and the future coexistence of nations on the territory of the former USSR.

The 8th People's Congress saw a spectacular breakthrough for the regions of the Russian Federation, which are becoming major political players at the national level. Pressure from the regions was probably the main reason for the failure of Yeltsin's referendum plan and in the coming period there will be hectic efforts from both parliament and executive to canvass support from the regions for their projects for political and economic reform.

The centrifugal forces unleashed by perestroika and the post-perestroika market reforms which during the Gorbachev years were mainly visible in the disputes between the union republics and the centre, have gained immense momentum and now threaten to tear apart the Russian Federation, which consists of 83 regions and 19 republics. The Federation treaty of March 1992 — one of Yeltsin's few political victories after August 1991 — stipulated a new division of powers between the Russian centre and the regions (which received control over land resources), but the treaty has never been enacted.

The regional and republican bureaucracies, which have been freed from administrative constraints and all-embracing control from the centre, and which are now in a favourable position to extend their powers and enrich themselves, are unlikely to surrender this new found latitude.

Any force at the centre will have to pay a high price to get regional backing for its policies. In the medium-term the centre may be forced to accept that the Russian Federation develop towards a type of "Euro-Asian" confederation.

This development has already begun: "if the federal power is weakened then the authorities in the regions, and particularly the republics, will be ready to replace Moscow's crumbling mechanisms with their own power structures, their own far smoother cooperation between the branches of power, and most importantly their own conceptions of state building, which are still missing at

3. *Kommersant*, March 8, 1993.
4. *Rabochaya Tribuna*, March 11, 1993.
5. On Russian policies towards the CIS see *IV* #237, October 26, 1992.
6. *Pravda*, March 10, 1993.

the level of the Russian Federation. These conceptions can differ — from economic ones in Karelia to national-civic ones (plus oil) in Tatarstan. But they do exist."[7]

While the People's Congress was a major media event both in Russia and abroad, most Russians ignored it or rejected it as irrelevant and harmful to the country.

The prevailing disillusion was aptly framed by one newspaper commentator: "The credit of confidence which the president and the parliament had one and a half years ago came to an end together with the Russians' reserves of food for difficult times. When will they understand this?"[8]

Because of the general absence of social movements, the left has found itself observing the latest events rather than influencing them. The prevailing feeling on the left is that the congress did not fundamentally alter the relationship of forces and did not open up any important new possibilities for socialists. Developments around the Russian Communist party could however lead to new regroupments on the left — as most of the post-CPSU groups which have not broken with bureaucratic traditions have gravitated towards this organization. This in turn could open the way for a realignment of non-Stalinist currents on the left that won't join the new party.

Workers movement at low ebb

Meanwhile the workers' movement remains at a low ebb. The Independent Miners Union (NPG) — which only organizes a minority of miners — is increasingly acting as Yeltsin's "pocket union", obediently threatening strike action if the congress does not give in to Yeltsin's demands. On the opposite wing, a workers' conference against privatization called by the conservative Union of Workers of Moscow is scheduled for the end of this month. But the bulk of workers' collectives and unions remain silent.

However, no matter what manoeuvres Yeltsin, the parliament or the regional leaders try to pull off in the coming period, they will not suffice to overcome the fundamental crisis of bureaucratic rule and the projects for capitalist restoration in Russia. None of the competing bureaucratic factions offers a viable way out of the quagmire. The political and social crisis will not simply disappear, and in time this can give other forces, in the workers' movement and on the left, a possibility to develop perspectives independent of the different bureaucratic interests and win a mass following for them. ★

7. *Nezavisimaya Gazeta*, March 16, 1993.
8. *Rabochaya Tribuna*, March 16, 1993.
9. *Nezavisimaya Gazeta*, March 17, 1993.

The spider unravels its web

EVENTS at the beginning of 1993 have brought Italy's crisis to a climax. The political system set up after the fall of fascism is collapsing. There is a widespread view both in Italy and elsewhere that this crisis is a specific product of Italy's history. But this is a half-truth. In fact, the tendencies at work in Italy today can be seen in all the developed capitalist countries. What is special about Italy is that the general tendencies have reached a higher and more explosive level than elsewhere.

LIVIO MAITAN — March 18, 1993

IT is clear to everybody that in all or almost all the countries of the EEC, as in North America and Japan, there is a crisis of leadership and of political institutions. One aspect of this crisis is the "discovery" of all kinds of scandals in which governments, political parties, state officials, local administrations, economic leaders, trade unionists and heads of cooperatives are implicated.

Italy's scandals seem more numerous and more widespread and plunge the political scene into turmoil on a daily basis. But we have to ask why all this is coming to the surface now. Why have the peninsula's judges, who have hardly raised an eyebrow for decades, suddenly sprung to life and noticed the innumerable trails of complicity which are almost universal among Italy's political class and business circles?

The fact is that the context in which the judges have been working for decades has undergone a change. There is a powerful economic squeeze, reducing the room for manoeuvre while the political structures in the broad sense were becoming increasingly discredited even before the scandals broke out.

Another important factor is that the Italian political regime has remained more or less the same for 40 years — in which time contradictions have steadily built up without any attempt to address them; now they are all exploding simultaneously, leading to comprehensive breakdown made all the more painful by the absence of any apparent alternative.

Secondly, the economic crisis has gone from bad to worse at all levels, with the coming together of prolonged stagnation, which set in during the 1970s, and a very sharp cyclical downturn that is affecting all sectors of the economy. Unemployment has been rising constantly and the outlook for the rest of this year is gloomy. It is likely that hundreds of thousands of workers will lose their jobs.

The state budget deficit has reached huge proportions and all the austerity measures proclaimed by the government(s) have had little noticeable effect on it.

Away from Maastricht

Italy has conformed to the economic prescriptions of the Maastricht Treaty on European union even less than other EEC countries, and last autumn the lira was devalued and had to leave the European Monetary System.

This is the backdrop to a growing tendency that we have remarked on before — the structural weakening of the bourgeoisie as a social layer and the increasing difficulties it is meeting in exercising its hegemony. The more and more direct intervention of the Cofindustria employers' federation and other business representatives in politics does not disprove this tendency. On the contrary, this intervention is the result of the increasing uselessness and collapsing credibility of the political structures; it is

a product of a situation where the "normal" mechanisms through which hegemony is exercised no longer work.

Thirdly, our epoch is witnessing a clear trend to a spreading crisis of the traditional national states. But, from this point of view also, Italy is out in front among the developed capitalist countries. On the one hand, the Italian state continues to be defied by organized crime — the mafia, the camorra and the rest — which control different regions in the south of the country. On the other, in the north we have seen the rise of the Leagues which are putting forward federalist solutions that come close to secession.

Since its formation in the last century, the Italian state has never faced so many attacks which, while coming from different directions, have the same effect — that of aggravating an already grave crisis.

Finally, the experience of capitalist Europe in recent years has shown that workers, or at least broad sections of the working class, retain the means to mount significant resistance to attacks by governments and employers.

Once again, this is especially clear in Italy, thanks, above other things, to the inheritance of the very powerful and prolonged struggles of the end of the 1960s and start of the 1970s and the preservation of the political and organizational gains of that period by a significant number of cadres and militants.

Downpour of arrests

For the moment, each day seems to bring a new downpour of arrests and charges against officials and even top level leaders of all the parties, parliamentarians, local and regional administrators and managers of big firms, whether private or in state hands.[1] The Amato government has succeeded in pushing through all the main measures it has been putting forward since the signing of the July 31, 1992, agreement with the employers and unions, which included the definitive abolition of the indexation of wages.

However, it is completely unable to establish medium term goals and lives from day to day. It continues to exist mainly because the coalition parties — Christian democrats, socialists, social democrats and liberals — as well as the parties of mild opposition — the PDS (Democratic Party of the Left — ex-CPI) and the Republicans (PRI) — fear a governmental crisis which might be impossible to resolve. This would mean new elections before the implementation of the reform of the electoral law in the direction of replacing proportional representation in which so much hope is being placed by so many.

— Thieves are all thieves!
— You mustn't criminalize a whole group like that!

However even the country's president, Oscar Scalfaro, a conservative Christian democrat, is taking his distance from the government, as is shown by his refusal to approve a government decree limiting punishments for violations of the law on the financing of political parties, which would have saved a number of leaders currently facing charges over this.

Unpredictable events aside, everyone seems to be awaiting April 18 when there will be votes in a series of referendums for which different political forces have gained the necessary 500,000 signatures.[2] The most significant of these referendums are those on the repeal of the law on the financing of parties, which will almost certainly be passed by a big majority and on the electoral system, one on local elections, the other on the election of senators.

Having failed to change the electoral system by a vote in parliament, the solution of this problem is now in the hands of the voters. To avoid complicating matters we will leave aside the referendum on local elections. If the reform of the electoral law for selecting senators is passed, this will mean that the Senate will cease to be elected by proportional representation — and in Italy the Senate has the same powers as the lower house, the Chamber of Deputies.

But this will not solve the problem, since the Chamber of Deputies will still be elected by proportional representation. The partisans of a first-past-the-post system hope that getting their way on the Senate will persuade parliament to swiftly change the electoral law for the lower house as well — an assumption that gains weight from the fact that most of the parties want to see the end of the proportional system. Then, perhaps after a final effort to amend the 1947 constitution in an authoritarian direction, new legislative elections will be called in the hope that a radical change in the make-up of parliament will provide a new beginning — a launching pad for the "Second Republic".

However, there are many obstacles on the road to the completion of this operation. Firstly, it is possible that the supporters of the single candidate, simple majority voting, system will not win the referendum on April 18. The Communist Refoundation Party (PRC) and the Rete ("Network") on one side and the neo-fascists of the Italian Social Movement (MSI) on the other can mobilize significant forces to oppose the change.[3]

1. Among those charged are the Socialist leader Craxi and his anointed successor La Malfa, the head of the Liberal Party Altissimo and many Christian Democrat leaders.
2. There will ten referendums on April 18. The most important are those on the electoral laws for the Senate and local councils; the repeal of the law on the financing of political parties; and the repeal of a repressive law on drug use.
3. The PRC is campaigning for legislative elections before any institutional or electoral reform, explaining that the present parliament, a hundred of whose members are facing criminal charges, does not have the legitimacy to adopt any such reforms.

Furthermore, the members and voters of the other parties may not follow the advice of their leaders. Indeed, the "democratic communists" — the current inside the PDS led by Ingrao — have already come out for a "no" and some Christian democrats and Socialists may follow their example.

And secondly, Homeric quarrels will inevitably break out as soon as it becomes necessary to move on to the details of the new electoral system and define the constituencies. The present agreements could easily break under the strain and all kinds of unexpected combinations come into being, putting at risk long-term alliances.

Furthermore, no one is at present able to predict, even in broad outline, the results of an election under a new system. The relationship of forces between the traditional parties, all of whom have been fraying at the edges to one degree or another, could change substantially. Some could even disappear, at least from the parliamentary stage, and new realignments emerge. This type of shake-up is what the partisans of electoral reform are hoping for.

Some, including the main protagonist of the referendum battle, the Christian Democrat Mario Segni, are hoping that systematically organized parties with their own mass base will disappear or wither away, leaving the field open for self-styled independent notables with "personal" links to their electors (whose number will fall with the adoption of a uninominal system). In the best of cases, we would see the rise of a conservative democracy in which economic magnates would be able to more openly and directly exercise their influence.

Others, such as Occhetto and the majority of the PDS leadership are hoping to facilitate the emergence, at least on the electoral terrain, of two basic realignments, one bringing together "progressives" and the other the conservatives which could alternate in power in the framework of a revamped constitution.

Both views rest on the illusion that the ever-deepening contradictions of Italian society can be lessened and finally overcome through tinkering with the institutions, essentially parliament. They are thus overlooking a question which may have to be faced sooner rather than later: how to deal with a situation where the present unstable balance of forces persists after new elections and constitutional reform or where, because of the uninominal system, the parliamentary majority does not correspond to the political and social alignments in Italian society.

Since no one wants to address this question now, wishful thinking is in vogue. The disarray and uncertainty rampant among the ruling classes is a product of their awareness of the extreme precariousness of the present situation and the very great difficulty of imagining solutions not only under the present institutional set up but in any imaginable new one and of the absence of any real room for manoeuvre for a radical change in an authoritarian direction.

This, as someone will no doubt point out, sets the ideal stage for the appearance of a Bonapartist regime. This is true in principle. But there is no willing candidate for the post and it is hard to see who could be a pretender for such a role in the Italy of 1993.

Furthermore, the minimum force needed to launch a Bonaparte is also absent at least in the short and medium term. And this is another source of the fundamental impasse above and beyond current vicissitudes.

Obstruction by union leaders

As we have already mentioned, the wave of social struggles has not run out of steam after the great onrush of last autumn. It is true that that wave ended in failure insofar as Prime Minister Guilio Amato was able to get his anti-worker measures approved — largely due to outright obstruction by union leaderships who were absolutely opposed to bringing about the fall of the government.

However, after a few weeks respite, broad sections of workers have begun once again to mobilize both against the impact of the government measures and the complete abolition of wage indexation on their living standards and against layoffs and plant closures as well as for more sectoral demands.

Often these mobilizations have taken the form of huge demonstrations in many towns and the adoption of dramatic methods of struggle — for example, the blocking of big rail lines and motorways.

The leaders of the union confederations have continued to dither, striving to limit and compartmentalize the struggles, while even the left opposition in the CGIL confederation, *Essere sindacato* ("to be a unionist") has lost dynamism owing to the hesitations of some of its representatives, often far more moderate than the current's main leader Fausto Bertinotti.[4]

In this situation, the movement known as the workers' councils movement, which has a degree of representativeness, took the initiative to call a national demonstration in Rome on February 27.[5] Supported on a personal basis by many CGIL leaders, by the Union of Self-Organized Workers (SLA) whose backbone is the Alfa Romeo COBAS and by the PRC and PDS, the march brought out more than 100,000, raising the demand for a general strike.

This success was largely due to the efforts of the PRC whose banners dominated three quarters of the march while the PDS had brought out much smaller numbers. The question of what to do after this demonstration has since been at the centre of debate both in the unions and parties.[6]

Is the council movement able to relaunch a new wave of generalized struggles and take independent initiatives if the confederation leaderships maintain their present attitude? There are differing views on this.

Some consider that the council movement should limit itself to putting pressure on the union confederations, which might lead to it losing its own momentum while others insist that the outcome cannot be predicted in advance and that, in any case, the councils are the only force with the will to mobilize hundreds of thousands of workers.

General strike called

The union leaders have already given their answer. Unable to ignore the February 27 demonstration they have called a general strike for April 2, the same day as the strike called by the European unions. But the strike will be limited to four hours and there is to be no national demonstration. If things rest there, the result is predictable: very likely, the strike will be a success but nothing will change thereafter (all the more in that the bureaucrats have repeated that they do not wish to overthrow the government).

There is truly nothing new under the sun. If the ruling classes still have hope it is above all because those who should be their adversaries are once again offering a helping hand. ★

4. Bertinotti is still formally a member of the PDS but his positions are usually closer to those of the PRC.
5. The workers councils that still exist are but a pale reflection of what they were in the 1970s. Most have not been re-elected for a long time. However, they retain a democratic credibility that is lacking in the extremely bureaucratized official union structures.
6. On March 5 to 7 the PRC organized a Workers Assembly in Turin in which almost 700 delegates took part..

Not a golden year

A LOOK at the current state of the world economy confirms the forecast we made a little over a year ago: "rather than collapsing dramatically, capital accumulation on a world scale is becoming progressively more bogged down". The remarks that follow concentrate on an analysis of the stagnation of the main capitalist centres and do not deal with the countries of the former Soviet bloc nor the Third World.

MAXIME DURAND —
Paris, March 20, 1993

INTRODUCTION

SINCE mid-1990 the world economy has been immersed in a new phase of cyclical crisis which has now reached all the main capitalist countries with the inevitable effects on the Third World and the countries of the former Soviet bloc.

The economics dossier, the first part of which is published in these pages (part two next month), deals with the problems encountered by the various governments and bourgeoisies in their attempt to realize the dream of the New World Order born out of the Gulf War.

While the crisis has not yet taken the form of a generalized recession similar to that in 1974-75 or in 1980-82, no lasting and stable recovery in on the horizon. For this reason, the offensive against the working class will get ever fiercer, in an attempt to create the conditions for a recovery in the rate of profit to a level qualitatively superior to that of the recent years.

In the first quarter of this year we have witnessed a cascade of daily announcements of layoffs, social security cutbacks and other anti-working measures at a time when, after several years of paralysis, the working class is beginning to react including in some imperialist countries, such as Italy, Germany, Spain and Britain as the loss of proper jobs — so commonplace in the dependent countries — has become a daily reality for them as well.

World capitalism has reached a historically unprecedented level of internationalization and globalization and if the workers' response is to be effective it must be of the same type, based on international workers' solidarity. Such responses are beyond the horizon of the traditional leaders of the workers movement who are not even fully aware of the scale of capitalist crisis. Even the first steps down this wide road require clear analysis, and these we hope to provide in this series.

It only remains to point out that the articles published here are the direct product of common reflection by comrades from different countries who met in 1991 and again at the end of 1992. We hope to repeat the experience and, far more important, that its fruits are useful for all those who believe that, despite present difficulties, it is possible to change this ever more unjust society. — **Alfonso Moro** ★

1992 was another year of weak growth, hardly better than the poor results of 1991. However, there was no generalized recession on the lines of 1980-82 in the sense that all the big countries did not see a decline at the same time. The sharpest falls have been seen in the flagship countries of neo-liberalism and the balance sheet of the policies pursued in Britain and Canada is both economically very bad and socially catastrophic. The USA stabilized its economy after the decline of 1991, France and Italy saw a small amount of growth while Japan has encountered a sharp check and Germany has slowed down (see table 1).

The overall slowdown has been accompanied by further rises in unemployment. The figures put out by the OECD only give an imperfect picture of the deterioration of the labour market, which takes different forms in different countries — short-time working, temporary and insecure jobs, sub-contracting and so on. But the basic trend is clearly upwards with Europe being particularly hard hit. There are now 32 million unemployed in the OECD countries, and this figure will probably rise to 34 million this year.

This will probably lead to a steady shift to increasingly tough socio-economic policies. One of the new features in Europe is that the countries which seemed to be best resisting unemployment and were being put before us as models to be studied are now themselves plunging in. Sweden is a particularly striking case. The loss of power by the social democrats has seen a turn to "classical" policies which have brought on a very sharp rise in unemployment, which has risen from 1.5% to 5% between 1990 and 1992. The OECD forecast is a rate of 6.5% this year.

Even for Switzerland, where a short while ago unemployment was around 0.5%, the forecast is of 3.8% in 1993 — a rise of 3% in less than three years.

However, it is the trend in Germany which will have the biggest effects. Previously, the power of German industry and the quality of its products have guaranteed a competitiveness which was not based on constant pressure on the wages and conditions of workers. German wages remain high and Germany was one of the countries which had best resisted unemployment. Indeed, the unions had been able to win steps towards a reduction in the working week. However unification with the

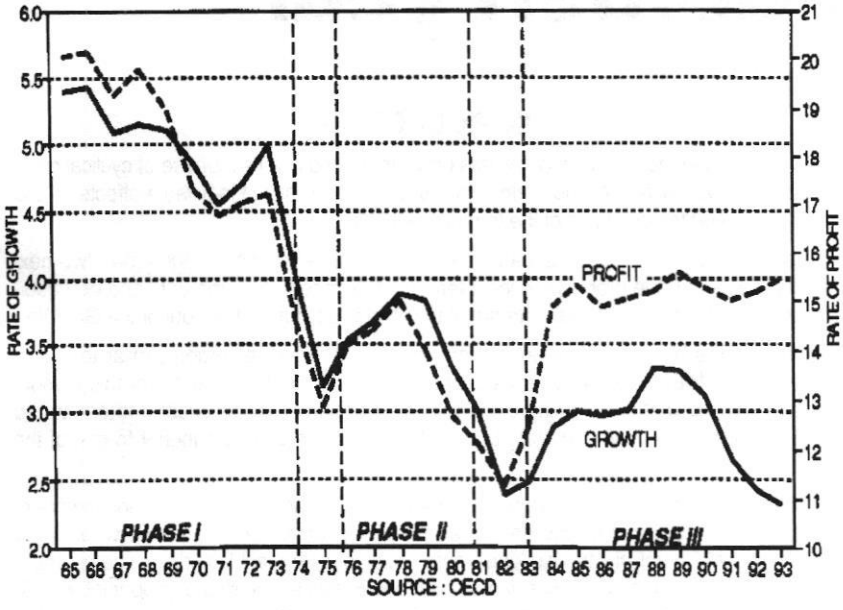
Table 1 — Growth of Gross Domestic Product (%)

	1983-89	1990	1991	1992	1993
USA	3.9	0.8	-1.2	1.8	2.4
Japan	4.6	5.2	4.4	1.8	2.3
Germany	2.7	4.8	3.7	1.4*	1.2*
France	2.1	2.2	1.2	1.9	1.6
Italy	3.1	2.2	1.4	1.2	0.8
UK	3.5	0.5	-2.2	-1.0	1.3
OECD	3.7	2.4	0.8	1.5	1.9

*whole of Germany

source: OECD

Table 2 — Profit and growth in seven main countries



former East Germany unleashed an economic and financial shock wave whose effects are now showing up in a change of approach by the employers. Massive layoffs have been announced in steel and are certain for the vehicle manufacture sector. The reduction in the working week is likely to be challenged and unemployment in the former East Germany will put pressure on employment and wages throughout the EEC.

Table 2 illustrates the specific characteristics of the present state of the world economy. The liberal decade of the 1980s saw a very sharp rise in the rate of profit in its first years. At the same time, growth picked up hesitantly before taking off in 1988-89. This led the OECD to crow triumphantly in words which merit repeating.

According to its Economic Perspectives for 1989:

"The economic situation of the OECD countries is now far more satisfying than at the start of the 1980s... The governments of the member countries can, for the coming ten years, draw support from these results — due both to the policies pursued during the 1980s and the strengthening of international cooperation — to promote lasting growth which will create jobs while holding inflation down at a low level".

It did not take ten years for this to turn out to be an optical illusion. Growth rates have slumped to very low levels — and this is the real result of the policies of the 1980s. This was perfectly foreseeable. At that time we produced a far more accurate forecast: "Insofar as the present recovery is largely pulled along by investment, it will not be lasting. Quite soon, the rhythm of growth of the world economy will fall back to the level permitted by the rules of the capitalist game".[1] The main dimension of the present slowdown is in fact the lack of sufficient outlets provided by demand by wage-earners. This has meant the resurgence of a crisis of over-production producing an original combination of a relatively high rate of profit and inadequate demand. Such a situation cannot persist indefinitely: the weight of unused capacity will eventually press down on profits.

1993 was supposed to be a golden year for Europe, with the opening of the great market and the ratification of the Maastricht Treaty. In reality, the panorama is radically different. Europe is bogged down in unemployment and the road proposed for its unification has turned out to be a dead-end. The European Monetary System (EMS) is more than just in crisis; it has been smashed to pieces as the pound, the lira, the peseta and the escudo have burst out of the monetary corset and been devalued.

Only France and Germany and the latter's two satellites, Belgium and the Netherlands, retain the perspective of monetary union. But, even between France and Germany, the differences of economic performance are so significant that it is hard to see how an exchange rate that everyone regards as untenable, more for political than economic reasons, can be maintained.

The Maastricht Treaty set out norms that each signatory country must respect to ensure economic convergence. No country (with perhaps the exception of Luxemburg) succeeded in meeting these targets in 1993. Even in France the budget deficit is sure to pass the set limit of 3% of GDP. The series of devaluations, meanwhile, have led to trade tensions in an uncontrollable chain reaction.

There has been ever more evidence of a rise in protectionism in recent months, including the deadlock in the GATT negotiations on world trade, the unilateral measures taken by Clinton, the new wave of industrial restructuring and transfers of plants which have been in the headlines recently. The cacophony of interest rates, which have started to fall in the US and Japan but are drawn upwards by the pull of the high interest rates in Germany adds another element to the apparent chaos.

Whatever the local vagaries, we have to see the basic cause. The conventional wisdom which leads most of the globe's countries to attempt to push down wages to be able sell more to others here reveals its limits and contradictions. It does not take a Nobel Prize-winner to understand that such policies, which seem reasonable for each country taken separately, must add up to an overall slowdown in growth.

This contradiction has emerged in a context marked by both a very high degree of internationalization and an absence of regulatory institutions. The much talked about globalization means that today there are ever fewer economic sectors which can escape competition from the furthest corners of the globe and that technical progress bears directly on economic activity.

Of course we should not over-estimate the potential to transfer economic activity to the former Soviet bloc or the Third World; low wages are not the only element in competitiveness, there is also a need for technically trained and equipped workforce. And there are even more weighty obstacles to the wholesale moving of industries, including social resistance and need to remain close to markets.

The rise in unemployment must, therefore, not mainly be laid at the door of competition from low-wage countries. It is in the first place the outcome of wage austerity policies pursued in the rich countries themselves.

Zones with different wage levels are being brought into contact in a completely anarchic way. Even if the pressure is marginal, the confrontation with low-priced products has a disintegrating effect wider than the immediate impact. And it creates

1. Maxime Durand, "La crise est un long fleuve tranquille" *Critique Communiste*, no. 82, February 1992.

a situation in which everyone is the loser. If the developed countries attempt to push down wages to Third World levels this only means a further stifling of effective demand, from which in time the Third World taken as a whole will suffer. The ability of the developed countries to buy is limited and their imports do not provide an outlet sufficient for all the developing countries.

Good sense would dictate that economic relations between zones of widely different productivity levels should not be regulated by the blind forces of the market but by planned exchange aimed at stabilizing relative prices so as to organize the international division of labour on a basis open to control. The aim would be to eliminate both "social dumping" and the setting up of protectionist barriers against the poorest.

The inherently competitive nature of capitalism, however, means that we are seeing both social dumping and protectionism at the same time. The contradiction is tending to iron itself out through the emergence of a tripolar structure of the world economy in which each of the centres (the USA, western Europe and Japan) organizes its chain of production in a hierarchical manner while trying to protect itself from competition from the other poles — the clearest example being south-east Asia.

However, this new order remains incomplete, lacks coherence in Europe, and does not in fact solve the basic problems. The former Soviet bloc, for example, is a black hole as far as its place in the scheme of things is concerned. The wobbly structure of the world economy leads to violent local and sectoral conflicts corresponding to the holes in the pattern. The fact that class conflicts and inter-imperialist wars have given way to conflicts stemming from the internal breakdowns of states also corresponds to the economic imbalances. The tendencies towards fragmentation will dominate the coming period.

In this recessionary context, we have to grasp the reasons which militate against the implementation of programmes to stimulate recovery. The two main reasons are the absence of any coordination of economic policy and the weight of public debt. Ten years of free market policies have failed to clean out public finances except in Japan, which has therefore been able to use public spending to stimulate growth. However, elsewhere, there are growing budget deficits. On this front, liberal policies have failed in one of their central objectives.

The reasons differ from country to country. In Germany, the key is clearly the costs of unification. Elsewhere, a number of contradictions work together. The slackening off of economic activity, deliberate or involuntary, inevitably means a disproportionate fall in tax incomes. The efforts to cut down the size of the state logically lead to the stagnation and even decline of tax income making it harder to meet budget commitments. Then there is the burden of very high interest rates, especially in Europe.

Financing the deficit requires an increase in public debt and thus of interest payments. In Italy the cumulative effects of this vicious spiral have led to what is in effect the bankruptcy of the state. But,above all, these tendencies show something positive — the existence of formidable social resistance to the undermining of the welfare state. It is true that almost everywhere state income has changed in a more inegalitarian direction, notably owing to competition over the drawing in of foreign capital, but nowhere has the size of the state significantly shrunk. Its financing is now one of the obstacles to any pro-recovery policy.

This side of things is a good illustration of the overall shape of the class struggle since the onset of the crisis. While the liberals have made clear their aggressive intentions, their offensive has not taken the form of a frontal attack but rather of a diffuse nibbling away which has not really done much to clean out the state finances.

On the contrary, at a more political level the resistance has resulted in renewed legitimation for public intervention, which the whole political and ideological project of the liberals was intended to erode. Clintonism is an expression of the new state of affairs: a desire to reactivate state intervention without the means to go very far with it. Similar reasons explain why the British government is unable to revive that country's floundering economy.

In the short term, it is not possible to predict a new generalized recession, defined as a sharp and simultaneous fall in production in all the industrialized countries. The US economy has been showing signs of life in recent months and may effectively prop up the international economy in 1993. The effects of the Japanese recovery programme will also be felt.

However, these are cyclical fluctuations which do not mean the end of the long period of slow growth. The same contradictions will continue to operate and the persistence of unemployment will mean a hardening of class conflicts. This is why, above and beyond the day-to-day changes, the months and years to come will be decisive for the prospects for the emergence of a social movement that holds out the possibility of a positive project. The alternative is quite clear: either resignation to unemployment and a fallback to illusions of local solutions (with the nationalist implications of this) or the rise and coordination of the aspirations of the workers to make the economy work in a different way, around a central demand: for a big cut in the working week. ★

A homemade crisis

ECONOMIC analyses are up for sale, commented the West German economic paper *Die Wirtschaftswoche* on October 30, 1992. The authors point out that all the well-known economic research institutes are dependent on the state drip-feed. Thus, for example, Munich's Ifo-Institut gets 50% of its income from the state.

Since the turn of 1990/91 such institutes have been in the grip of a sectoral crisis — the cyclical crisis of economic research institutes — partly owing to the tight rein on public spending; as a result at the end of 1991 the Ifo-Institute had to beg a "liquidity aid grant" of 2.2 million marks from the Federal and Bavarian authorities in order to avoid bankruptcy. In these circumstances the tendency to come up with advice which the payers want to hear has become increasingly pronounced.

WINFRIED WOLF — Cologne, March 4, 1993

ONE and the same institute can give two different and contradictory accounts of the same thing at the same time. Thus in discussing the merits of state economic aid to industry in its *Finance Needs 1992*, the Ifo advised the economics minister Möllemann against such intervention while Riesenhüber's science ministry got precisely the opposite advice from the same source. Since both ministers have since moved on, there is an opportunity for a repeat performance — perhaps with the roles reversed.[1]

And the various predictions of economic trends from the institutes and their experts in 1992 have now been revealed as the merest flattery. As late as October last year, the autumn bulletin of the Ifo-Institut predicted renewed growth for 1993. On December 14, 1992, however, the institute did an about turn and foresaw a recession for this year.

Commented the *Süddeutschen Zeitung*: "Thus, the Ifo-Institut is the first competent body to predict a negative growth rate for the coming year... 1993 will thus witness the first recession for a decade" (December 15, 1992). The precise figures mentioned were a decline in production of between a half and one percent. Two months later, the Ifo-Institut was painting the future in still more gloomy colours. The *Handelsblatt* of March 1 published the Ifo-Institut's latest forecasts — a fall in industrial production of 4% and commented: "the Ifo's experts, taking into consideration the trends in the last months of 1992, think it quite conceivable that the downturn will be even stronger".

This is remarkable in two ways. Such a sharp revision of views has not been seen in recent years. In the space of five months, predictions of slight growth have given way to predictions of a fall of four percent or more. And, secondly, if the latter forecast is realized this will mean the deepest crisis that the West German economy has ever seen. Added onto the decline in industrial production in 1992, the fall predicted for 1993 would make a drop of more than 10%.

Looked at through another optic, the situation is even more dramatic. Some 15 months ago I wrote in the revolutionary socialist weekly *Sozialistische Zeitung* (December 15, 1992): "The least that can be said is that Germany is in the midst of an economic crisis. Back in December 1991 we wrote, 'the boom in Germany ended in summer 1991... and the German economy is slipping back. Almost everyone agrees that, unlike in 1986/87 when the decline was short-lived, this time we are seeing the onset of crisis'".

Since then the diagnosis has been confirmed. German Gross Domestic Product (GDP) has been stagnating since the middle of 1991 and falling slightly since mid-1992. If we take the figures for industrial production as our guide the trend is even clearer. Other indicators — such as Gross National Product (GNP) or GDP — include various non-productive sources of income which only express redistribution and which strongly distort the development of the productive sector and express the development of the industrial cycle only in a very watered down form. The bourgeois category of "industrial production" reflects the Marxist notion of the productive sector to a far larger extent.[2]

If we take as our starting point figures for "Output in the producing industries" as they appear in the last available number of the *Monatsberichte der Deutschen Bundesbank* (February/1993), we get the following picture of the situation over the year: production in West Germany has been falling since mid-1991. By the last quarter of 1992 it was 4.4% down on the previous year.

Compared to the second quarter of 1991 — the high point of the boom — the drop was 6.3%. For the "consuming industries" (that is, industrial production except for mining, construction, electricity and gas production) which more accurately reflect the economic cycle, the level in the fourth quarter of 1992 was down 7.6% from the high point. Comparing monthly rather than quarterly figures it appears that West Germany's industrial production at the start of 1993 was back at its level of autumn 1989. The drop between December 1991 and December 1992 was about 10%.[3]

1. *Sozialistische Zeitung* (SoZ), no. 26, 1991.

2. It should be stressed that the figures for the development of industrial production are only an indicator of what is happening to production.

Commenting on a first draft of this article, Wolfgang Wolf from East Berlin pointed out that the category of "industrial production" itself includes a series of areas of double bookkeeping which distort the real situation. Thus for example value components that Marx would have registered under the notion of "c" (constant capital) appear both as half-finished products and then renewed as industrial finished products. Wolfgang Wolf also comments that in Volume 2 of *Capital* Karl Marx insists on the productive character of transportation costs since these are needed for the value of these goods to be realized. Transport costs, however, do not show up in the figures for industrial production while they do in the GNP.

I accept the point about double book-keeping. However, a creative development of Marx's ideas presented in Volume 2 of *Capital* is needed to deal with transport costs. In my view, more than 80% of transport costs under highly developed capitalism are unproductive. A study by Stefanie Böge of the Wuppertal Institut für Klima, Umwelt und Energie has revealed that a pot of strawberry yoghurt requires some 7695 kms of transportation — the fruit from Poland, the top from Nordrheinwestfalen, the yoghurt culture from north Germany, the final production in south Germany etc.

All this movement is not needed to realize the value embodied in the product. It is the result of an absurd division of labour which enormously increases the social costs of production and leads to an artificially inflated GNP. The subsidizing of all transport costs means that, at the level of the individual enterprise, producing yoghurt in this way is always preferable to production on an exclusively regional level.

3. Calculated on the basis of net production figures from which inflation and seasonal factors have already been removed. The base year is 1985 (=100).

Turning to the figures for different sectors we find that until the start of 1992 the chemical and car industries were resisting recession. In the third quarter of 1992, the chemical industry was still at the level of the same quarter of 1991 and tram and bus production even registered a slight rise. A fall here was recorded only in comparison with the first quarter of 1992. This means that two branches with great importance for the West German economy acted as a brake on recession until the last quarter of 1992.

On the other side were the steel, textile and mechanical engineering sectors, which exerted a recessionary pull. They were the first to go into recession. The figures for mechanical engineering are eloquent: here the high point was mid-1990 — some 24.7% up on 1985. Ensuing stagnation still left these industries more or less at that high level. However, in the last three months of 1991 a massive decline set in — to a mere 4.5% above the 1985 level by the end of 1992 and a 15.4% drop compared to the high point. Calculated on a monthly basis the fall is even more dramatic. In December 1992 mechanical engineering was at 95.3% of its 1985 level.

If we take "recession" to mean a situation of low growth rates, and "crisis" as one of an absolute decline in production then it is clear that there is a new economic crisis in Germany. This is the third such crisis in postwar German history, the others being in 1974-75 and 1980-82. The last downturn should be considered a recession, as should that of 1966-67.

As we will show, this is a homemade crisis — one in which the immanent rules of the capitalist mode of production find expression. The 1980-82 crisis was followed by an international upturn. In 1986-87 this seemed at an end, corresponding to the pattern of five or six year cycles seen since the start of the 1970s. A fall in production in North America, Japan, West Germany and other EEC states, and the stock market crash of 1987 seemed eloquent testimony to this.

However, in fact a short downturn was followed by a resumption of the rather good conjuncture. A worldwide explosion of public debt contributed to this, along with the one-off boom in West Germany occasioned by unification with the East. In hindsight it is of a certain theoretical interest to consider whether the 1982-90 period was a long period marked by good conditions or whether it should be viewed as two shorter cycles (1982-86/87 and 1987-1990) separated by a brief recession. In any case, 1990 saw the start of a new international crisis which reached Germany, where special factors were at work, in 1991.

For no other country is the homemade character of the crisis so unequivocally obvious as in Germany. One almost has the impression that the crisis has been staged to explain to the 16 million inhabitants of the former East German state what a proper capitalist crisis of over-production is all about. For this crisis has nothing to do with "abroad" and has occurred despite the positive role that the East German economy has played for West Germany. All the excuses based on special factors such as the "export crisis" or the "crisis in East Germany" are completely wide of the mark as explanations of the West German crisis.

In fact, falling exports have not played any significant role in the new crisis. Even in 1992 German exports remained at a high level. A glance at where exports are going shows that the decline in exports to the USA after that country went into crisis in 1990-91 was compensated by rising exports to the OPEC countries (1991 — the Gulf Crisis!) and, until mid-1992, to some EEC countries. At the same time Germany's strong position on the world market means that it continues to export more than it imports and has a positive trade balance; in 1992 for example this added DM191bn to GNP.

The search for an external scapegoat is thus mistaken. The same is true for intra-German relations between the economies of West and East Germany. Until well into 1992 the West German economy was supported by the consumer boom in the East. The German Bundesbank's monthly report for February 1993 sums it up: "Positive impulses were provided by continuing high demand in East Germany. To be sure in the meantime the scramble for western consumer goods had largely died away. But investments in East Germany were surely of great benefit to West German producers".

This needs some additional comment: this East German demand was directed above all towards West German consumer and capital goods and helped Western industrial sectors that had been destroyed in the East. At the start of 1993, industrial output in the former East Germany was a third of its 1989 level — a figure which includes new factories and plants started up by West German firms in the region, such as the Opel/General Motors car factory in Eisenach or VW's in Mosel and Zwickau.

Official German economic statistics are still not in a position to provide detailed all-German figures and such figures are thus only available for West Germany. This means, to be precise, that the crisis is *Made in West Germany*. The tendencies to crisis in West Germany would have been all the more dramatic without the Wild East. Indeed, the disaster there has been an anti-recessionary factor for the West. And this process is still at work. Although there has been much talk this year about green shoots of recovery in the East the sober truth is as stated by the *Wirtschaftswoche* at the end of 1992: "The gap between industry in the old and new federal regions is still growing".

There is plenty of evidence that we are

only at the start of the crisis. Meanwhile we can listen to the faith-healers whistling in the wind. The Federal Bank's February report holds that: "Despite the sharp fall in economic activity in the last quarter there are no grounds for exaggerated pessimism. To all appearances, the conjunctural potential for downturn has reached its limits in West Germany. Germany is not affected to the same extent as many other Western industrialized countries by the after-effects of speculative overheating that were widespread from the end of the 1980s".

What the aims of such purposeful optimism might be will not be dealt with here. In any case, such optimism is not justified in the given national and international conditions. Three different levels should be distinguished here.

● First, the deep roots of the "national" crisis:

Germany is not only going through a cyclical crisis. On top of this there is also a structural crisis. At the moment investment activity is not only dropping off, but is falling in absolute terms.[4]

This goes together with a huge crisis of particular branches of industry. The figures for the fall in production in mechanical engineering industries have already been cited — and this is the international cutting edge of German capital. The much-trumpeted German skill in engineering along with inventiveness and "handiness" can no longer compensate for basic deficiencies such as a largely middle class structure and relatively small series production. To regain its former position on the world market, German mechanical engineering needs massive concentration and widespread bankruptcies.

The same is true for the country's second most important branch, motor vehicles. Thus VW has just recorded its biggest ever quarterly loss — a billion marks, the sum set as the expected limit for the whole of 1993. At the start of 1993, Mercedes-Benz introduced short time working and its motor vehicle operation will be in the red in 1993. The same is true for Opel/General Motors and Ford. Porsche meanwhile is facing an existential crisis and may not see out 1993 as an independent producer.[5]

Productivity in West German motor vehicle factories is said to be below that of Spanish factories or the Japanese-owned Nissan plant in Sunderland in Britain. This key European industrial branch as a whole is at the start of a conjunctural and structural crisis. There are already ten Japanese "transplants" in Europe — mainly in Britain and Spain. Between 1993 and 1995 their output is set to treble from 260,000 to 800,000 units. Increased output at a time of crisis and falling demand means a massive competitive struggle, a price war and bankruptcies of major firms.

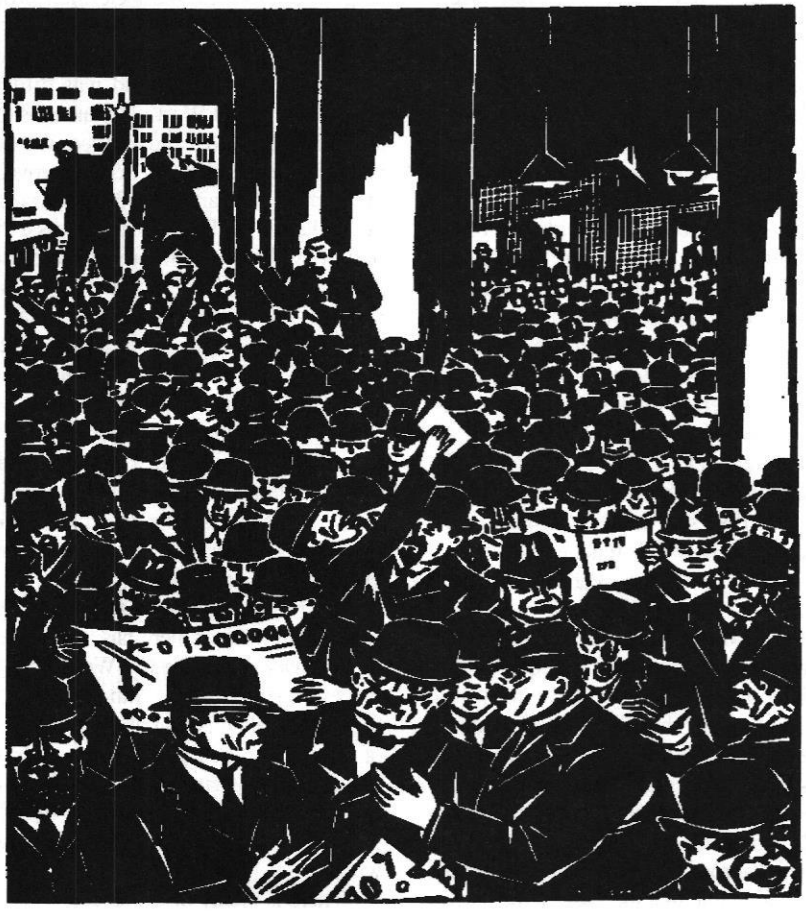
In the German auto industry "panic management is the rule. Some 50,000 jobs are to go in the industry in 1993 and by the end of the decade almost 200,000 less white and blue collar workers will be employed".[6]

Steel and coal round out the picture. Here a new wave of mergers started in 1991 with a successful hostile takeover of Hoesch by Krupp. At the end of 1992 the Klöckner-Werke, the country's fifth biggest steel firm, was on the verge of collapse putting 50,000 jobs in jeopardy.[7] Since February 1993, all the German steel firms and the coal mining industry (since the 1960s united in one company, Ruhrkohle AG) have been in crisis threatening more than 100,000 job losses. These are traditionally the most militant sectors of the working class, with 90% or more union membership.

In all enterprises in these sectors, co-management, the typical West German model of institutionalized class peace has been in force. The crisis of the sector also means the end of this model and a desire for confrontation with the IG-Metall union by the management.

● Second, Germany's financial room for undertaking active counter-cyclical policies is nil (at least in the view of mainstream politicians).

The stated goal of the conservative coalition government between Christian Democrats and the liberals of the FDP formed in West Germany in 1982 was the reduction of the public debt. In fact this doubled between 1982-89 despite the economic boom. According to budget plans it is set to double once more in the 1989-94 period making a fourfold rise since 1982. The total West German public debt accrued between 1949 and 1989 was about DM1000bm but by the end of 1994 this will probably have doubled to



4. Investments in equipment developed thus (quarterly, in 1985 prices): I / 91: +6%; II / 91: 00%; III / 91: - 1.5%; IV / 91: -2.5%; I / 92: +6%; II / 92: -4.5%; III / 92: -3%; IV / 92: -9%. (From the Bundesbank's monthly report for February 1993). A further absolute fall is predicted for 1993.

5. Porsche's output in February 1993 was 350 sports cars which would give a maximum annual output of 5,000 units. At least 15,000 units need to be sold this year for the company to survive. Just five years ago production was twelve times higher than now.

6. *Wirtschaftswoche*, February 26, 1993.

7. 1992 was already a record year for bankruptcies in Germany. The number of bankruptcies and liquidations rose 16.4% in West Germany while in East Germany it tripled. A special factor in the latter development was that the rush of new firms seen in 1990 and 1991 had turned into a rush of bankruptcies, providing another important lesson in the workings of the capitalist market economy.

DM2000bn. This is about 10% of GNP — a level comparable to the present Italian debt. As a result 1993 will see policies that exacerbate the downturn (or be "pro-cyclical") with huge rises in taxes and contributions and falls in real wages.

The Bonn government's medium term policy on debt and their short-term pro-cyclical policies are either the product of blindness on the "after us the deluge" principle; or we are seeing a conscious accumulation of ammunition that in the not-too-distant future will be used in a wide-ranging class struggle onslaught from above.

● Third, the international and European context:

It hardly needs to be underlined that hopes for an international boom are likely to be dashed. Thus no relief for the German crisis is to be expected from this quarter. In any case, the first economic measures of the Clinton administration in the USA reveal an orientation towards increased protectionism, which will obviously not help German exports — for example, of steel or of the Airbus aircraft. The same goes for the interminable GATT talks.

The Banana War which has erupted this year with the imposition of import duties on bananas from the "dollar-banana-region" is only one symptom — with a symbolic significance in Germany where bananas were supposed to be a fruit that the free market would at last allow East Germans to enjoy. They have just doubled in price.

Meanwhile in the EEC, the conjunctural crisis has been coupled with an exchange crisis. The European Monetary System (EMS) has been cut back to little more than its core alliance between the German mark and French franc. This is a political alliance which the French bourgeoisie may discover to have been a mistake since it is the German Bundesbank (Federal Bank) — that is, the heads of German banks and industry — which calls the tune.

Apart from the franc, which has been defended by the Germans, all the major European currencies have either left the EMS' Exchange Rate Mechanism or been devalued within it.

Hilmar Kopper, the head of Germany's biggest private bank, the Deutsche Bank, has stated "the volume of money traded on the currency markets has been estimated at about DM1000bn each day. This sum is more than the total currency reserves of all the world's issuing banks". He was thereby underlining the relative helplessness of state financial policy in the face of the flows of international money trading in private hands.

It is nonetheless interesting that, despite this, the fixed exchange rate for the mark and franc has thus far been successfully defended. This is essentially the result of a political decision. The German bourgeoisie does not (yet) want to undertake its march to the summits of the European and world markets, with all the related political and military decisions, alone. They want a close alliance, which they find in the new Bonn-Paris axis.

We must wake up to the fact that the German bourgeoisie is adopting a new political orientation. It will in the short term mean increased internal and external aggressiveness. This new line is in the first place the result of unification; it will be favoured and accelerated by the economic crisis.

Externally, the German bourgeoisie is effectively putting the European Community project at risk. The decisions of Maastricht have increasingly been shown up as lip service. Some significant capitalist papers such as the *Wirtschaftswoche* and the *Frankfurter Allgemeine Zeitung* and institutions such as the Bundesbank scarcely bother to hide their drift away from the aim of a politically and economically united EEC. Instead they favour a "two-speed Europe" in which Germany and France set the pace in the fast lane.

This vision of Europe is of course not solely the result of German intentions. There are other weighty factors such as the crisis of the Italian state, the Danish no to Maastricht in the referendum last spring, rejection of membership of the European Economic Space by Switzerland, the threat of a disintegration of the Belgian state and protectionism between European states — for example against motor vehicle exports from the Japanese factories in Britain.

However, no effort by Bonn to counteract the centrifugal forces can be detected. In addition there is the eastwards expansion of German capital, which is outside the framework of the EEC and its institutions. For example Siemens and VW have invested far more in the Czech and Slovak Republics than in East Germany. The break-up of the Czechoslovak Federation was partly financed by influential German bourgeois circles.[8]

The penetration of Austrian entrepreneurs and banks into Hungary, Slovenia and the Czech Republic cannot be separated from the growing interests of German entrepreneurs and banks in Austria and the

8. The election campaign of the Slovak president, Vladimir Meciar, was financed by a foundation controlled by the Bavarian Christian Social Union (CSU). The declared aim was to weaken the Czechoslovak Federation to the point where German rights in areas from which Germans were expelled after the Second World War (the Sudetenland) could be successfully pursued.

And, indeed, after the break up of the Federation into the Czech and Slovak Republics, Meciar has offered the German and Bavarian governments a renegotiation of the German-Czechoslovak Treaty and in particular asked them to present a reformulated version of the rights of "Sudeten" and "Carpathian" Germans.

grip of German media on firms on Austrian newspapers. And when in 1992 the former president of the Federal Monopolies Office, Kartte, opened an office in Moscow as an "economic advisor" he was pursuing German and not EEC aims.

Internally, the German bourgeoisie has called an end to class peace. In February 1993, the official unemployment figure for West and East Germany was 3.7 million. Another million were on short time. The amount of unemployment hidden by the state is bigger in Germany than in France or Britain because of more comprehensive social programmes. Thus we find a further million plus concealed in a variety of Work Creation Schemes, and Retraining and Further Education Courses. The *Wirtschaftswoche* (January 29, 1993) reckons that "more than five million German citizens" are unemployed and actively seeking jobs.

The rise of poverty can be gauged from the tripling of the number of those receiving welfare benefits, which had risen to over three million in 1992 and the one million recognized as homeless. This winter already there have been 29 recorded cases of homeless people freezing to death as against twelve in the winter of 1991/92.

We are now seeing the first shots in the class struggle from above. At the end of February 1993, the East German engineering employers terminated the wage settlement in force, which envisaged a rise in wages in the East to around two thirds of those in the West. This is an exceptional event in a state based on the rule of law — the agreement is valid and the IG-Metall union has so far refused to enter into new negotiations.

However, its threat of strike action in the East is idle owing to the mass unemployment and deep demoralization, at least so long as the union is not prepared to engage in a political strike involving the West as well. The employers' action shows their historical class consciousness. The last time they broke a valid wage agreement in this way was in 1928. At that time they used this measure for a global onslaught on the core of the organized working class movement.

The Federal government and the social democrats (SPD) are underpinning the stream of attacks by employers on the unions and the weaker sections of society with the so-called "solidarity pact". A package of measures has been agreed between the government and the SPD that throws the burden of the crisis onto the shoulders of the socially weak. Among these measures are:

- a cut in the budget of the Federal Labour Office and a sharper rise in official unemployment figures through a similar reduction in the money available for unemployment benefits
- rises in taxes and contributions for social and health insurance
- reductions in social assistance benefits
- reductions in aid for students from poorer backgrounds.

For the employed worker these measures, taken together with 4% inflation and the 3% ceiling for the new round of wage settlements, mean a cut in real income of 4 to 5%. A small fall in real incomes took place in 1992.

The current crisis in Germany has many ingredients that could turn it into a depression. The leading bourgeois circles are doing nothing to prevent the crisis reaching depths last touched in 1930-32; indeed they are acting to deepen the downturn. The signs that this crisis will be the occasion for an attempt to change the economic balance of forces are unmistakable — much clearer than in 1980-82 for example. At that time unemployment at the start of the crisis was under a million, this time it is twice as high in West Germany.

At that time also there was not the additional element of the upsurge of neo-Nazism and racism, while now Germany is number one in Europe for such phenomena.[9] This time too there are the demoralizing effects of German unification and the East/West division of society which is as deep as that between north and south Italy. Then, too, the possibilities for union resistance were much higher than today. The German unions had taken the political offensive — for example over the reduction in the working week — which they are far from doing today. For the first time, unions have started to lose members and this in significant numbers.

But above all, at that time the German bourgeoisie was not able to operate so aggressively both internally and externally. As VW's president Daniel Goeudevert, one of the most lucid representatives of the German employers commented in the light of the collapse of the GDR and the new crisis: "The success of capitalism flows from the fact that it is the most efficient form of economy, not the most just".

All this does not mean that resignation is obligatory and there is no possibility of resistance in Germany. The public sector strike of spring 1992 is only a year past and shows the possibilities. A realistic appraisal of the changes in the economic balance of forces is, nonetheless, a precondition for our struggle, which, naturally, continues... ★

9. In 1992, thirty people were killed in racist and fascist attacks in Germany. The Anti-Racist Alliance in Britain gives a figure of eight such murders for that country. While the media are no longer paying the attention to racist attacks that they were, such attacks have not declined despite the impressive anti-racist mobilizations.

The medical-industrial complex

SEVENTY years ago no one worried much about medical bills. Doctors were no match for disease and their fees reflected it. By the 1930s, scientific progress and a depression had changed that: unpayable bills became an obsession of both patients and providers.

DOUG HENWOOD

INTRODUCTION

THE issue that increasingly dominates discussion of economic reform in the USA is that of health care costs. Now escalating at 12-15% annually, these costs, if not checked, will make any reduction of the government deficit or a return to economic health virtually impossible.

Grassroots movements are springing up in support of a "single-payer" health service in which the government would function as the insurer. The Clinton administration and the medical elites are negotiating some form of "managed competition" to be run by the existing, fantastically profitable and wasteful private insurance corporations.

The United States is the only advanced capitalist state in the world without national health care. The ruinous social and economic consequences of this problem are highlighted in the following analysis "Paying for Health" by Doug Henwood, editor and publisher of a well-regarded newsletter *Left Business Observer*. What follows is an abridged version of the essay that appeared in the February 16, 1993, issue of the newsletter.

Readers who wish to follow the US economy on a regular basis should subscribe to this valuable newsletter, which is available by subscription for $20 a year (11 issues) for individuals and $50 per year for institutions. Write to: LBO, 250 W. 85 Street, New York, NY 10024-3217, USA. — Doug Finkel ★

FACED with radical notions like National Health Insurance (NHI) and consumer-owned medical cooperatives, private hospitals invented Blue Cross and state medical societies, Blue Shield, financing schemes designed to preserve provider control.

After World War 2, unions, purged of their radical elements, gave up the struggle for NHI and settled for their private welfare schemes. Any remaining sentiment for public health insurance was snuffed out in the anti-Red mania.

Though health costs receded as a political issue, billions in new insurance dollars and the curious economy of medical technology — it's the only kind that gets more expensive with time — fuelled a mighty inflation. Health care costs rose almost twice as fast as general inflation in the 1950s and nearly as fast in the 1960s. Agitation for NHI returned. Instead, the Great Society gave us Medicare for the old and Medicaid for the poor.

Billions more were fed to the medical-industrial complex, which knows how to spend it, and intensified agitation for NHI. Nixon responded with a new policy — competition and corporate medicine. Henceforth, subsidies would be available to create health maintenance organizations (HMOs) and firms were required to offer insured workers the option of joining one. Though early HMOs were organized in the spirit of medical cooperatives, the spirit of Nixon's HMOs was rationalization and cost control.

The idea of NHI was killed in the rightist putsch of the late 1970s, but medical inflation didn't die with it. Reagan's response was to promote HMOs, competition and corporate medicine and to begin paying Medicare's hospital bills at a fixed rate of diagnosis, rather than writing a blank cheque. It slowed hospital inflation, but non-hospital costs rose more quickly instead. Bush was only able to offer trivial, now forgotten schemes — vouchers for the poor and tax breaks for the non-poor.

Now the Clintons are taking on health care finance. Before looking at their likely proposal — managed competition — let's take a tour of the present mess.

Less for more

No country comes near US spending on health — 12.4% of Gross Domestic Product (GDP) in 1990 up to 14% in 1992. But no country gets so little for its money. Canada spent three quarters as much as the US; Britain half as much in percentage terms.

Only Turkey (35%) covers a smaller share of its health spending with state funds than the US (42%); the OECD average (without the US) is over 75%. But since the US health bill is so huge, that 42% public share accounts for almost as big a share of GDP (5.2%) as is seen in countries with national health systems. And that's just the public sector. Private spending here takes another 7.2% of GDP, slightly below the average total health bill, public and private, for the 23 countries of the OECD.

Our health problem is mainly one of ballooning costs, not increased use. The US was the only country to show a big acceleration in medical inflation from 1960-70 averages to the 1980s. Health inflation has actually lagged behind the general kind in Sweden, Norway and France. Since the division of US spending among doctors, hospitals, drugs and the rest is little different from elsewhere, it's reasonable to conclude that every sector shares equally in the excess.

Maybe 14% of GDP isn't too much to spend on health care; maybe a civilized society would spend even more. But there's no question that the $800bn we spend now isn't being spent well. In a study of seven countries, Barbara Starfield found that the US last in basic health indicators and also in a "satisfaction-expense" ratio (meaning we get the least satisfaction for our money). We have fewer doctors per 1,000 people than the OECD average and hospital stays are about half the average. Basic matters of

public health, environment and nutrition are ignored in favour of exotic, costly interventions. Infant mortality is a quarter again as high as it is in other G-7 countries and life expectancy shorter.

And over 35 million people, 14% of the population, went without health insurance for all of 1991 and about twice as many were uninsured for some period during the year.

Defenders of the current system say that our system is expensive because it's the best in the world, and argue that reform could, in the words of Texas Rep. Dick Armey, "sacrifice quality for the sake of access to all". Armey can't tell complexity from quality. The US leads the world in coronary by-pass operations and angioplasties (cleaning out clogged arteries) even though many of them are medically pointless.

Contrast that fervent embrace of highly expensive operations with the slow US adoption of treating heart attacks with clot-dissolving drugs, a low-cost technique pioneered in European national health agencies.

Rightwingers argue that excessive government involvement and insufficiently developed market mechanisms are also at fault — even though we have the least statist system in the First World and health inflation has worsened since competition became official policy in the 1970s. When Canada adopted its publicly financed system in 1971, it and the US both spent just over 7% of GDP on health care. By 1990, the US was up to 12.3% versus Canada's 9%.

The cause of health inflation lies instead in the fragmentation of the US system. Thousands of governments are involved, as are thousands more private insurers, providers, suppliers — and increasingly, auditors and consultants.

A nasty swelling

One study, by Steffie Woolhandler and David Himmelstein, estimates that US administrative costs are three to four times Canada's and account for half the spending difference between the two. Canadian hospitals have practically no billing staffs, and since the provincial authorities are the only insurers, insurance overhead is minimal.

Canada's health plans devote 0.9% of spending to overhead, compared to US figures of 3.2% for Medicare and 12% for private insurers. Medicare's expenses are bloated by contracts with private insurers, who charge seven times what it costs Canada to process claims.

But administrative costs are not the entire story. US physicians earn 5.5 times the average salary, up from 4.5 times in the late 1970s (despite an increase in the number of doctors per person), and well above Germany's four times, Canada's 3.5 and Japan's 2.5. And drug costs are higher here than elsewhere; national services drive a much harder bargain with producers than fragmented providers can.

On average people cover a fifth of the national health care bill out of their own pocket; the rest is paid by public and private insurance funds. Direct payments per family rose from 9% of income in 1980 to 11.7% in 1991, according to Families USA (which didn't report on the more inclusive household).

It's likely that workers bear part of the costs of their health insurance, like all fringe benefits, in the form of lower wages. But business demands for cost control, such as Chrysler's complaint about how its health costs are two to three times those of non-US firms suggest that they are feeling the bite, too.

Discouraging use

Mainstream reformers put great stock in making consumers pay more, hoping they'll think twice before visiting the doctor. This is a crude strategy. A RANDcorp study of cost-sharing showed that while co-payments did discourage use, it discouraged appropriate as much as inappropriate care. International comparisons are no more supportive. Only France comes close to the US in imposing direct costs on patients, most impose next to none and spend far less.

Health care is even more distant from the competitive market models of official economics than the rest of the real world. Entry into the provider business is strictly regulated by government and professional associations, so competition is limited. People are disinclined to pinch pennies when their lives are at stake, so usual cost-minimizing logic doesn't apply — especially if a third party is paying the bills.

Since people have little idea of how to treat illness they have no choice but to entrust their fate to expert agents who are supposed to act in their patients' best interests, but who have their own interests too. Under fee-for-service (FFS) medicine, the more clinicians do, the more money they make. It would be hard to design a more inflation prone system.

As costs have risen, private insurers have gotten pickier about whom they'll cover, pointing up some basic contradictions in the nature of private insurance. In general, insurance exists to limit individual risks by spreading costs across a large population. But it takes several forms. At one extreme is public social insurance whose principles are universality and egalitarianism. At the other is private, profit-maximizing insurance, which wants nothing to do with equality and universality.

Instead, premiums are set according to the riskiness of the insured, and the most at risk may not be able to find insurance at any price. Private insurers shun entire industries as too scary — logging (accidents), physicians and lawyers (litigation), entertainments and sports (drugs, sex, fast cars), barbers, beauticians and decorators (AIDS). They review contracts regularly and dump people who get sick.

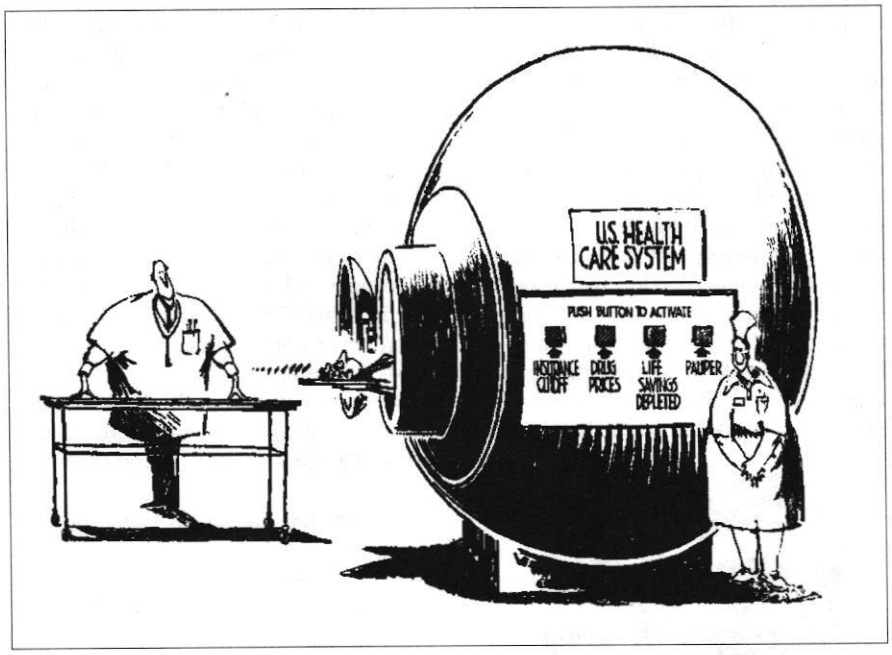
Their ideal client is one who never submits a claim. But since few clients can live up to that ideal, insurers have to control costs after illness strikes. So they're getting more involved in clinical affairs through something called managed care.

Managed care describes a variety of private price- and use-control strategies practiced by insurers and HMOs including limits on patient choices of doctors and hospitals, extensive reviews of treatment and mandatory second opinions on surgery. Of course, any sensible cost control strategy would have to review providers for cost and treatment quality, but the US system isn't sensible. In most countries, providers overall records are monitored; in Canada, for example, doctors who overbill noticeably are singled out for review.

In the US, however, payers review individual cases and procedures, an inefficient and secretive method. Prudential's managed care plan in New Jersey employs a staff of 200 to cover 110,000 people, about as many as work for a Canadian provincial health plan covering 1.5 million. And under managed care, standards are set quietly by private institutions on financial criteria rather than at least quasi-publicly on more democratic criteria.

Assembly line medicine

Given decades of smears against "socialized medicine" — that patients can't choose their doctors and that bureaucrats will interfere with physicians' clinical judgements — managed care is an amazing development. Private reviewers have turned out to be more intrusive than any public system would have been. Doctors now seem like the mechanics of the 19th century who gra-



dually lost control over their jobs, skills and tools to corporations. Management science has only begun to break down the physician's job into assembly line components.

Any Clintonization of the health system is likely to promote HMOs. Though HMOs come in many forms, all offer some fixed set of benefits in return for a fixed monthly fee. Most HMOs take these fees and contract with a network of doctors in private or group practice to whom members are referred. A small minority of plans, however, are on the staff model, in which physicians are on-premises salaried employees.

The fixed fee is supposed to encourage disease prevention rather than treatment (thus "health maintenance") and impose cost discipline on providers. There's little proof that HMOs do the preventive work, but they are vigourous users of cost control strategies; some even tie doctors' incomes to cost-cutting performance, a scary incentive from a patient's point of view.

And, like insurers, few HMOs can resist the temptation of cream-skimming — recruiting the healthy and avoiding the likely sick. Certain populations are preferred to others; in the words of a recent Paine Webber report, "HMOs do not function well... in largely rural areas or economically depressed inner cities. Rather, the HMO plan performs best in the light urban/suburban marketplace".

Some cream-skimming strategies can be quite inventive, like taking applications on second-floor walk-ups, keeping away the infirm, or by offering the patients expensive psychiatric referrals only through an operator number, since the distressed are unlikely to want to tell all to an operator.

The nation's 550 HMOs are not all awful, but suspicions persist that care isn't always the best. Membership turnover is very high, suggesting dissatisfaction and necessitates constant recruitment drives. A 1990 General Accounting Office study of care provided to Medicaid recipients by Chicago-area HMOs found that required preventive care wasn't being provided to children, and worried that incentive payments to cost-cutting doctors encouraged them to delay and deny care.

Most studies show that managed care and other competitive strategies have had little effect on cost inflation. HMO premiums are inflating at a rate only slightly behind everything else. At best, there are one-shot cost improvements, but inflation quickly returns. Realizing that the system requires a more profound shake-up, Alan Enthoven, a professor of economics at Stanford, who used to manage the whiz kids at McNamara's Pentagon, had elaborated a plan for the total transformation of the health system, called "managed competition" (MC).

A decent minimum

Enthoven argues that while societies are not obligated to provide completely equal health care for all, they are morally bound to deliver a "decent minimum". Since the free market cannot be relied upon to perform this moral task, collective action is in order. But without the discipline of the market, cost control and quality disciplines will be lacking. A hothouse market must be created and managed.

Though Enthoven has been refining MC since he first proposed it in 1977, its essence is unchanged. Large sponsors — the federal government in the original proposal, now larger employers and local governments — would negotiate with several large HMOs (a form Enthoven admires) and insurance companies who would offer a range of health plans for a fixed monthly fee. Choices would range from bare bones to the luxurious. All of us would be classified into risk groups — low, medium, high. Fees, then, would be determined by level of service and risk group.

Sponsors (employers of governments) would subsidize premium payments up to a fixed amount, after which the consumer or employer would pay on a sliding scale, depending on income. Consumers, including the working poor, would always have to pay something to remind them of costs. Employers not offering insurance would pay an 8% payroll tax, a cost Enthoven assumes will be taken out of wages. Government would pay premiums for the destitute, using funds from the wage-subsidized payroll tax — meaning the middle classes would pay for the poor. Costs would be controlled by competition among providers, not through price controls or negotiated budgets.

All this differs, Enthoven argues, from pure free market schemes in that sponsors and government must "manage" competition — setting standards, auditing care, requiring universal coverage and shopping around for the best deals for their members.

There's so much to criticize here. The contorted, contrived nature of MC reflects the conflict between the spirits of public and private insurance — the one egalitarian and universal, the other discriminating and restrictive. Though it promises to cover all, financing is regressive and tiering is built into the system. Higher premiums for the risky are supposed to compensate for requiring providers to accept them, but providers will doubtless attempt to deny care through queues, rudeness and other covert strategies.

The standard of the "decent minimum" is what Enthoven calls "costworthiness" — "a standard of care that equates marginal benefits and marginal costs for people of average incomes in that society". Translation: an indigent should be treated only if an average worker could earn the equivalent of that regimen's cost during the period of time by

which treatment lengthened the sick indigent's life.

MC theorists see a massive industry consolidation, with insurers and providers failing and merging by the thousands. This might reduce duplication and with it administrative costs, but that will be offset by the *ex nihilo* creation of an entirely new administrative structure, the sponsors.

Whose interests will they serve and how well? Annual enrolment means high turnover and heavy recruitment, which is expensive, disruptive and may lead plans to emphasize sizzle over steak. Enthoven argues that the number of plans must be kept to a tight range — enough so that competition is vigourous, but not so many as to cause fragmentation and redundancy. But according to a study by some of Enthoven's colleagues (Kronick et al.) only medium-sized and large metropolitan areas are densely populated enough to support the full-blown competition provided by three health plans, leaving out one third to two thirds of the population.

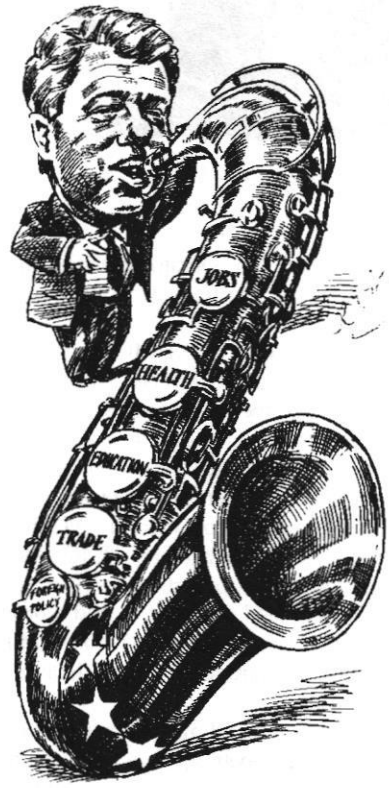
Managed competition comes from an economist's mind, not human experience. But one real world test of Enthoven's advice is the unwanted and unpopular Thatcher-Major reform of the British National Health Service (NHS), a system Enthoven once described as frozen by egalitarianism. Though universal access is guaranteed, egalitarianism is out, in its stead an internal market. Hospitals are now self-governing and physicians are more "responsible" for their incomes (see more patients and stint on treatment). Regional health authorities now contract for services with these semi-privatized, competitive providers.

Things haven't gone well. The system is in organizational disarray and financial crisis. Money was supposed to follow patients, instead, money has deserted city hospitals for cheaper suburban ones. Consequently, the city hospitals are slated for closing as waiting lists grow — happy news for Enthoven, who once argued that hospital closures should become as routine as plant closures. Bed shortages are the worst in history.

California insurance commissioner John Garamendi has proposed a soft version of MC which has been endorsed by John Judis and Paul Starr (author of the *The Social Transformation of American Medicine*, co-editor of *The American Prospect* and Princeton professor on leave to advise Hillary Clinton).

Rather than Enthoven's army of sponsors, Garamendi would set up large regional health insurance purchasing cooperatives (HIPCs). The system would be financed by a payroll tax, with deductions to soften the blow for small businesses. Costs would be controlled by a global budget which could grown no more quickly than payroll tax revenues.

The single sponsor, tax financing and global budget make this liberal; the rest, however, is largely Enthoven's sponsors contracting with a handful of big providers (the insurers and HMOs that survive an industry shake-out) for a limited number of plans, risk-adjusted premiums, tiering through income. Starr estimates that this plan would require $53bn in new



public spending, mainly for the uninsured, to be financed by a payroll tax. So, as with Enthoven, the financing burden would fall on working and middle class taxpayers — a pattern typical of the US welfare system, such as it is.

A review of recent polls shows public opinion is surprisingly favourable to NHI. People are quite worried about health care finance. Two-thirds fear they couldn't afford long-term care and almost half worry they couldn't finance a major illness. The public wants doctors and governments to set standards of care, not insurance companies or hospitals. Though answers are sensitive to wording and the population surveyed, a majority, sometimes a large one, favours a universal, national, Canadian-style system, especially if its financed by taxes on doctors, hospitals and $50,000+ households.

That's not what elite opinion — big business, its hired intellectuals and the *New York Times* editorial page — wants; they are lining up behind Enthoven. It's reasonable to guess that the Clintons will propose something like MC. The thousands of insurance companies and providers that would be doomed under MC are likely to complain, and they're the kind of people with friends in Congress. And if the public figures out that MC means more restrictions and more out-of-pocket costs a rebellion might ensue. The Clinton administration hasn't yet shown the political skill and nerve that it would take to get MC through should strong resistance develop.

Efficiency and access would best be served by a single-payer scheme, but preserving the private insurance industry will probably be more important to the Clintons.

Efficiency and access are important, but there's also the issue of *Medicine under Capitalism*, as Vincente Navarro called his 1976 book. Hospitals, like schools, are where the costs of poverty, social disintegration and the environmental and workplace dangers are paid. It's not surprising that the First world country with the most barbaric social policies should also have the highest health costs.

Also, as Navarro and colleagues argue, the liberal image of the medical profession — the high-minded professional mode celebrated by Arnold Relman, former editor of the *New England Journal of Medicine* and, more critically, Paul Starr, overlooks an awful lot.

It idealizes the remarkably successful physicians' cartel, which has kept incomes high, blocked universal coverage and retained an extraordinary degree of professional autonomy and it ignores the tight social links between physicians and the corporate upper class and their perch atop an extremely hierarchical pyramid of health workers.

It ignores too the commodification of disease; the attention to illness rather than the maintenance of health, the objectification of patients and their transformation into lumps of diseased meat, the focus on profitable capital-intensive treatments rather than unprofitable public health measures.

And it forgets that the modern health system was shaped not only by doctors but by hospitals and elite foundations whose boards and managers usually come from the corporate elite; the insurance companies, hugely wealthy creditors of almost every economic actor; and drug companies, the most profitable legal business on earth. ★

After state capitalism, what?

INDIA, the country with the second largest population in the world, is in the throes of a drastic neo-liberal economic programme with all the usual ingredients — privatizations, lifting of barriers to foreign capital and removal of subsidies. This programme will mean a new twist in the crisis of the Indian state and implies terrible additional suffering for that country's poor.

The "state capitalist" legacy built up since independence is being dismantled by a government based on the very party that built it — the Congress Party.

THIERRY MASSON — March 17, 1993

THE government formed by Narasimha Rao on June 23, 1991 has only a relative majority in parliament based on the Congress(I) party. The latter won 233 of the 511 seats in the May 1991 elections which took place against the background of the assassination of the party's leader Rajiv Gandhi during the election campaign itself.

This is the first time since independence that there has been a minority government in India and it has come at a critical turning point in the country's history. Even so, Narasimha Rao's government has survived two motions of censure since the spring. Its success in this respect is not explained only by support from small regionalist formations but also because the neo-liberal economic course it is proposing is not challenged by any of the parties represented in the assembly. Indeed, the main opposition party, the far right Hindu fundamentalist BJP is seeing its own economic programme put into practice by the government.

It has fallen to the lot of a government issued from the Congress(I) to dismantle the economic heritage of the founders of modern India and leaders of the Congress party, Nehru and his daughter Indira Gandhi. The aim of their endeavours was to create the conditions that would enable Indian capital to stand up to the pressure of world capital in the Indian market.

Despite the boom during the Second World War, Indian big capital had not been able to build up a solid industrial base before independence. Thus, the Indian bourgeoisie felt the need to use the state to compensate for their weaknesses in terms of accumulation. They applied the well-known principle: socialize the losses and privatize the profits!

After 1944, the two great Indian industrial magnates, Tata and Birla, were behind a plan for the economic development of India known as the "Bombay Plan". The central idea was to develop a big public sector infrastructure which would permit the Indian bourgeosie to root itself in national realities. Unlike many other countries that had suffered imperial domination, India had a real national bourgeoisie which was no more inclined to bow before United States's domination than it had been to that of British colonialism.

After 1927, this bourgeoisie took up the struggle for national independence. G.D. Birla saw that there was no likelihood that the British government would impose restrictions on its own businessmen to aid their Indian colleagues. From this he deduced that the only solution was that "each Indian businessman should strengthen the hands of those who were fighting for their country's freedom".[1]

The form of planning introduced was not inspired by the Soviet model despite the rhetoric about socialism and social justice used to give it a progressive look. A report by a government commission in 1961 found that 1.6% of companies held 53% of total private capital while 86% of joint-stock companies had only 14.6%. The four giants, Birla, Tata, Salm and Martin Burn controlled 25% of all shares and a large part of industry, trade, banking and the press.[2]

At the same time, they directly influenced state policy through their placemen in the bureaucracy and on most occasions were able to impose their views. Furthermore, they financed both the Congress Party and its bourgeois opponents.

On the social level, the country had to face the legacy of two centuries of colonial oppression. Some 70 to 80% of the population lived below the poverty line. 84% of India's 353 million inhabitants at the time of independence were illiterate. Agriculture, from which 72% of the population drew their livelihood, was extremely backward and in the grip of a feudal-type parasitic class, the zamindars.

The majority of the urban population lived in conditions as miserable as those in the countryside. The development of state industry by successive Congress governments allowed them to foster the belief that they were entering upon the road to socialism and permitted that party to mobilize the rural masses and a significant part of the urban population over two decades.

However, while the masses tasted none of the fruits of their efforts, the employers, organized in the Federation of Chambers of Commerce and Industry, had no fear of all the anti-capitalist rhetoric. As one of them declared: "If you look at the Nehru epoch, it is clear that while Nehru talked abundantly about socialism, nothing that he did really affected the interests of business circles".

The Indian bourgeoisie has maintained an aggressive approach on the regional level, with the intention of establishing its dominant position in relation to its neighbours. Every kind of means has been used: periodic wars with Pakistan, and with China in 1962, an economic blockade of Nepal between March 1989 and June 1990, intervention in the north of Sri Lanka against Tamil separatists from August 1987 to the start of 1990, and the annexation of Sikkim.

To underpin its regional pretentions and counteract American and Chinese interference, India signed a treaty of alliance with the Soviet Union in August 1971, but since the disintegration of its Soviet ally the Indian bourgeoisie has increasingly looked towards the United States. It was no accident that American planes from the US base on the Indian Ocean island of Diego Garcia were allowed to refuel in Bombay during the Gulf War.

Furthermore, relations between India and the USA have always been ambiguous: while Indian diplomacy has always refused to line up unconditionally behind Uncle Sam, it remains the case that the Americans are the leading foreign investors in India.

After providing the country with an infrastructure, the economic policies yielded impressive growth — 5% a year between 1980 and 1985 and 5.5% between 1986 and 1990. However, despite this success, the sys-

1. Quoted in Tariq Ali, *The Nehrus and the Gandhis*, Picador 1991.

2. Quoted in Max Jean Zins, *Histoire politique de l'Inde indépendante*, PUF 1992.

tem proved unable to deal with the thorny problem of reintegration into the world market.

Here, all the signals turned red at the same time. The trade deficit, the result in particular of the progressive abandonment of import substitution, rose from 67 billion rupees in 1984-85 to 140bn in 1988-89. The state debt has grown even faster. Domestic debt rose from 356bn rupees in 1982 to 1334bn in 1990.

The foreign debt has seen a dizzying rise in a country that once had the reputation of being the Third World's model for financial rigour, progressing from $20.6bn in 1987 to $65bn in 1990. It at present represents a third of foreign exports and income. Inflation is starting to become alarming — over 30% in 1991. In July 1991, the financial crisis reached a climax. Lacking outside support — notably from the IMF and World Bank — India could no longer honour its debts.

There are many reasons for this situation. Low productivity in the public industrial sector has obliged the state to devote increasing amount of capital to produce goods that are both more expensive and of lower quality than those that can be found on the world market. Steel-making is a typical example: India employs eight to nine times as many workers to produce the same amount of steel as does South Korea.

The omnipotence and corruption of the bureaucracy make considerable inroads into economic life and it will take more than paper "reforms" to root out the feudal empires that infect the state apparatus.

The middle class consumer boom has meant massive imports of hi-tech consumer goods and black-marketeering has become as popular a sport as cricket. The outdated and dysfunctional fiscal system — the budgetary deficit went from 6.1% of GNP in 1981 to 8.2% in 1989 — has favoured the development of a considerable underground economy.

The massive importation of arms — in 1990, India was the second biggest arms purchaser in the Third World after Iraq — and an increasingly aggressive policy towards its neighbours have greatly inflated the budget of the armed forces. The defense budget officially makes up 3.5% of the GNP, but is much more in reality taking into account all the different paramilitary forces.

The tensions within the bourgeoisie itself over how fast to proceed with the reduction of State control of the economy and the frequent changes of political personnel after the fall of short-lived governments have worsened an already difficult situation. One could also point to the colossal expenses incurred as a result of the political instability of the last few years in the form of under the table payments and other "fees" — for which there are as yet no reliable statistics.

The relative successes of the 1980s have shed light on the critical lack of indigenous capital to spur growth. India's external trade makes up only 1% of the world total, and thus the only way to acquire the required capital is through borrowing on the world market.

The IMF and the World Bank had advice for the Indian authorities on a "way out" of the crisis. Essentially, this involved lifting all the barriers to investment by multinational corporations in India. It should be recalled that in the 1970s IBM and Coca Cola preferred quitting India altogether to working under the legislation in place at the time.

The Indian government's resistance was weak and the traditional pressures exerted by the big international financial organizations worked perfectly. In January 1991, the Chandra Sekhar government requested $2.5bn in aid from the IMF and $500m from the World Bank. The IMF granted $150m while the consortium of countries which aid India unblocked $1bn.

It was only at the end of September that year that the same consortium agreed to offer $6.7bn dollars in aid in 1991-92 while the IMF offered $1.8bn "to help India face its transitory difficulties". This came two months after the government had announced its economic programme, largely inspired by the IMF's team in New Delhi.

Indeed, on July 24, 1991, the newly-elected government of Narasimha Rao and his new team (the minister of finances, Manmohan Singh and the minister of trade, M. Chidambaran[3]) presented an ultra-liberal programme whose aims are to foster the redeployment of Indian capital while attempting to lure foreign capital:

- The limits imposed on the participation of foreign capital in joint ventures went from 40% to 51%, with authorizations up to 100%;
- The rupee was devalued by 25% and many subsidies eliminated. For example the cost of chemical fertilizers, whose prices had not changed for 10 years, increased by 30% as a result of the cuts in subsidies;
- The planned reduction of the budgetary deficit from 8.5% to 6.5%, as demanded by the IMF;
- The planned privatization of public enterprises and nationalized banks, with a plan to restrict the scope of the public sector to arms, ammunition, atomic energy, railways and various mining activities;
- The scrapping of the anti-monopoly laws of 1969;
- The scrapping of the Licensing Raj (through which investments were previously regulated).

The February 1992 budget confirmed this orientation. In 1989 the dollar fetched 14.48 rupees; in February 1992 it fetched 26 and 33 today in March 1993. The idea was to make the rupee freely convertible, to liberalize the gold trade, to reduce the rate of personal taxes and to reduce import duties. "It is no longer a crime to make money," rang the triumphant declaration of a Batliboi & Company executive in March 1992.

Life for India's poor will be even more difficult under a government unanimously considered "pro-rich" and tied to the IMF. Out of 850 million Indians, 420 million live on less than $370 every year. On July 25, 1991, the secretary of state for planning estimated that 40% of the population lived below the poverty line, that is to say a standard of living that did not allow for a diet of 2400 calories per day in the countryside and 2100 in the city.

The percentage of people employed in agriculture has not changed since the beginning of the century: 64% of the country's inhabitants depend on the soil for their livelihood in spite of the industrialization of the past period. 12.8% of the population depend on industry and 22.7% work in the service

Prime Minister Narasimha Rao

3. M. Chidambaran was implicated in the Bombay stock-market scandal and resigned in July 1992.

sector. Unemployment figures are difficult to calculate, and they vary from 20 million to 50 million people depending on the source, out of an active population of 300 million in 1989.

The IMF-inspired policy will have severe effects on the rural population of the poor and backward areas of the country. "Eighty percent of Indian villages are more than five miles from the nearest road. During the monsoon season, they are cut off for months on end. The people that live there are almost totally cut off from the world."[4]

These peasants live at the mercies of usurous creditors, barely make ends meet, do not have enough work and endure an enormous burden of indirect taxes. The developing recession could have tragic effects for these layers of the population, with inflation and underemployment threatening to ruin an even greater number than today. Indian economic development, while generally serving the interests of the national bourgeoisie, has not been able to fill the deficit in the very kinds of industrial employment that could have lessened the reigning misery in the countryside.

However, a class of peasant capitalists developed during the "Green Revolution" of the 1960s, which made the country self-sufficient in the production of food grains. This class of capitalist farmers reaps substantial profits which are not taxed. It handsomely profited from the indebtedness of the country and certainly has no intention of bearing the burden of repayment. These "kulaks" (as they are known in India) are influential enough to have obtained, in June 1990, the total cancellation of all farmers' debts to banks up to 10,000 rupees. This measure cost the V.P. Singh government 140 billion rupees. Small peasants, day labourers and tenant farmers do not have access to bank loans, and therefore did not benefit from the measure.

The workers, meanwhile, are more and more disturbed by the government's neo-liberal policy. Manmohan Singh's economic policy has slated a cut of 25% of the workforce over two years in the railways, banks and steel manufacturing.

On June 16, 1992, ten to 15 million workers observed a national general strike. The most combative workers were in the banks (slated for privatization), insurance companies, the post office, the airlines and railways, steel, coal, as well as in the textile industry and the plantations. Repression was fierce, as is the custom; police carried out thousands of preventive arrests. There were confontations between strikers and members of the BJP, the main opposition party — which, in spite of its periodic chest-thumping, supports the government's economic policy. The union linked to the Congress(I), the Indian National Trade Union Congress (INTUC) — the largest in the country — was opposed to the strike movement.

The Indian working class is extremely divided. Each political party has its own union. There is a union for each of the CPI, CPM, Janata Dal, BJP, and regionalist parties such as the Dravida Munnetra Kazhagam (DMK) in Tamil Nadu and Telugu Desam in Andhra Pradesh. Then there is a veritable constellation of other independent unions.

The Indian working class has been absent from the national political scene since the big railway strike in May 1974 which was brutally repressed. The Indian bourgeoisie has never tolerated attempts by the working class to break away from its tutelage.

The bourgeoisie is trying to avoid looking too closely at what may be the eventual consequences of its policy for the Indian state. For the moment, it is savouring the euphoric feeling of having once and for all put the much hated "socialism" behind it.

An article in the July 31, 1992 issue of *India Today* (a fortnightly newsmagazine oriented towards the business community) is entitled "Walking the tightrope". In a round-up of discussions at the Paris Club, we learn that the aid consortium promised $7.2bn and that the IMF committed itself to $1.6bn, the balance of which was delivered in 1991. Of the $7.2bn, only $1.8bn were paid in 1992 and the rest were to be delivered based on subsequent negotiations.

4. W.A. Lewis, *Développement économique et planification*, Petite Bibliothèque Payot, 1979.

World Trade Centre — the sequel

ON March 12, the financial capital of India, Bombay, was struck by a wave of bombings over a 90-minute period. Targets of the 12 bombs included the Stock Exchange, the Air India commercial centre and three luxury tourist hotels. Up to 300 were killed and more than 1,000 injured in the blasts.

The Home Affairs Minister S.B. Chavan immediately denounced the attack as an "international conspiracy" — essentially holding the Pakistani government responsible. Prime Minister Narasimha Rao made similar insinuations.

The only "evidence" for these accusations is the precision of the attacks and the claim that such sophisticated explosive devices are "unavailable" in India. Using similar arguments, others have pointed a finger at the Sri Lankan Tamil Tigers — who, since the assassination of Prime Minister Rajiv Gandhi in 1991, have become a favourite scapegoat for India's growing number of ills.

In the aftermath of the destruction of the Ayodhya mosque in December and again in January, Bombay itself — previously hailed as the showpiece of Indian "modernity" and tolerance — was the scene of some of the worst rioting and largely anti-Muslim communal carnage, with the Hindu-majority police forces often leading the charge.

As such, it is all too convenient — and highly irresponsible — for the government to point the finger at the Muslim state of Pakistan. There are at least as likely "domestic" sources of the terrorist attack — Hindu communalists, Congress Party malcontents linked to the recently deposed Chief Minister of the state of Maharashtra (of which Bombay is the capital city), a fringe of Kashmiri separatists funded by non-Pakistani Islamic fundamentalists, or perhaps even agents of the Indian government itself.

In any case, the Congress(I) leadership is attempting to turn this new crisis to its advantage, using it as a pretext to tighten its hold over the party and the country, increase its bellicose stance towards its Muslim neighbours, and further strengthen its political and economic orientation towards the imperialist countries — with whom it has concluded a number of pacts to fight "international terrorism".

In the wake of the December-January communal violence, the Congress Party received blessings from a host of visiting Western leaders — including German Chancellor Kohl, British Prime Minister Major and Spanish Prime Minister Gonzalez. Russian President Yeltsin also put in an appearance.

Their purpose was to make a public show of support for whatever course of action the Congress takes to "stabilize" the political situation, and to encourage and reap the spoils from the government's programme of harsh neo-liberal reforms.

There were further bomb attacks after the Bombay blasts — notably in Calcutta, and Jabalpur in central India. No link has been established between the various bombings; rather, it seems that various mafia-type criminal outfits and political bosses are taking advantage of the current disarray to settle scores and destabilize their respective governments. — Raghu Krishnan ★

Re-payment of the debt, payment of interest and a deficit in the balance of payments forced India to borrow at least $9.8bn in 1992 and about $12bn for each of the next four years. In other words, the IMF is drip-feeding the country.

The pressure exerted on the Indian government by the IMF and the Paris Club is enormous. In June 1992, when the Indian government contacted the IMF to borrow $4bn in order to avoid missing debt repayments, the agency suddenly placed new conditions on its loans: to limit the growth of the money supply to 10.5% in 1992 (it had grown by 19.5% in the previous year); reduce inflation to 8% (it had been 13%); and reduce the budgetary deficit to 5% of the Gross Domestic Product (GDP) — conditions which were quickly accepted.

Foreign investors aren't exactly breaking down doors to get into India. The American agency Standard and Poor's put India in the category of countries "in a very vulnerable position, with too heavy a burden of foreign debt, whose repayment is impeded by an enormous budgetary deficit, high inflation and a low level of development."

Uncertainty on the political level — with regional conflicts in Punjab, Kashmir, Assam and the states in the eastern part of the Union, a fragile central government, communal violence — does not inspire great confidence in international financial circles.

Furthermore, they consider Rao's liberalization programme to be too little too late, especially when so many other countries in the region such as Malaysia, Singapore, Thailand and China, offer much more attractive economic and political conditions. Thus they are demanding that the Rao government move into high gear in its plans for structural adjustment.

The crisis of the Indian bourgeoisie's entry onto the world market is only beginning. Without a doubt, it has real strengths with which it can score some successes in its attempts to follow the example of the Dragons of Southeast Asia. Nevertheless, the country's social structure is so backward that it is impossible to see how foreign capital can be allowed to operate freely without imperilling the foundations of the Indian bourgeoisie's control of the country.

The government appears to be aware of these dangers and has tried to soften somewhat the impact of the reforms. But its margin for manoeuvre has been reduced by the combined pressures of the economic crisis and the international credit agencies.

At the present time, it seems that the crisis of the Indian economy is deepening and the sickness is far from being cured. The government is going to great lengths to point to the benefits of the reform package, but this has more to do with its attempts to lure foreign investment than it does with actual fact.

The budgetary proposals for 1993-1994, announced on February 27 by the minister of finance, confirm that the government will hold on in spite of the deleterious political situation in the country. On March 1, the rupee was made fully convertible and customs duties were lowered to stimulate exports. Unfortunately, all the structural measures put in place in the past few years have not produced the predicted miracles and the level of exports remains dramatically low for a country desperately seeking hard currency to balance its accounts. This insistence on pursuing a policy of liberalization in a context marked by recession in the imperialist countries will inevitably result in the deepening of the recession in India.

The government has announced measures aimed at reassuring the middle classes. Aside from the fact that this is profoundly unjust in a country where half the population lives in conditions of extreme misery, these measures will only deepen the budgetary deficit. Inflation is far from under control and the growth of the money supply is still far above the rate promised to the IMF (16% instead of 10.4%).

At the same time, the production of food grains has decreased since growers have been forced to plant more remunerative crops as a consequence of the withdrawal of state support. The lowering of investment in the agricultural sector combined with the free access to imports threatens the self-sufficiency in food achieved at great expense in the 1960s and 70s.

Industry, meanwhile, has just begun restructuring, but already it is clear that many jobs are threatened. Many sectors are not competitive on the world market and management is demanding the widening of their freedom to fire workers. Two years after the decisive adoption of the neo-liberal agenda in India, the social, economic and political prospects for the great majority of the population appear very bleak indeed. ★

The politics of hate

THE December 6, 1992 destruction of the mosque at Ayodhya was a dramatic display of the growing strength of the Hindu extremist combine of the Bharatiya Janata Party (BJP), Rashtriya Swayam Savak Sangh (RSS) and Viswa Hindu Parishad (VHP) — and the deepening crisis of Prime Minister Narasimha Rao's Congress(I) government.

On February 25, in its ongoing attempt to bring down the Congress(I) government, the BJP organized a mass mobilization of its forces to descend onto the capital New Delhi — a show of force partially prevented by a mass deployment of the army and described as a failure by the mainstream press.

In the following article, Kunal Chattopadhyay examines the rise of the Hindu far-right and the attitude of the Indian ruling classes and the left. It originally appeared in the December issue of *Naya Antarjatik*, publication of the West Bengal State Committee of the Inquilabi Communist Sangathan, Indian section of the Fourth International.

KUNAL CHATTOPADHYAY — Calcutta, December 17, 1992

WHEN, on December 6 last year a huge crowd of Hindu extremists tore down the mosque in the northern Indian state of Uttar Pradesh, the leader of the Hindu chauvinist Bharatiya Janata Party (BJP) Lal Krishna Advani claimed the outrage was the work of a bunch of *kar sevaks* (Hindus who volunteer for religious service) for whom the BJP had only "moral" responsibility.

This is a lie. When we refer to the BJP we are talking about a coordinated structure. For parliamentary politics there is the BJP. Its leaders often assume a moderate stance that deceives many, even on the left. For sustained long-term propaganda and the building up of a disciplined cadre force, there is the Rashtriya Swayam Sevak Sangh (RSS). To spread the word of religious fanaticism there is the Viswa Hindu Parishad (VHP). And there is a second, parallel militant force, less disci-

plined and ideologically trained, but ready to fight, the Bajrang Dal. Despite minor frictions, the whole conglomerate is directed from the headquarters of the RSS in Nagpur.

Similarities with European fascism

This kind of division of labour makes the BJP different from other bourgeois, and election-oriented left, parties. All these parties have front organizations to garner votes and take the organization's line to particular sectors. But the BJP does not simply seek to capture parliamentary power and is perfectly willing to take extra-parliamentary and even extra-constitutional steps. They are prepared to destroy the bourgeois democratic structure and take (counter-) revolutionary steps against parliamentary politics. And in this the BJP has distinct similarities with the classic fascist movements in Italy and Germany in the 1920s and 30s.

The basis of the BJP's change in strategy and organizational restructuring is the crisis of the Indian economy. From the beginning of the 1980s, state sector-dependent capitalist development was facing increasing problems and the capitalist class began to look to a restriction of the public sector, privatization and the removal of controls on the the movement of capital.

The BJP wanted to go beyond the middle caste, medium-sized and particularly trading sectors of capital on which its predecessor the Jan Sangh had based itself. They wanted to prove to the big bourgeoisie that they were a responsible party. Putting forward a liberal face, it selected Atal Behari Vajpayee as its leader (Vajpayee was a former foreign minister under the 1977 Janata party government at a time when the Jan Sangh was applying an "entry tactic" into the broad non-Congress opposition.) and attempted to present a modernizing economic programme and a modern cultural-political profile.

However this space was preempted by Rajiv Gandhi. In 1984-85, many bourgeois leaders and liberal intellectuals confused Rajiv's rather juvenile passion for computers with a determination to introduce a modern ethos.

After this belief was dispelled there was general disillusion with this model of modernization. The petty bourgeois masses in particular were presented with three alternatives, each of which in different ways combined the promise of modernization with some conservative or reactionary themes.

For V. P. Singh, ex-prime minister and leader of the Janata Dal, the way forward lay through the one-point programme of affirmative action for the backward castes through the implementation of the Mandal Commission report. For the Communist Party of India (Marxist) — the CPI(M) — the line was economic development with a more centralized fiscal structure and the downward spread of capital through a relative dispersal of capital, associated with a tighter leash on the working class and all oppositional movements while remaining within the bourgeois democratic system.

The third option was that of Lal Krishna Advani and the RSS.

Hindu chauvinist politics had always existed in the Jana Sangh. But while, in the period just before independence and after partition, the tensions and the mass killings in the Punjab and the two Bengals had created a powerful appeal for the slogan that Hinduism (or Islam) was in danger, the 1960s and 70s were different. Bourgeois democracy and relative economic prosperity appeared destined to lead to the extinction of far right parties like the Jan Sangh. The failure of the Vajpayee strategy — the BJP got only two seats in the lower house in the 1984 elections — gave warning signals of an imminent collapse and the RSS theoreticians decided to rebuild Hindutva — Hinduness.

They banked on the inevitable economic problems besetting a large part of the petty bourgeoisie due to capitalist modernization. Various local superstitions, false beliefs and a growing dependence on religion and, underlying all this, a growing crisis of confidence, were now to be turned into a political weapon.

"Hindu" identity

A major obstacle to the development of a "Hindu" identity is the fact that Hindus are the majority of the Indian people. Crude propaganda items — "all Muslims have four wives and breed like rabbits", etc. — can only make headway when, for some other reason, anti-Muslim feeling is already getting the upper hand. Minority communalism can raise the cry that the minority is in danger for all the concrete reasons flowing from discrimination by the majority.

But this is not possible for the Hindus. So the slogan had to be broader and vaguer — Hindutva, the very essence of Hinduism, is in danger. In danger from a number of enemies: in the first place the "Muslim community". They live in India but they are foreigners. The precondition for their becoming Indians is that they adopt the mainstream culture. But what is this culture? Answer: the culture based on the ancient Vedic and Smriti or Dharmashastra texts.

This is, in fact, a minority culture and thus there is also the question of how the majority of really existing Hindus are to be made to accept it. The basic approach for how to do this was worked out in the 18th and 19th centuries (see article on p.31) but the problem remains that any Hindutva created on the basis of the Vedic texts would be too intellectual and have only limited appeal.

Harnessing the epics

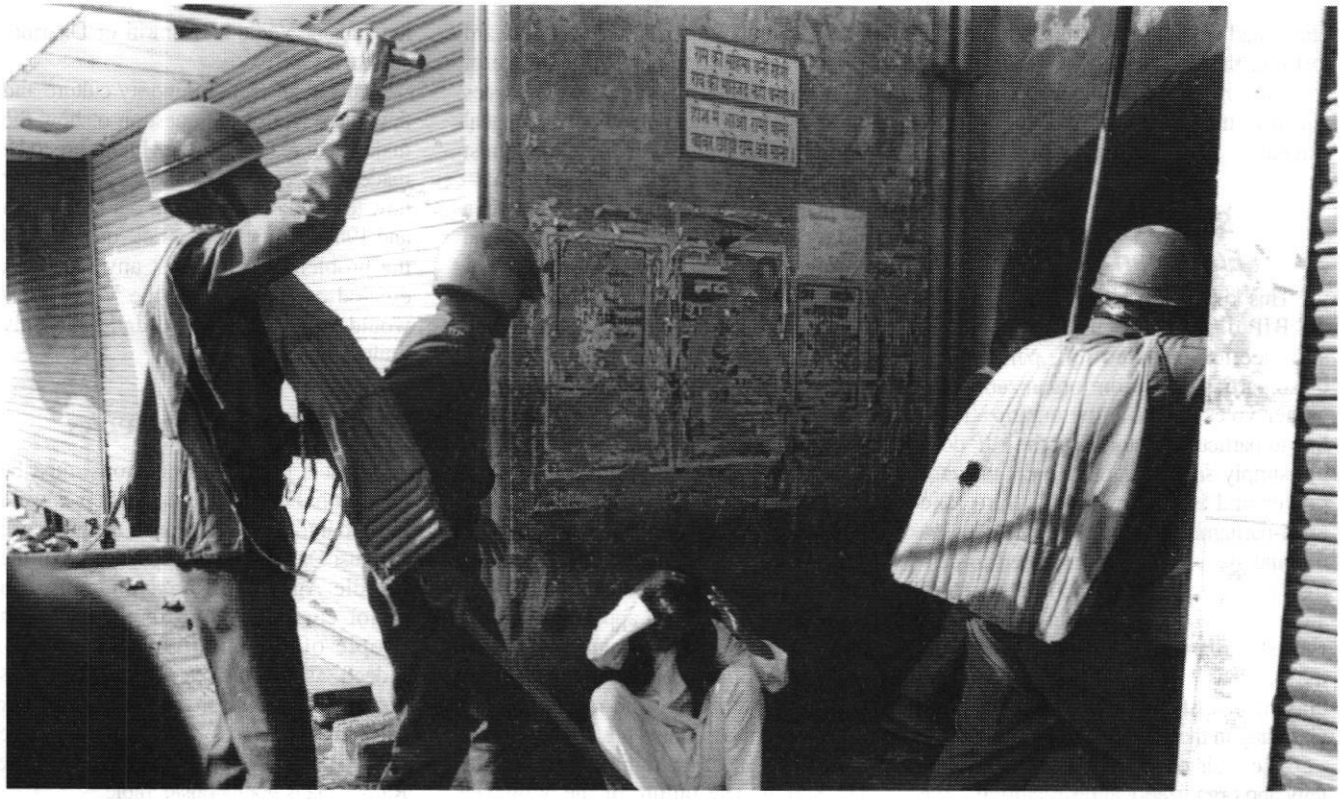
Hence, popular dimensions must be tacked on. For this, the ancient epics were pressed into service. Through the influence of Tulsi Dal, the great popular poet of the Middle Ages, the Ramayana epic is a major common bond for the common people of the Hindi speaking areas. Indeed, as long as overt religiosity does not intrude too strongly, this is true for Muslims as much as Hindus. Even outside the Hindi belt, the influence of the Ramayana is not inconsiderable.

Hence the choice of the destroyed Hindu temple of Ram Janma Bhoomi — once on the site of the (now also destroyed) Ayodhya mosque — as an issue. This, the supposed birthplace of Ram, had been defiled by the Muslim invaders and it was an unacceptable shame that independent India had done nothing to redress this ancient wrong. A whole new concept of the nation could be built from this starting point.

There was little in the way of argument that could be mustered against the slogan "Hinduism in danger" given that those who raised it claimed that it was a matter of conviction that went beyond reason. Rama being the incarnation of god himself, there could be no historical dispute over whether he was a myth or a reality and over his birthplace. If the Hindu priesthood — the Sants — declared this particular spot to have been his birthplace, then that was it.

And then could come the plea with reference to democracy — since the majority of people, the majority community, believes it, it must be accepted.

The mass fascist movement around the temple issue began in 1986. As the Congress government floundered amidst scandals, the BJP managed to keep its identity separate. The communal propaganda was churned out incessantly through the VHP. The BJP did not drop communalism from its election plank, but it benefited from the calls for "opposition unity" to oust Congress as the result was the V. P. Singh government propped up on



the left by Left Front and on the right by the BJP, which thus gained credibility as a national party.

The BJP's aim was to use V. P. Singh's new-found popularity, the Bofors issue and so forth, to weaken Congress. But it had no intention of allowing the new National Front government to last out its full five year term and recreate a viable centrist alternative to Congress. So, the moment the government decided to adopt the Mandal Commission report on affirmative action for lower castes, the BJP went into action.

Because of its strategy of creating a united Hindutva, the BJP stresses a common Hindu identity rather than caste divisions. Given the reality of these divisions it takes a pro-upper caste stance by default. All RSS chiefs have been brahmins (upper caste).

But at the level of rituals, the RSS often insists on cutting out overt casteist rituals. It therefore correctly saw that V. P. Singh's implementation of the Mandal Report was aimed at dividing its own potential base.

Recognizing the danger signals, the BJP secretly joined hands with Congress to fuel upper caste violence throughout India, particularly in the educational institutions, against affirmative action. And, on the other hand, this was when the party chose to intensify its stir to unify Hindus as Hindus through Advani's Ratha Yatra. This programme left a train of 43 riots, arson, murder, looting by rampaging mobs created by the Bajrang Dal, and so on. Ultimately, Advani was arrested in Bihar and, promptly, the BJP drew support from the government, which fell.

The BJP's major gain was that all this made Hindutva a major issue in the 1991 elections. Most elections in India have taken the form of plebiscites over one or two central issues. The aim of the BJP was to discredit its opponents one by one and then make Hindutva the central plebiscitary issue.

The BJP made significant headway in northern India. But its progress was hindered by the assassination of Rajiv Gandhi which created a "sympathy wave" from which the Congress(I) benefited in the second round of polling, leading to a minority Congress(I) government. Nonetheless, the BJP emerged as the second biggest party in parliament with significant votes even in regions where it had previously been non-existent — for example, West Bengal where it got 12%.

A new and more serious problem for the BJP was the new economic policy of the Narasimha Rao government. Much of it is a carbon copy of what has been advocated by the BJP.

It became evident that while the big bourgeoisie was in agreement with the BJP on economic policy it was by no means reconciled to the prospect of the BJP carrying it out. They prefer to see economic restructuring proceeding under the leadership of Congress, their traditional party.

The next setback for the BJP came when, despite internal factionalism, the Congress(I) managed to stabilize its rule. It had become clear that the big bourgeoisie was not ready to run the risks of bringing a fascist party to power. Indeed, the Indian bourgeoisie is more aware of the complexities and dangers than are most leftists.

The BJP-RSS combine has become increasingly enraged by the attitude of the big bourgeoisie over the past year and a half. They now want to create a situation where the bourgeoisie feels that, for better or worse, they are the only option open to it.

So the "movement" has become steadily more heated. Step by step, with calculated gaps, tension was stepped up. The maintenance of a public, constitutional image fell chiefly to Vajpayee and to some extent to Advani. And to keep up the spirit of the cadres, and the vast masses aroused by the communal campaign there were the VHP leaders, the RSS organizers, and other BJP leaders such as Uma Bharati and Sadhvi Ritambhara.

A parliamentary game

Prime Minister Rao, his party and most leftists, all assumed, being parliamentary personalities, that this was all still a game, if a little extreme, that would be played out within an essentially parliamentary framework. None of them really believed that the mosque would actually be destroyed. Indeed, in private, many left-

wing politicians were claiming that the BJP was on the retreat.

They all failed to realize that the difference between the BJP and the "fanatics" was a smokescreen. The reality was uncovered by an enterprising reporter from the *Calcutta Statesman* (December 4 and 5, 1992), Sanjay Kaw, who visited Ayodhya disguised as a *kar sevak*. His report showed clearly that those gathered in Ayodhya were not a wild mob.

Possibly less than 10% of the over 200,000 *kar sevaks* were people over whom party control was weak or non-existent. There were skilled masons there — otherwise it would not have been possible to pull down such a structure and put up a temple on the same spot in less than 20 hours.

The BJP camp is sure that the events of December 6 and their bloody aftermath will strengthen their hands. Advani's admission of "moral responsibility" was essentially a denial of real responsibility, the aim being to avoid a ban on the BJP as such when other branches of the "movement" are outlawed.

The next trick is to say that "all right, it is unfortunate and all that, but no more pandering to Muslim communalism. Now there is no longer a mosque, what talk can there be of reconstructing a mosque rather than building a temple?"

The BJP believes that an unnatural conglomeration like the Congress, the Janata Dal/National Front and the Left Front cannot provide stability for three and a half more years, so the present parliament must be dissolved well before its present term is over.

They further believe that their call to Hindutva, together with their cadre force and fascist hordes will not only fetch them a majority of seats in the north but a good bit elsewhere making them the largest single party in parliament.

Thereafter, they can hope to get an act together with the hidden communalists and rightwing politicians in the Congress (I), the National Front and similar parties to set up a stable rightwing regime.

Moreover, they believe that once they emerge as the biggest party in parliament, with a mass extra-parliamentary force to back them up, the big bourgeoisie will have no option but to back them.

This combination of electoral and meta-electoral strategy is not as absurd as most "responsible" parties are treating it. Only an approach which breaks with the prevailing parliamentarism, reliance on the bourgeois army and police, and acceptance of the neo-liberal economic agenda can counter the BJP's advance. ★

Colonial offspring

INDIA's violently reactionary Hindu communalist BJP party, and the movement of which it is a part, present themselves as the defenders of Hindutva — "Hinduness" — thereby claiming to represent a venerable tradition stretching back thousands of years.

In reality, the tradition and Hindutva they talk about is an artificial creation of the colonialist rulers and, subsequently, though for different reasons, a section of the Indian nationalist and proto-nationalist middle class, since the late 18th century.

KUNAL CHATTOPADHYAY — Calcutta, December 1992

FOR the majority of European observers, the aim was to understand India from the point of view of the West European experience and neatly place the "Orient" as Europe's Other. In other words, West European capitalism and its theorists would decide what constituted the history of India, what was significant in it and what was irrelevant.

There were two trends among these Western scholars. The first trend was called Orientalist at the time but I will use the term Indologist.

The founders of this first trend included Warren Hastings, the first Governor General of British India, and, among scholars, William Jones and H. T. Colebrook. They erected a mythic structure of an ancient golden age of Indian history. They believed it their task to hand over the heritage of that golden age to the benighted descendants of its creators, who had forgotten all about it and lived in a degenerate age.

How far this ideological operation was successful is revealed by a comment from one of the greatest early 20th century historians of India: "In the nineteenth century we recovered our long lost ancient literature, Vedic and Buddhistic, as well as the buried architectural monuments of Hindu days.

The Vedas and their commentaries had almost totally disappeared from the plains of Aryavarta where none could interpret them; none had even a complete manuscript of their texts. The English printed these ancient scriptures of the Indo-Aryans and brought them to our doors". (Jadunath Sarkar, *India Through the Ages*, 1928, reprint, Calcutta, Orient Longman, 1979, p. 84).

This frank confession is enough to show that the Vedic texts had, in reality, influenced Indian life in the intervening centuries in a very limited and very attenuated manner. The culture and civilization of the vast continent-sized land, was the result of many influences, many peoples, many religions.

In that case, why invoke this alleged "real tradition"? To start with, there was a general assumption that any cultural or political greatness had to conform to the "classical" (that is, Graeco-Roman) pattern. So, following the received Western historiographical sequence, we have the Indian antiquity, the Indian Dark Ages, and even the "Bengal Renaissance" (under British tutelage).

Moreover, the second stream left its own mark. This was represented above all by the Utilitarian philosopher James Mill. Mill, an employee of the East India Company, wrote a three volume *History of India* with the aim of establishing that Indian society was in a hideous state. Mill, Mountstuart, Elphinestone and others proceeded to draw up a bill of indictment.

Mill doomed Indian civilization as crude from its inception and plunged into the lowest depths of immorality and crime. Western colonization was therefore an act of humanity, bringing regeneration to an utterly stagnant society. The eternal barbarism of India justified conquest and a Christian ideological offensive.

So compelling was Mill's argument that even his opponents had to concede considerable ground. The later generation of Indologists argued that while Mill's picture was true of later days, there had been a period of Indian greatness. This was the task above all a scholar influenced by German romanticism, Friedrich Max Müller. He collated and printed the Vedas and declared them to be the only natural basis of Indian history.

A creation of the "Aryan" race, it was their "bible" and reflected the past of Europe no less than India, since the Vedic cul-

ture was part of one of the great races of the Old World, the Indo-Europeans.

To reconstruct the Veda was to trace the origin of all religion, law and philosophy. Müller insisted that "so minutely has almost every private and public act of Indian life been regulated by old traditional precepts that it is impossible to find the right point of view for judging Indian religion, morals and literature without a knowledge of the literary remains of the Vedic age". (Quoted in Nirad C. Choudhuri, *Scholar Extraordinary; the life of the Rt. Hon. Friedrich Max Müller*, P.C., p. 135).

According to Müller, the historical mission of the Aryan race, was to bind the world together with bonds of religion and civilization. Others, like W. M. Hunter filled in gaps in Müller's theory, claiming that the dilution of Ayran blood through mixing with non-Aryan elements was the cause of the degeneration of the Indians. The result was the create of an effete, slothful race, typified by the Bengali Brahmin. This was why, in India, the semitic Arabs and Turanic races overwhelmed the Hindus.

From the "Bengal Renaissance" to the development of Indian nationalism, Indian Hindus swallowed much of this myth and produced a counter-model based on it. Reformers based their arguments not on modern bases but on the scriptures.

Thus, Raja Ram Mohan Roy, pioneering reformer, often hailed as the father of modern India, based his opposition to widow burning on scriptural grounds. Even Iswarchandra Vidyasagar, the most systematically modern and progressive of the 19th century Bengali reformers, found that he could win his case for widow-remarriage not by fighting on grounds of human rights but by reference to the scriptures.

So, in this way, even before the birth of political nationalism, Hindutva, or Hindu identity, was created by imposing the hegemony of the Vedas, the Upanishads and the Dharmashastras. One crucial textual element in this were the two epics — the *Ramayana* and *Mahabharata*.

In the next generation, Indian nationalists like R. C. Dutt took up this orientalist discourse. Of course, they wanted to fight the British. But they took a problematic route. By invoking the Aryan myth, they made Muslims as much the enemy (in some ways even more the enemy) as the British. To counteract the assumed weakness of the "unmanly" effete Bengalis they created the myth of the pure Aryan ("martial") races like the Rajputs and Narathas.

But in doing so, Dutt, Bankim Chandra Chattopadhay and others depicted these "races" as heroic fighters against Muslim invaders. Moreover, the theory of martial races allowed a covert identification with the colonizers against the "Muslim usurpers and marauders" just as the theory of common Aryan descent had done.

If one can describe the work of Indian nationalists as misguided but honest, it is not so with the British. Thus H. M. Elliott, the foremost British historian of the Indian Middle Ages, followed James Mill in using the characterizations Hindu Age and Muslim Age and declared that his aim was to show Hindus how throughout history, Muslims had tortured and killed Hindus, destroyed their temples and so on, so that the verbose Bengali baboos who were just beginning to form a proto-nationalist consciousness would recognize the benefits of British colonialism. (H. M. Elliott, *The History of India as Told by its own Historians*, 1849).

The effect of this onslaught was to portray the Middle Ages of India (in any case a questionable periodization) as a period of conquest, "foreign rule" and to portray Muslims, even the Mughals who had ruled for several centuries, as foreigners.

This, along with parallel efforts among Muslims, created a deep breach, whereas, as late as 1857, during the first Indian war of independence, peasants and talugdars of Asadh, regardless of religion had risen under a slogan that recognized the suzerainty of the Mughal emperor, viewing him as an authentic indigenous ruler in place of the foreign English.

Two other points should be briefly made. In colonial discourse, Indians were assumed to be religious only when they passively and unquestioningly obeyed the scriptures. Syncretism was therefore not seen as a positive coming together of different forces, but as a degeneration. Thus the great devotional movements of the Middle Ages, among Hindus and Muslims aloke, that had reduced the differences between them, were ruled out.

The Christian missionaries dubbed these movements as lewd, obscene, representing an indecent and lower class culture. They were disturbed, among other things, by the fact that the Vaishnav movement allowed women far greater control over their sexuality as well as giving them freedom to learn, teach, and in general compete with men on a more equal footing. By adding the epics to the more philosophical and ritual writings, a basis was provided for drawing in broad masses into the fold of the new Hindutva.

Certainly, modern communal and fascist ideology cannot be wholly explained by this, but this shows why bourgeois democratic ideology in India is hamstrung in combatting the communalists.

Three aspects of the colonialist construction of Hindutva are worth noting:

- First, true Hindutva is based on Aryan descent and the ancient scriptures.
- Second, regional differences, syncretism etc, are all degeneration, not true faith. The essence of Hindutva, its inner Hindutva, is something capable of uniting all Hindus.
- Third, this "all Hindus" is defined in relation to the Other — the Muslims.

It is easy, even without tracing the intervening century of communalist, proto-fascist and fascist ideology, to see how these three elements were used by the RSS-BJP combine. Their battle cry was not Hindus in danger but Hindutva in danger. Rama, the incarnation of Vishnu the preserver worshipped as god throughout north India by Hindus was a convenient rallying point. How can there be any historical dispute over the birthplace of god? So what if a 400-year old mosque stood on the assumed spot. It was a 400-year old symbol of Hindu disgrace, of Muslim oppression, which had to be extirpated root and branch. And through this campaign, carried on zealously for six years, a militant Hindutva has indeed been created and pressed into the service of fascism.

One reactionary force, imperialism, has thus spawned the ideology of another.★

The socialism syndrome

SOCIALISM, as an alternative vision of the future, is at a dead-end in Latin America. Even the term socialism has been put on the Index. It is better not to speak of socialism or adhere to it. In this wave of "competitiveness" and "modernity" we socialists are to be treated as dinosaurs who have survived their death.

We are to be exhibits in the gallery of lost hopes — located on Mount Fukayama where history has ended — or worse, sent to the circus of ideological grotesques, where we will even be permitted to spit fire, as long as we don't upset the spectators, who are, after all, paying for the show.

FREI BETTO*

THE defeat of the Sandinista National Liberation Front (FSLN) in the 1991 elections in Nicaragua proves that, without bread or peace, a people will not see the left as their vanguard. People want bread and peace, leisure and religion. From the villages of Guatemala to the mountains of Ecuador, from the forests of Bolivia to the countryside of Brazil, what else besides faith and fiestas can help the suffering?

The left has historically proclaimed itself to be the vanguard (a pompous term which gives those who use it the illusion of being in command). Were we not so pretentious we would perhaps prefer to be considered as the rearguard: the people would be out in front and those of us with heads full of strategies would support that and channel their political potential for a revolutionary alternative.

In reality, the question is not to be either in front or behind the people but with them.

A certain positivist reading of Marxism has led large sections of the left to see theory as a reflection — and moving force — of reality. Concepts were like leprechauns that acted as implacable subverters of the existing order. How could the people refuse, in a secret and free vote, their vanguard and vote for the candidates of imperialism?

If theory stated that the workers in power could not commit class suicide and if theory is right, then, clearly, it is the people who are wrong.

But was the working class in power in Nicaragua? A class cannot be identified with the leaders of a revolutionary party that had progressively drifted away from its supporters and, in particular, had prevented the rank-and-file from developing mechanisms that would allow its own representatives to control the FLSN. At its last congress the FSLN did little more than engage in a power struggle over their own party.

From subject to object

Rapidly after July 19, 1979, the people of Nicaragua went from being the revolutionary subject to being an object of the FSLN's administration. The Sandinistas, trapped between an economy dependent on foreign capital, a war against mercenaries and a population that lacked the most basic necessities of life, hard hit by unemployment and inflation, tried to find a way out.

In the struggle to overthrow Somoza, the FSLN could not do without popular participation. Once in power, they believed that the superstructure could determine the infrastructure and that whoever controlled the machinery of state and the means of communication no longer needed to bother about the good functioning of the Sandinista Defence Committees (CDS) and the mass organizations. Thus, for the majority of the population the FSLN gradually became the establishment party rather than the political expression of popular demands.

The former militant, companion in struggle and suffering, had turned into a leader and an official in the power structure. While the youth went off to fight and women were suffocated by the speedy fall in the value of the cordoba and price rises, a few leaders lived in privileged conditions, far away from grassroots work and daily problems made worse by the effects of the economic crisis and the imperialist aggression.

That Sandinism planted good seeds in the soil of Nicaragua cannot be doubted. A generation of revolutionaries is today ready to take up the dream of Sandino. Nicaragua is certainly the most politically aware country in Central America. But the impossibility of ending the imperialist aggression has seriously damaged the myth of the irreversibility of history and the hope of seeing in Nicaragua the second free country of Latin America.

The great novelty in the FSLN's strategy for building socialism was its adoption of economic and political pluralism, the latter guaranteed by universal suffrage. Perhaps it was the unfavourable international climate that dictated this choice. Unlike Cuba, Nicaragua did not get the support of a great power. And the emergence of the Sandinista regime in a continent governed by military dictatorships required that the democratic space was broader than in the conceptions of former socialist regimes.

Thus, the Sandinista regime came to consider pluralist democracy and universal suffrage as strategic elements for the building of socialism, reflecting the range of alliances that had opened the way for the fall of Somoza and the victory of the revolution. For the first time in history, the Christians present in the revolutionary process were not seen as "mere allies". The unity of the nation around its political leadership supplanted ideological Cartesianism, which had elsewhere made the mistake of sharpening antagonisms between believers and atheists.

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This article first appeared in the first issue of *America Libre*, published in Buenos Aires, Argentina of which Betto is the editor and which aims to stimulate broad debate on the Latin American left.

The resumption of the building of socialism in Nicaragua will therefore depend on the capacity of the Sandinistas to return to the rank-and-file and change their project into an newly attractive vision of the future.

The fall of the Berlin Wall and the failure of socialism in Eastern Europe seem to have banished a socialist alternative in Latin America even further away. If Nicaragua collapsed under imperialist pressure, the same cannot be said of European socialism. There was no military aggression and the spectre of famine did not haunt the population.

There it was the people themselves, fed up to the teeth with bureaucracy and mesmerized by the neo-liberal mode of consumption, who rejected the political model imposed during the partition of Europe at the end of the Second World War. Where the party had imposed its dictatorship, the people demanded democracy, where ideological censorship was backed up by a police apparatus, the people demanded freedom.

New wine in old bottles

The system had tried to build a new edifice on old and deep roots. It was believed that concrete reinforced with arms would be enough to suppress such profound growths as ethnicity, religion, national culture and idiosyncracies. However, the roots pushed upwards, split apart the concrete and the house fell down.

The socialism adopted in the countries adjoining the USSR was based on the Russian model which had itself never totally broken free from the autocratic heritage of imperial Tsarism. There was something fundamentally religious in those supposedly scientific and indisputable concepts which demonstrated the irreversibility of the socialist regime and the inexorable march towards communism.

In practice, as ever, reality turned out otherwise. The party's authoritarian outlook, the lack of mechanisms of popular participation in power, the reduction of the unions and popular movements to transmission belts for the party, were blatant. The siege mentality strengthened censorship of intellectual production and inhibited critical debate while the police mind viewed any disagreement as dissidence, revisionism and treason. The excess of orthodoxy deepened the gulf between state and nation, the party and the masses, ideological principles and practice, and undermined the foundations of a project which had promised to renew society and citizenship.

The only thing that the population had not noticed was that they themselves did not suffer from famine, shanty-towns, inflation and capitalist exploitation. Some things are only apparent when you compare yourself with those worse off than you. The Hollywood-style abundance of the Western countries had its impact on the inhabitants of Eastern Europe, while the Third World and its sick and hungry children could have been living on Mars.

Older people knew about such things but later generations — just like young Cubans — thought that it was natural to aspire to dignity. Since the destruction of the Berlin Wall, they have discovered freedom as defined by the IMF — the right to everything but a decent life and with a workers' wage.

The children of Martí

The disintegration of the USSR has dispelled some illusions about Cuban socialism. In thirty years, the revolution had not succeeded in creating an infrastructure that can guarantee a minimum of self-sufficiency. The state is dependent. And, as in Nicaragua, the frontiers between state and party have withered away. The hierarchical state lacks institutional channels that would transmit criticism and allow new ideas to rise upwards from the people.

In the absence of any counterweight in the form of ideological work at rank-and-file level the problems produced by this double blockage have created a kind of civic stress among the population, as if all energy has evaporated in the absence of any prospect for material improvement even in the medium term.

It is hard to maintain resistance confronted with tourists enjoying a special apartheid regime of privileges which gives them access to the most sophisticated consumer goods and the best spots on the island, while the population is missing out even on ham and has to queue for hours to get an ice-cream. This segregation is justified by the imperious need for convertible hard currency in a country that depends on imports of raw materials.

And given the geographical and familial closeness of Miami, from where thousands of Cubans entice their families on the island with a picture of consumption that arouses dreams of liberty, calls for resistance smack of asking a child in a sweet shop to restrict her or his desire for sweets to their imagination.

However, as we know, the Cuban regime is working on the perfecting of socialist democracy by widening the channels of popular participation in running the state, going as far as constitutional reform.

Despite these difficulties, Cuba is the only socialist country in the West and its experience inspires us to consider national sovereignty and independence as the only foundation for the building of socialism in Latin America. Cuba redeems the dignity of the continent. There you die only of old age. The social achievements of the regime, its internationalist character and the heritage of Martí make it an unavoidable reference point for those committed today to the fight for a society where the rights of the population are more important than those of private capital.

The difficulties facing Fidel's regime are a result of the US-imposed blockade. Our unconditional solidarity with the Cuban people necessarily implies an end to the blockade. Debating Cuba's future is an empty pastime if the blockade is not lifted. Furthermore, we cannot leave the future of Cuba in the hands of Cubans alone. Or, do we in Latin America and the Caribbean have by chance another model of society that could serve as an example for the children of Martí.

The case of Brazil

The case of Brazil, and in particular of the Workers Party (PT) shows that the left can dream of socialism and increase its space in the bourgeois democratic game insofar as it is legitimized by popular vote and mobilization. Everything bourgeois is seductive. To conquer a corner of a state machine designed to ignore popular interests is to face a dangerous temptation. The head thinks as a function of where the feet are placed. How can the socialist project thrive when you are managing the very apparatus you had set out to destroy? Elections can mean a straightforward cooptation of militants. As the French say: the state has its reasons of which the people know nothing.

In the townhalls captured by the PT, some set out to show they can govern with the same competence as the bourgeois authorities. Generally they end up like bulls in a china shop. Others use the administration to strengthen workers' organization and popular movements, behaving with an ethical rigour that flabbergasts the corrupted officials who cannot believe that the PT's cadres are capable of refusing the lure of dollars.

We must not give way to the illusion that a revolution can be made via elections. The interests involved are such that the bourgeoisie may be prepared to stake its rings, but not its fingers. Any change in economic model going against the interests of big capital will meet resistance and will suffer the consequences of breaking the rules of the game, in the form of political and military violence.

All this leads us to wonder: has socialism a future in Latin America and the Caribbean? There is no law, dogma or theory that will enable us to answer with total assurance. What can be forecast is that under the current neo-liberal dispensation there is no future for the majority of the population of the region. The recessionary and privatizing model of exclusion and marginalization imposed by the IMF has only meant more hunger and poverty. Everything indicates that the more the IMF applies its recipes to the countries of this continent, the worse the social, political and economic crises gets.

But if we can agree that neo-liberalism will not bring a solution to the population's vital problems, it remains to discover what economic system would bring such a solution.

While the aim is the building of a society which distributes to all the fruits of their labour, the winning of formal democracy opens up the room for socialists to take part in the contest for power according to rules defined by the bourgeoisie.

The vanity of theory

It would be vanguardist to deny this democratic space and embark on the suicide mission of armed confrontation with the existing regime without first winning popular support. We thus have to work out a strategy where small disagreements on the left do not become deep divergences. A real divergence cannot be measured according to mere theoretical disputes. The ideological vanity of each group, tendency or party, displaced into theory, stops people from seeing further than the end of their nose. The left may miss the bus of history and still keep its belief in its dogmas.

The search for solid and fruitful unity must be based on electoral alliances on the left and, above all, work at grassroots level. Eventual access to the institutions of power must not give the illusion that the state apparatus can be turned into a tool for the implementation of socialism. We also have to make sure that it does not act to neutralize socialist ideas by turning militants into state officials, with an authority accompanied by privileges but far removed from popular concerns.

There can only be socialism if there are revolutionary socialists. And these will get nowhere if they do not strengthen grassroots' organization.

The overthrow of Haiti's radical elected President Aristide shows that there is no future in our region for a regime which sets out to put the interests of its own population first to the detriment of those of the USA and its allies unless it has first broken all its links with the latter, following in this the Cuban example.

The experiences of Grenada, Nicaragua and Haiti have shown the worthlessness of the notion of the gradual and peaceful victory of socialism on our continent. But they have not for all that given support to the apocalyptic inclinations of some militants who have it from heaven that there is an inevitable coincidence between their own personal future and that of history. In the present situation the Cuban or Sandinista model of revolution has shown itself to be romantic if not irresponsible. There is no contradiction between our elites and the US. We are a mere province of the *pax americana*.

Today, a strategy for building socialism must be based on ethical foundations. We do not fight for a socialist society because in that way we can take power from the bourgeoisie and award it to ourselves or because it is written on the Tablets of the Marxist-Leninist Law.

In a continent in which 230 million people are starving, there is a more serious question: how can a dignified life be assured to everyone given the resources available? It is of little importance what label we use to describe a system that would do this. We must aim to guarantee to all the inalienable right to a decent, healthy, participatory and happy life.

I do not believe this possible without social ownership of the available goods and natural resources. The 20th century has left us a unique legacy: huge populations, those of the USSR and China, have lived off the fruits of their own labour without stealing from others.

This does not mean we have to adopt this or that model. Such historic references are there to enable us to develop our critical approach and encourage us to build the society of our visions.

Ethics are more than simply the justification and end result of our project. They must also imbue our militant activity. What is morally incorrect is also politically incorrect.

Men and women with a new outlook cannot come into being using the models and weapons of the oppressors. What works for those who only have interests is not enough for those who have principles. Furthermore, it is not enough that such principles sound good. They have to be tested against our feelings, enrich our subjectivity and our daily practice — in our family relations, in the struggle against personal and political vanity, by our open-mindedness, or our understanding of public office as a service and so on.

Parties and people

To build a socialist future, ethics must be backed up by political work at a grassroots' level. The left has always stubbornly built up its parties but has shown little interest in organizing the people. But there can be no real democracy without popular participation and that implies anonymous and tireless self-sacrificing work directed towards those in city and countryside, in the shanty-towns and workers' neighbourhoods, who have not yet discovered that workers' unity is like the waters of a dam that has burst.

An old formula holds that changes take place when all the objective and subjective conditions have come together. The first are part of the unpredictability of history and arise at the moment they are least expected.

The second are the result of popular education that changes all popular values — roots and cultural relations, religion and art, solidarity and fiesta — into an energy that changes history. It prefigures, in the community or neighbourhood, the church or the trade union, the popular movement or party, the socialization of life and goods that will be the source of happiness for all.

Thus, the socialist future is not just something to dream about, but also something which its genuine protagonists must anticipate. ★

MARCH 8TH

International Women's Day actions are often considered a ritual. But this year two themes in particular provoked some broad and sizeable demonstrations.

Solidarity with women in former Yugoslavia and opposition to the use of sexual violence and rape as war weapons was a focus for demonstrations in France, the Netherlands, Britain and the United States among others. In some cases mixed demonstrations where the women's call was supported by a number of political and trade-union organizations gathered several thousand people. Elsewhere women's groups organized women-only vigils and demonstrations.

Attacks on women's social gains in those countries where the economic crisis is beginning to hit hard also provoked a militant and sizeable response. In Italy, tens of thousands of women responded to the joint call of the trade unions in Rome to demonstrate in defence of working conditions on Saturday March 6. The demonstrators also took up slogans defending the law on abortion which had not been part of the unions' platform and had provoked criticism from sections of the women's movement.

Russia: empty pots

The mainstream press gave a lot of coverage to "the march of the empty pots" in Moscow, portrayed as a women's march protesting against high prices and lack of supplies in the shops. In reality this was organized by the neo-Stalinists as part of their campaign against Yeltsin, although women's household responsibilities are indeed made much more difficult by the high prices and lack of supplies. Yeltsin himself was addressing a newly-formed association of women entrepreneurs that day.

The day is still a major holiday in Russia, but it has long ago lost its political content. *Pravda* headlined "Congratulations sweet, dear, beloved ones". However, the president of the Union of Russian Women (the former official women's organization) in an interview in *Nezavismaya Gazeta*, did spell out the real problems for Russian women who suffer from lower average wages, lower pensions and a greater risk of losing their jobs than men. They make up 75% of the unemployed and the majority of those living below the poverty line. These difficult conditions have also forced women to decide to limit the number of children; the birth rate has dropped by 11% since 1991 and abortions are twice the number of births per thousand women. The rate of congenital diseases among new-born babies has also risen from one in eight to one in six since 1989.

Sweden: a women's revolution?

But one of the countries where the sudden harshness of austerity plans has provoked the biggest response from women is in Sweden where networks of women's groups and researchers had continued to exist without a presence on the national political scene.

"Right to work— stop the cuts! Equal wages now!" When the Swedish finance minister, Anne Wibble, stepped out on to the staircase of the parliament building in Stockholm on March 8, she was surrounded by thousands of angry women including from her own Liberal Party.

An hour earlier, the main square of Stockholm was filled with five thousand women addressed by Lillemor Arvidsson, the leader of the Public Workers' Organization, the main trade union in Sweden with 600,000 members and the only one led by a woman.

"Is it the fault of the women who care for the elderly and sick that the Swedish economy is in crisis?" she asked, before demanding a real shift in the policies of the government, politicians in general and the union leaderships — otherwise women "would make a revolution".

Arvidsson has already made her own personal revolution. A social-democrat throughout her life, she was the only union leader to oppose the wage-freeze and ban on strikes proposed by the social-democratic party three years ago.

She recently left the national party leadership in order to concentrate better on union questions before this year's round of negotiations when the low-waged women of the blue-collar unions will be the bosses' first target.

Women in Sweden had come to believe that no modern bourgeois government — or at least not the union leaderships — would dare to threaten women's rights as women, that the "social-democratization" of Swedish society had forced even the right-wing party to adopt a new policy on equal rights for women in general.

There would be attacks on women's wages as the lowest-paid workers and through harsh austerity programmes in the public sector where many women work. But our Thatcherist government, together with the "economic experts", and with a lot of help from the media, are now openly questioning women's right to work and women's place in society. Even our liberal and well-functioning abortion law is under threat.

The market economy and fast export production are the ideas of the day: caring, social services, education and bringing up the new generation are worth nothing. The spokesmen of the government dream of the days when "new forms of private services shall rise from the ashes of the public sector like the phoenix".

Faced with this "new world" many women in Sweden are angry. This is why we saw the broadest unity for twenty years around March 8 this year. Women from the biggest unions, from the political parties (except the right-wing Christian Democracy which leads the government and the populist New Democracy), the national women's shelters associations, women's peace groups, women researchers and professional and all other forms of women's groups came together in a big coalition which organized different activities in different cities.

The biggest success was in Stockholm. Alongside the meeting and demonstration there was a "Women's Tribunal" over the weekend of March 6-7, where 800 women listened to reports from women researchers on economy, health, education, sexual violence and so on.

10,000 copies of a broadsheet from the Tribunal were distributed on the morning of March 8.

A "speaker's corner" was held for hours in the open air, there were many social events, and a seminar with the American feminist Susan Faludi.

More than a hundred women organizers from all the different parties, groups and unions had been active in preparing these initiatives over the last six months. We will now discuss how to keep this new-born coalition together in action.

The next steps will be resistance to the threats to the abortion law and solidarity with shopworkers, 80% of whom are women, whose union will probably be forced to strike during the Easter period.

The tribunal work will go on in other cities in the country with the aim of holding more tribunals before the next elections in September 1994. **— Penny Duggan and Eva Nikell ★**