

Labour Focus Eastern Europe

CZECH REPUBLIC SOCIAL DEMOCRATS IN POWER

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Social Democracy Comes to Power: the 1998 Czech elections

When newly appointed Prime Minister Miloš Zeman presented his Cabinet to the Czech public on 18th July 1998, they became the first Social Democratic government in the post-communist world that did not have its roots in a former Communist Party. While this factor raised the profile of the event internationally, for Czech domestic politics Zeman's government had another unique feature: it was the first ever Czech government to be comprised of only one party, but it had been created as a result of a rather unusual 'opposition agreement' with the Civic Democratic Party (ODS) of former prime minister Václav Klaus. The significance of this is that the victory of Social Democracy in the Czech Republic was only partial. Zeman leads a minority government with only 74 deputies in a 200-member lower chamber of parliament, and this is likely to have grave effects on both its longevity and efficacy.

The 1998 elections had been held two years early after the resignation of the second Klaus government at the end of November 1997 and the appointment of an interim government led by the non-party Josef Tošovský, chair of the Czech National Bank. The demise of Klaus had appeared to herald a realignment of the Czech party system, previously thought to be one of the most 'normal' in the post-communist world, with a clear economically-based left-right cleavage between the

ever-stronger Social Democrats (ČSSD) and the three-party centre-right coalition over which Klaus had presided. Klaus's ODS, the largest centre-right party, then split, with former interior minister Jan Ruml forming a new party, the Freedom Union (US), while the smaller Civic Democratic Alliance (ODA) was on the verge of self-destructing, and only the Christian Democratic Union-Czech People's Party (KDU-ČSL) emerged from government unscathed. However, a look at the 1998 election results in comparison with the earlier elections of 1996 and 1992 actually shows a remarkable degree of stability and consolidation in the Czech party system. The most notable change in the parliament's party constellation was a victory which could be savoured by almost everyone: contrary to all predictions, the extreme right Republicans were banished from parliament as their vote fell below five per cent. Since the Pensioners for a Secure Life¹ also failed (again, contrary to opinion poll predictions) to cross the five per cent threshold and enter parliament, the number of parties in the lower chamber was reduced to five. The only remaining 'anti-system' party with which no-one else wished to join in coalition was the Communist Party of Bohemia and Moravia (KSČM). This should have made forming a coalition government with a parliamentary majority easier than in 1996, but, as will be discussed below, it was largely the obstructive and non-consensual behaviour of the party leaders, rather than any flaw in the electoral or party system, which eventually made this impossible.

The election result was, ironically, something of a mirror image of the previous, 1996 election. On that occasion, the three centre-right parties of Klaus's coalition government won the election and formed a government, although they had actually lost their absolute parliamentary majority despite a two per cent increase in their vote.² The Czech Social Democratic Party, which had quadrupled its vote in four years and surpassed even the most optimistic opinion poll predictions, was generally considered the party to have emerged from the 1996 elections triumphant.³ In 1998, the situation was reversed. The Social Democrats, who had been widely predicted to become the party of government, were left clutching their heads on election night as their chances of forming a viable coalition faded. Personal victory belonged rather to Václav Klaus, whose ODS had risen from the depths to obtain a mere two per cent less of the vote than in 1996, despite Klaus's resignation as

Table 1: CZECH ELECTIONS 19/20 JUNE 1998
(figures in parentheses elections of 31 May/1 June 1996 & June 5/6 1992)

	votes (per cent)			seats		
	1998	(1996)	(1992)	1998	(1996)	(1992)
ČSSD	32.3	(26.4)	(6.5)	74	(61)	(16)
ODS	27.7	(29.6)	(29.7)	63	(68)	(76)
KDU-ČSL	9.0	(8.1)	(6.3)	20	(18)	(15)
US	8.6	(-)	(-)	19	(-)	(-)
ODA	-	(6.4)	(5.9)	-	(13)	(14)
<i>Total of three centre-right parties:</i>						
	45.3	(44.1)	(41.9)	102	(99)	(105)
KSČM	11.0	(10.3)	(14.0)	24	(22)	(35)
<i>Other parties with over 5 per cent:</i>						
	0	(8.0)	(18.4)	0	(18)	(44)
<i>Parties with under 5 per cent:</i>						
	11.3	(11.2)	(19.1)	0	(0)	(0)
SPR-RSČ	3.9	(8.0)	(6.0)	0	(18)	(14)
DŽJ	3.1	(3.0)	(-)	0	(0)	(0)
Total	100			200		

Source: Czech press, 22 June 1998; Czech press, 3 June 1996; Český statistický úřad, *Statistická ročenka České republiky* (Prague: Český statistický úřad/Český spisovatel, 1993), p. 441.

ČSSD: Czech Social Democratic Party

ODS: Civic Democratic Party

KDU-ČSL: Christian Democratic Union - Czech People's Party

ODA: Civic Democratic Alliance

KSČM: Communist Party of Bohemia and Moravia

SPR-RSČ: Republicans

DŽJ: Pensioners for a Secure Life

prime minister among party scandals in November 1997, the subsequent abandonment of the party by most of its other high profile members, and its plummeting in the opinion polls to below ten per cent in early 1998. Furthermore, in the 1998 elections, the trio of centre-right parties (which now included the newly-founded Freedom Union rather than the moribund Civic Democratic Alliance, which had not bothered to stand) actually gained one per cent more than in 1996, and hence also the coveted majority of 102 of the 200 seats in parliament.⁴

The fact that the Social Democrats did after all end up forming a government can be attributed to two interrelated factors. The first was an expectation that they would do so: they were clearly a party in the ascendant, with their meteoric rise in popularity from 6.5 per cent in 1992 to 26.4 per cent in 1996 followed by a more steady increase to 32.3 per cent in 1998. When they came far closer than predicted to matching the ODS's result in the 1996 election, it was generally assumed that they would overtake ODS and attain power in the next election, and this virtually became a self-fulfilling prophecy. The fact that they were the largest parliamentary party after the 1998 elections was seen by many to give them a legitimate right finally to 'take their turn' at government.⁵

The sense that it was time for a change was further reinforced by the second factor, which was the failure of the centre-right coalition on two fronts. Internally, it had collapsed from intra-governmental squabbling in November 1997, exacerbated by the allegations of financial corruption and the whiff of scandal which is so often a feature of parties which have been in power for so long; and externally, it was held responsible for the fact that the once buoyant Czech economy had stalled when banks began to collapse less than a year after the previous elections - 'the sad end of "the Czech miracle"', as the Communists' election manifesto put it.

However, for a period of more than two weeks after the 1998 election, the delicately balanced parliamentary arithmetic produced by proportional representation put the prospect of Social Democratic government in doubt. To form a secure government, it needed coalition partners.

The coalition conundrum

Both before and after the election, working out which political parties could form a viable government resembled a brain teaser, in which what the various parties had said they could and would do had to be juggled with what they might actually be forced to do in the cold light of day. The Social Democrats preference was known to be a coalition with the (morally right but economically sometimes left) Christian Democrats together with the (economically more left) Pensioners for a Secure Life. The pre-election problem with this was that the Christian Democrats did not want to be in coalition with the Pensioners, and the post-election problem was that there were no Pensioners in parliament anyway.

The Christian Democrats' own preference was a coalition with the Social Democrats and the Freedom Union, but this in turn was rendered unfeasible by the Social Democrats' insistence that the Freedom Union was merely ODS Mark II, and the Freedom Union's contention that its programme was incompatible with the Social Democrats'. The prospect of a 'grand coalition' between the Social Democrats and Klaus's ODS - the only arithmetical possibility of forming a majority government with just two parties - was plagued by the same problem of programmatic incompatibility. Within a few days, therefore, Czech politics appeared to be heading back to square one: a fractious three-party centre-right coalition. This, however, stalled on some of the original problems which had brought down Klaus in the first place. ODS insisted that such a government should have Klaus as prime minister, and reflect in its ministerial composition the election results: three ODS ministers for one from US and one from KDU-ČSL.

The Christian Democrats were not prepared to accept a situation where the ODS could outvote both its partners, and insisted on equal ministerial representation of all three parties, while the US reflected its roots as a breakaway from ODS, and, like the KDU-ČSL, was reluctant to accept Klaus as prime minister and insisted that ODS would have to 'change' for a successful coalition to be a realistic prospect.. None of these conditions seems objectively reasonable given the personal vote of confidence in Klaus granted by the majority of the centre-right electorate, and later events were to prove that the excessive demands of the two smallest parliamentary parties were their undoing.

The pendulum now swung back to the idea of a minority government of the Social Democrats and Christian Democrats, and Zeman even appeared willing to cede the premiership to the KDU-ČSL leader, Josef Lux, and to back down from the refusal to co-operate with US, to whom four ministries were offered. Without US, the sticking point between the Christian Democrats and the Social Democrats was whose 'silent support' would maintain their government in power: any sort of collusion with the Communists was such an anathema to the Christian Democrats that they insisted on the Freedom Union making clear it would be them providing the missing votes in parliament necessary to gain a majority for government legislation. The Freedom Union, however, wavered in the hope that ODS could be forced into a centre-right coalition in which Klaus's dominance was restricted.

Amid the confusion and uncertainty, ČSSD and ODS pulled the rug from under the feet of the smaller parties. Both major party leaders were frustrated with the behaviour of the smaller parties, Zeman because his rather generous offers to them had failed to gain an appropriate response, and Klaus because of his negative experiences with them in previous coalitions. What the two men therefore created was an 'Agreement on creating a stable political environment in the Czech Republic'.⁶

This signed document was generally referred to as an 'opposition agreement' to emphasise the fact that it was not a coalition agreement. Its aim was to determine 'procedural questions of the relationship between the contracting parties', and both sides undertook to respect the right of parties who won elections to form the Czech government through the non-participation of deputies of the other party in government votes of confidence. In return for not bringing down the Social Democratic government, ODS was to be recognised as the opposition and granted the right to provide the speakers for both chambers of the parliament, as well of the chairs of a number of important parliamentary committees. Crucially, it was made explicit that neither party was bound in the way it voted on individual laws, including the budget. It was further agreed that proposals for changing the constitution would be presented within twelve months, and that the contracting parties would not enter into a coalition with any other party.

The agreement caused consternation among the smaller parties,

and it was also immediately clear that President Havel had grave reservations about the implications of the agreement for Czech democracy. Early reactions questioned whether the agreement was constitutional, but such allegations were hard to sustain given the unclear status of the agreement, and the leadership of both US and KDU-ČSL gradually settled down to maintaining - with little factual justification - that ČSSD and ODS were in coalition and that their own parties were now the opposition. Much was made of the fact that the agreement was unprecedented in the democratic world, but in reality the two major parties had merely committed to paper - in true, legalistic Central European tradition - an arrangement that might elsewhere have been agreed informally.

What, then, was the actual purpose of the two largest parties ostentatiously entering into an opposition agreement? First, they were attempting to declare as fact what was actually merely - at that point, at least - their fervent desire: that the Czech Republic should have a two-party system in which ČSSD and ODS took it in turns to rule unhindered. Secondly, they were attempting to circumvent President Havel and limit his power to intervene in parliamentary and party politics, which was most marked at times when government formation was difficult. He was clearly a supporter of the smaller parties, and had been most comfortable with the consensual, low-profile government of the non-party Tošovský, which was nearer in spirit to the broad, inclusive Civic Forum movement which he had led in the Velvet Revolution. Thirdly, the most significant of the constitutional changes envisaged was an amendment of the electoral law from a proportional to a 'majoritarian' system, where clear parliamentary majorities would (allegedly) eradicate the instability of coalition government - and place power instead in the hands of ČSSD or ODS.

The most lasting effect of the 'opposition agreement' was therefore likely to be a change of the electoral law in favour of the major parties. Precise intentions were not immediately clear, however, as vague talk of a 'majoritarian' system conceals the complexity of the options available. In order to concentrate power in the hands of ČSSD and ODS, a British or American one-round first-past-the-post system would be necessary, where the person with the most votes in any constituency wins the seat; yet there is little informed discussion, or

apparent understanding of, the fact that British and American parties are completely different political animals, and what this might mean for Czech politics. Moreover, the normal East-Central European variant of the majoritarian electoral system is the French model already used for the elections to the Czech Senate (upper chamber), where the candidates with the most votes in the first round of elections enter a second run-off election. In 1996, this system produced the same number of parties in the Senate as the 1998 lower house elections.

A two-round majoritarian system would doubtless reduce Communist representation in the lower chamber, as it has in the Senate, and this would ease the problems of government coalition-building since currently the 24 Communist deputies are considered 'untouchable', while their presence in parliament makes it harder for any other two (rather than three) parties to reach the magic figure of 101 deputies necessary for a parliamentary majority. However, the age structure of Communist voters makes their party likely to experience long-term decline, and removing their representatives from parliament would not, in any case, alleviate the causes for their discontent. The aim of electoral change is in fact more often perceived - particularly by the endangered parties themselves - to be a reduction of the power of, or elimination of, parties such as US and KDU-ČSL. Obfuscation of the aims of electoral system change is also produced by talk of the democratic value of having deputies with the direct constituency links which are inherent in a majoritarian system. Yet in the Czech Republic, this function is already carried out by the Senators, and constituency representation could also be strengthened by introducing the German version of proportional representation, where half the deputies are directly elected and additional members are added from party lists.

Changes in the electoral system are likely to be contentious, therefore, for three reasons. First, a huge amount of detail has to be negotiated - for example, whether it is acceptable to have majoritarian systems for both the Senate and the lower chamber when the advantages of electing each by a different system have previously been emphasised. Changing the Senate electoral system would be a particularly unpopular waste of time, since it took the Czechs nearly four years to set up the Senate after the 1993 Czech constitution was passed, and many citizens still doubt that it is a necessary institution at all. Secondly, changing

the election system appears to be designed to correct faults in the functioning of Czech politics which are not actually caused by the electoral system at all. The instability of Czech government in 1997 and 1998 was caused primarily by the failure of Czech elites to negotiate reasonably, and also by the nature of the problems faced by what is still a society in transformation. Thirdly, the self-interest motivation of ODS and ČSSD is transparent, notwithstanding their pious talk of national stability. The inherent Czech distaste for the big bullying the small may therefore make it hard to gain widespread public support for an issue that voters in any case consider far less pressing than rents, energy prices and unemployment. For the average Czech on the street, electoral reform, like renegotiating the federation with the Slovaks in 1992, may well end up becoming yet another yawn of the century in which they feel little personal engagement. Yet in the end, of course, public boredom with Czech/Slovak squabbles allowed the division of Czechoslovakia to take place, and the same attitude could allow the ČSSD and ODS elites to change the electoral system.

What is important is the fact that in determining the long-term survival chances of the Social Democratic government and the 'opposition agreement', the issue of constitutional changes will be key. Once such changes are effected, ODS can seek an excuse to bring down the Social Democrats whenever it chooses, since the agreement would appear to have no legal force. And if such changes prove hard to agree, and ODS discontent with Social Democratic policies escalates, the government can also be brought down whenever ODS fancies its chances at the ballot box under the old system. The July 1998 debacle may well make the little centre-right parties more compliant negotiators next time round.

The opposition agreement should thus be viewed as an essentially temporary solution to long-term problems in Czech politics. In the short term, it has brought the two largest Czech parties what they wanted. Miloš Zeman is in government. Václav Klaus, as compensation for not wanting to enter a government in which he could again be held to ransom by smaller coalition partners, has obtained a level of parliamentary power for the duration of the Zeman government by being appointed speaker of the lower house and having substantial influence on committee work.

What determines how Czechs vote?

Discussion so far has focused largely on the elite level of politics, and ignored the wishes and motivations of the people who elected the parties and their leaders. Despite the dislike of politicians for an election result that made coalition-building difficult, public reaction immediately after the results were announced seemed reasonably content, with a majority of those asked in instant polls thinking that the result would be favourable for the Czech Republic and very few thinking that the new government (whose composition could at that point only be guessed at) would be worse than the one before.⁷

This optimism may possibly be a result of the belief of centre-right voters that the Social Democrats had lost, but there are also more positive explanations. The first, immediately striking outcome of the elections - the unexpected defeat of the Republicans - produced an instant wave of satisfaction and relief, which could be shared even by the politically alienated Roma who had been the particular target of an appallingly racist Republican election campaign which appeared to have contravened Czech law. Furthermore, voters do not actually much like non-party prime ministers who form governments mid-term without a popular mandate, and the elections therefore produced a certain sense of empowerment among citizens.

A few comments can be made about the general way different social groups of voters turned in the elections. According to an exit poll,⁸ there were some gender differences in voting patterns. Most notably, the Republicans were a predominantly male party, with nearly two-and-a-half male voters for every woman. Women were 3 percentage points less likely than men to vote Social Democrat and similarly more likely to vote ODS; and they were also more likely to vote Communist and Christian Democrat than men, though this may partly reflect the higher proportion of women among older voters, who are more likely than average to be Christian Democrat or pro-Communist.⁹ Predictably, those over sixty were also three times more likely than the average voter to opt for Pensioners for Life Security. Youth was relevant, too, and first-time voters were slightly less inclined to the left than older voters, and were, in particular, much less likely to vote Communist, but more than twice as likely to vote Republican.

It was, however, social class, education and wealth which really

defined the Czech party system. The educated, the urban and the self-employed were far more likely to vote for ODS or US than for left-wing parties. Prague, with its abnormally low unemployment rate, demonstrated a voting pattern quite unlike the rest of the country. The 25 (from a total of 89) districts where ODS managed to better the Social Democrats included all the 13 Prague districts and the commuter areas of Prague East and Prague West, and it was precisely in these 15 districts that ODS towered over ČSSD, gaining between half and two and a half times more of the vote. In the other ten districts where ODS led - the cities of Brno and Pilsen, the Hradec Králové, České Budějovice and Mladá Boleslav areas, and five other Bohemian districts - their margin over the Social Democrats was just a few percentage points. In Miloš Zeman's Northern Moravian heartland, with its high unemployment rates, the Social Democrats were the largest party everywhere, and they even beat ODS impressively in the Czech Republic's third and fifth largest cities, the heavy industrial centre Ostrava, and Olomouc.¹⁰

In terms of occupation and education, students were twice as likely to vote ODS as ČSSD, and ODS led ČSSD by ten percentage points (34 per cent of the vote as opposed to 24 per cent) among graduates. Both groups were also twice as likely as the average voter to have opted for US, and less likely to have voted Communist.¹¹ The gulf between occupational groups is even stronger. Among the self-employed, 46 per cent voted ODS compared to only 20 per cent for the Social Democrats. Among workers, on the other hand, 42 per cent voted ČSSD and only 15 per cent ODS. Not surprisingly, income correlates to party preference in a similar way to education and occupation: the two urban centre-right parties attracted over 60 per cent of voters with an income above 20,000 crowns a month (the average is about 12,000 crowns a month), with 47 per cent voting ODS and over 14 per cent US.¹²

What is also important, however, are the long-term trends in Czech voting. Detailed analysis of the 1992 and 1996 election results has shown that two factors phenomena appeared to be affecting the way Czechs vote: a general shift to the left, and also a consolidation of the ODS and ČSSD vote along class lines.¹³ In 1998, there were indications that the identification of workers with the ČSSD and the self-employed with ODS was continuing steadily to increase. However,

a preliminary look at some of the poll data suggests that as well as a concerted move to the left, what is actually happening in the Czech Republic is a consolidation of the party system whereby voters are more experienced and thus able to identify the real policy alternatives being offered. This makes them more likely to vote for parties with a real chance of gaining executive power and a real chance of exercising it competently. The urge to grasp at simple solutions is declining.

A number of features of the election support this idea. First, the Czechs rejected extremism. Although the term 'extremism' when applied to Czech politics has often been used to stigmatise the two parties in parliament with whom other parties refused to contemplate forming a coalition - the Republicans and the Communists - surveys by the Institute for Public Opinion Research (IVVM) in early 1997 suggested that most Czechs regard the Republicans as extremists, whereas only a about a third as many respondents mentioned the Communists.¹⁴

This view has a some justification. The Communists may reasonably be labelled as 'anti-system': their 1998 election programme highlighted the fact the there was a 'crisis of the whole system', and that 'the reason is in this regime'. They have not thrown of the Soviet-era mantle the same way as many post-Communist parties in East-Central Europe, and surveys before both the 1996 and the 1998 elections indicated that Communist voters show by far the lowest level of support for the post-1989 system.¹⁵

However, they did not embrace the extreme political measures which characterised the Republicans: openly obstructive behaviour in parliament (which was one practical reason for the general relief at their exclusion from the institution post-1998), and violent inner-party arguments after their election defeat. What appears to have happened to the Republicans in 1998 is that they retained the racist hard core of their electorate, but lost all the other voters who had in the past used them to make a protest vote. The Republicans had by far the smallest percentage of voters (less than 7 per cent) who made up their minds how to vote during or after the official end of the election campaign.¹⁶ Although they were the only party to use billboards, and ran a campaign focused on a few simple slogans ('We reject NATO' etc.) that many experts considered before the election to be the most effective of all,¹⁷

it did not actually work. Their racism was nauseous, their promise to combat criminality was an election campaign commonplace, and their economic policies were basically left-wing. Hence the one-time protest voters decided to be constructive and an estimated 100,000 Republican supporters went over to the Social Democrats, while the next largest group of their defectors did not bother to vote at all.¹⁸

Secondly, the unwillingness of Czechs to seek simple solutions to complex problems was shown by the failure of Pensioners for a Secure Life to enter parliament, although they had peaked in opinion polls at over 11 per cent at the end of April 1998. Their policies had the greatest similarity to those of the Communists,¹⁹ both in terms of economic policy and their rejection of NATO, and opinion polls showed their supporters to be, after the Communists, the most enamoured of the pre-1989 regime,²⁰ but very few voters could be convinced that they had something fresh to bring Czech politics. The Pensioners were offended that some labelled them extremist, and angry that President Havel intervened in the election campaign by advising the public against voting for their 'castles in the sky', but in the end it was unclear that anything was to be gained by their presence in a Social Democrat-led coalition government.

Finally, there are indications that some left-wing policies were very popular and were supported even by a majority of people intending to vote for their rivals. These included issues such as those with property worth over ten million crowns (about two hundred thousand pounds sterling) regularly making declarations of their property, higher taxes for the rich, and nationalising and then re-privatising property that had been privatised badly or dishonestly.²¹ If Zeman's government succeeds in implementing left-wing policies, it theoretically has the chance of increasing its support. In practice, life is not likely to be so easy.

What did the parties offer the voters?

The economy

As the major political cleavage in the Czech Republic is a left-right split, the major issue concerning Czechs is the economy, and this is thus the first topic to be surveyed when looking at the election manifestos.²² The problems of the Czech economy which began in 1997 and saw the value of the crown decline sharply continued, and

while the Czech Republic had attained positive growth rates since 1993, in 1998 GDP looked as if it would barely grow at all. In June 1998, consumer prices rose by an annual rate of 12 per cent, with rises in housing costs increasing by over 35 per cent.²³ Moreover, further rises in housing cost were due on 1 July, with electricity to go up 24 per cent, gas 27 per cent and rents by varying amounts of the same magnitude.²⁴ Housing costs still did not account for an enormous percentage of the family budget, and unlike in Western Europe, it was food which was the single largest item of expenditure for most Czechs.²⁵ However, increases in rent (and very often also in energy) were fixed costs that it was hard to avoid, and they therefore caused a high degree of anxiety amongst many voters. The newspapers were full of reports of a decline in consumer spending on everything from cars to beer, which indicated that the economic downturn was affecting people's everyday lives. On top of this, unemployment was gradually rising, and by June 1998 had reached 5.6 per cent, 1.6 per cent more than the year before.²⁶

In the face of these problems, two parties, ODS and US, offered right-wing economic programmes, although US mixed this with campaign slogans emphasising integrity such as 'It is normal not to lie', in order to suggest that they would curb the excesses caused by lack of market regulation under the Klaus governments. Particularly in the case of ODS it was a question of more of the same, with a campaign that publicised a 'cheap state', lower taxes with a 20 per cent standard income tax rate, a general emphasis on citizens' self-reliance and a belief that market forces were the best way to solve the housing crisis. The Christian Democrats, on the other hand, supported a 'social market economy' and the EU's Social Charter, and party chair Lux specifically rejected Klaus's idea of a standard income tax rate as 'evident support of narrow groups of rich people'.²⁷

The Social Democrats' programme aimed at creating a more regulated market than the 'Wild East' which had developed under Klaus, and it specifically disagreed with many of the policies of Klaus's governments: for example, it considered that a temporarily unbalanced budget was acceptable, wanted child benefit again paid to all and supported - like the Christian Democrats - more state investment in building new homes. The most left-wing programme was, not surprisingly, that of the Communists, who attacked the whole existing

system and openly propagated higher taxation of the rich, more direction of the economy and more price regulation.

European integration

From a broader perspective, the crucial issue facing the Czech Republic is European integration, first into NATO and then the EU. The NATO issue had largely been decided by the time of the election, and with exception of the Communists, all the parties elected to parliament were broadly in favour. The Social Democrats' manifesto supported 'consulting citizens by means of a referendum for example on joining the EU or NATO', but in their government programme omitted the NATO referendum on the grounds that it was now simply too late to hold one without delaying entry.

The Communists were also the most negative party with regard to the EU, and warned against 'entering the European Union under conditions which place our Republic in the situation of a colony regarded by stronger countries only as a market open for their surpluses and a source of cheap labour'. However, their manifesto was supportive of those parts of EU policy supporting citizens' social rights, such as the Social Charter, and cited 'European practice' or 'European development' on issues where this could be used to legitimate policies such as a reduction of the working week to 35 hours.

The Social Democrats on the other hand were one of the most markedly pro-EU parties. They did not share ODS's reservations about the EU's resemblance to an outmoded model of social state, or its fears about the Czech Republic disappearing amid supranational structures and a Europe of the Regions. On the contrary, the Social Democrats were keen to emphasise the influence of Social Democrats within EU structures and the governments of most current Member States of the EU. Hence the view from outside was that a Social Democratic government, with close party links to West European governments, could have the edge over other parties in negotiating EU entry. Its domestic opponents were also able to console themselves by the thought that the Social Democrat's 'Euro-optimism' could be useful in restraining any excesses of state intervention in the economy which violated EU free market principles.

Linked to the issue of European integration, however, was another

issue which the Czechs may find it much harder to cope with. The Czechs have been widely criticised since the division of Czechoslovakia for their treatment of the Roma minority, who found it particularly difficult to gain Czech passports, and the question was raised as a problem in the European Commission's July 1997 opinion on the Czech Republic's application for EU membership. Shortly afterwards, the problem 'spilled over' dramatically into the EU member states, most particularly the UK, as Czech and Slovak Roma began to arrive and lodge applications for political asylum, some of which were approved by British courts.

The Czech Republic's aspirations of EU membership thus proved highly useful in forcing Prague finally to address a problem which the Klaus governments had preferred to sweep under the carpet. This process of treating the issue seriously was commenced under the Tošovský government, and addressed in most of the election manifestos - cursorily in the case of ODS and the Communists, who appeared to regard the Roma minority primarily as a social or educational problem, and in more detail in the case of the Christian Democrats and US, who had separate sections on their minority policies. The question was not explicitly raised by the Social Democrats at all, although it was dealt with in their eventual government programme. Here, the government stated that it believed the Romany community to be 'a natural component of Czech society', and the need to educate the Czech majority was placed before the need to raise the educational level of the Roma. Its success in realising these policies will be an interesting test of Czech abilities to deal with sensitive and complex issues of civic rights, and of the country's preparedness to integrate into the broader Europe. Unfortunately, it is also an area where successes are limited within the current Member States.

The new government

Glancing at the group photos of the new Social Democratic ministers which appeared in the Czech press on 20th July 1998, the immediate impression is unexpected for a government brought to power on the winds of change: it looks immensely old-fashioned. The government is entirely composed of men, and has an average age of 54. Five of the 19 men are over 65, while only two are under 45. This is particularly

surprising when one considers that post-communist politics - a venture embarked on by all generations at the same point in time - tends to have thrown up large numbers of young politicians into high positions. One might look for a particularly Czech explanation for the age structure in the government, namely that it contains a high number of 1968 reform communists. However, this hypothesis cannot be verified: although the government contains seven one-time members of the Communist Party of



Miloš Zeman

Czechoslovakia (including Prime Minister Zeman), and six of these had left by 1970, they are in fact evenly spread through the entire age range of the government.²⁸

The omission of women is also surprising given that the ČSSD operates twenty-five per cent gender quotas in all its structures at lower levels. A cynic might suspect that the party encourages women only in areas which do not really matter, and abandons any commitment to equal opportunities when it is dealing with 'really important' issues - rather in the way that the Communist regime used to welcome them in the powerless parliaments which ritually rubber-stamped decisions already reached elsewhere, while keeping them out of the Communist Party presidium where the real power was wielded. Miloš Zeman added fuel to the fire by his flippant responses to queries about his exclusively male government: he stated that he was dissatisfied with this 'and would try to correct the situation', but then added:

At least in the first two years this will be a government of the suicidal. I wouldn't like talented women politicians from the Social Democrats to be unnecessarily burdened by their popularity and prestige sinking because they had to resolve extremely demanding and almost unprecedented tasks.²⁹

The most optimistic observation which can be made is that at least in the Czech Republic, unlike in many other post-Communist societies,

the omission of women was immediately noticed as a flaw for which an immediate explanation should be demanded.

The unbalanced composition of the government is even more puzzling when one bears in mind that the Social Democrats' main election poster portrayed Miloš Zeman alongside party Vice Chair, Petra Buzková, and Parliamentary Party Leader, Stanislav Gross, who are aged 32 and 28 respectively. They also emerge in opinion polls as the most popular politicians in the Czech Republic,³⁰ and their presence in government could have assisted it in convincing the public of its merits.

There are two explanations for the omission of Buzková and Gross from Zeman's government. First, it may indicate that the Czechs are much nearer to the political science model of the separation of the legislature (parliament) and executive (government) than many states, most particularly Britain. Both Buzková and Gross added the role of deputy chair of parliament's lower chamber to their party posts after the 1998 elections. It should be noted that the chair of the lower chamber was now, thanks to the 'opposition agreement', Václav Klaus. The fact that three of the country's most prominent politicians had chosen such roles indicates that parliamentary posts are considered as influential, and as important a career move, as government ministries. Government party representatives in parliament carry out the important political job of getting legislation passed, unmangled by committees, which is not easy when the government has no majority, or a small one endangered by discontents among their own deputies.

The government itself comprises people with subject expertise - for example, the health minister is likely to be a doctor, and the education minister a teacher - who may or may not be deputies. In Zeman's government, 8 of the 19 ministers were deputies, and three senators. They are there to do a professional job, rather than as top politicians. In order to introduce political co-ordination, Zeman increased the size of the Cabinet by three by adding three vice premiers without a portfolio who were to oversee European integration, economic affairs and legislation. This rather clouds the political decision-making process, and may make it easier for the Social Democrats to pass the blame and unpopularity on to individual ministers if things start to go wrong.

Secondly, however, the fact that a party's leading members do not wish to be in government may tell us less about the powerful role of

the Czech parliament and more about the way Czech parties are organised. The omission of leading Social Democrats from the government produces the potential for inner-party division. The government was very much regarded as Zeman's government, and there was little notion that various leading figures in the party had to be included whether he liked them or not. Omitting Buzková and Gross from the government strengthens their hand should Zeman encounter difficulties later on.

Although the Czech Republic now has a Social Democratic government, it is not, therefore, the only Social Democratic government possible. It rules in unfavourable circumstances, and will have difficulty getting legislation passed, and many of the young, dynamic forces in the party have been omitted. Its failure would not therefore necessarily indicate a defeat for the party as a whole and its political ideas.

The outlook

Zeman's government was presented to the public on 7 August 1998, prior to a parliamentary vote on 18 August.³¹ The government emphasised that the programme was broadly an elaboration of the Social Democrats' election manifesto, although there were a few noticeable omissions. The major criticism was that commonly made of leftist government programmes - 'where are they going to get the money from?' - an it was quickly pointed out that although income tax was not to be raised, a number of indirect taxes were.

The biggest question mark over the Social Democrats' ability to create a more humane and less corrupt form of Czech capitalism lies not, however, over their intentions or their competence but over their ability to pass legislation in a parliament where they do not hold a majority. The major problem with Zeman's government programme is that most of it might remain on paper. ●

Endnotes

1. In Czech, the party is called *Důchodci pro životní jistoty*, literally 'Pensioners for Life Securities'.
2. The explanation for this was that the percentage of votes 'wasted' -

i.e. given to parties which obtained less than 5 per cent of the vote - had decreased from 19 per cent to 11 per cent. The 'cake' of 200 seats was therefore being divided up between more recipients.

3. For discussion of the 1996 election, see Karen Henderson, 'Did the right win the Czech elections?', *Contemporary Politics*, Vol. 2, No. 3, 1996, pp. 127-138.

4. In 1998, the number of 'wasted' votes was almost identical to 1996 - notwithstanding the relegation of the Republicans to the electoral litter bin - so a slightly higher percentage of the vote was translated proportionally into a higher number of seats in parliament.

5. See *MF Dnes*, 27 June 1998, p. 6.

6. For the full text of the agreement, see *Právo*, 10 July 1998, p. 2, or *MF Dnes*, 10 July 1998, p. 2.

7. *Lidové noviny*, 23.6.98, p. 3.

8. The poll was conducted by Sofres-Factum for TV Nova on a sample of about eight thousand voters as they left polling stations. See *Lidové noviny*, 22.6.1998, p. 18; *MF Dnes*, 22.6.1998, p. 8.

9. For example, 33.60 per cent men and 30.77 per cent of women stated that they had voted ČSSD, whereas 7.30 per cent of women and 10.03 per cent of men had voted for KDU-ČSL. Proportionally, this means that the gender gap is larger among Christian Democrat voters. Among people over 60, about 17 per cent voted Communist, compared to 11 per cent in the population as a whole; more than 12 per cent voted Christian Democrat, and 9 per cent for the Pensioners for a Secure Life.

10. For basic statistics on population and unemployment, see Czech Statistical Office, *Statistical Yearbook of the Czech Republic '97* (Prague 1997).

11. *Lidové noviny*, 22.6.1998, p. 18

12. Ibid. In the 1996 elections, high earners had voted ODS and ODA. See Pavel Machonin et al., *Strategie sociální transformace české společnosti a jejich úspěšnost v parlamentních volbách 1996* (Brno, 1996), p. 123.

13. See Petr Matějů and Blanka Řeháková, 'Turning left or Class Realignment? Analysis of the Changing Relationship Between Class and Party in the Czech Republic, 1992-96', *East European Politics and Societies*, Vol. 11, No. 3, 1997, pp. 501-42.

14. See Petr Fiala and Miroslav Mareš, 'Česká veřejnost a extremismus

politických stran', in Petr Fiala (ed.), *Politický extremismus a radikalismus v České republice* (Brno, 1998).

15. See, e.g. the STEM survey cited in Fiala & Mareš, p. 89, and a Median MML '98 survey cited in *Lidové noviny*, 17 June 1998, p. 4.

16. See *MF Dnes*, 27.6.1998, p. 4, for details of June 1998 survey conducted by Sofres-Factum for *MF Dnes* and Czech Radio.

17. See, e.g. *Lidové noviny*, 17 June 1998, p. 3.

18. *MF Dnes*, 22 June 1998, p. 1.

19. For a comparison, see *Lidové noviny*, 6 June 1998, p. 3.

20. See surveys reported in *MF Dnes*, 25 April 1998, p. 3, and *Lidové noviny*, 17 June 1998, p. 4.

21. See details of Sofres-Factum survey for *MF Dnes* and Český rozhlas in *MF Dnes*, 2 May 1998, p. 3.

22. All the parties which entered parliament published their election manifestos on their internet sites, from which all details below are taken.

23. *Lidové noviny*, 10 June 1998, p. 17.

24. *Politika v České republice*, Vol. 2, No. 2, 1998, p. 46.

25. *Lidové noviny*, 10 June 1998, p. 17.

26. *Právo*, 10 July 1998, p. 1.

27. *Lidové noviny*, 17 June 1998, p. 2.

28. For biographical details of the ministers, see *Týden*, No. 31, 27 July 1998, pp. 26-35, or the ČSSD internet site at www.socdem.cz.

29. *MF Dnes*, 20 June 1998, p. 2.

30. The IVVM figures given on the ČSSD internet site at www.socdem.cz/tisk.htm showed 67 per cent popularity for Buzková and 62 per cent for Gross, while President Havel, one-time permanent favourite of the Czech people, got 57 per cent and Miloš Zeman 35 per cent.

31. The whole government programme was available on the Czech Government internet site at www.vlada.cz/vlada/dokumenty/prohlas.asc.htm.

Jan Kavan, Czech Foreign Minister

The new Czech government announced, on 19 July, the appointment of Jan Kavan as Foreign Minister. Most British readers of *Labour Focus*, especially those from the pre-1989 period, will be familiar with Jan Kavan from his work in Britain in support of Czech dissidents and the East European civil rights movements after the Soviet invasion of his country in 1968.

An activist in the Prague Spring, Kavan emigrated to Britain in 1969. He established the Palach Press Agency in 1974, the main source of information abroad on the Czech civil rights movement. Most of the Czech material in this journal (*LF* was established in 1977) in those years was supplied by Jan Kavan.

In Britain he was also an active supporter of the East European Solidarity Campaign, established by Vladimir Derer, and was a frequent speaker at EESC fringe meetings at Labour Party Conferences. He joined the Labour Party in 1982. In 1985 Kavan established the journal *East European Reporter* (1985-1990).

Returning to Czechoslovakia at the time of the Velvet Revolution, he was elected to parliament in the first election of 1990. He joined the ČSSD in 1993. Unjustly accused by his opponents of having collaborated with the Czechoslovak secret police after 1968, Kavan's name was subsequently cleared. His many friends in Britain will wish him well in his new post.



Jan Kavan

Gus Fagan

László Andor

New Striker in Old Team Parliamentary Elections in Hungary, May 1998

The election results

The parliamentary elections of Hungary in 1998 resulted in two major changes in the power structure of political parties. First, the elections were won by a new right-wing coalition that emerged from the reconstruction of previous ruling parties of the early 1990s. In this sense, the Hungarian results followed the Polish example of 1997, when the ruling post-Communist Social Democratic party was replaced by a revitalised Solidarity coalition. Second, first time in the post-Communist era, an explicitly far Right party entered parliament, similarly to the East German state elections just a month before the Hungarian elections.

The Hungarian elections were won by the Right despite the fact that the party that won the most votes was the Hungarian Socialist Party (MSZP)—the only parliamentary force of the Left. Just like in 1994, MSZP won 33 per cent of the popular votes.¹ Due to the highly disproportional electoral system, however, this 33 per cent was enough for 54 per cent of the parliamentary mandates in 1994, but only for 35 per cent of the seats in 1998. Due to the fragmentation of the Right in 1994, MSZP then won nearly all individual constituencies. By 1998, the unity of the Right prevented them to win any seats in seven counties (Győr-Moson-Sopron, Vas, Veszprém, Zala, Csongrád, Bács-Kiskun and Pest).

MSZP remained dominant in the traditional industrial districts of the North, mid-West and South-West, and also in the poorer agricultural zones to the East of the river Tisza (Wiener 1998: 12). The Independent Smallholders Party (FKGP) became a leading force in the regions formerly dominated by the rich peasantry, and the Alliance of Young Democrats—Hungarian Civic Party (Fidesz-MPP) carried the conservative West, mainly by attracting the former voters of the Christian Democratic People's Party (KDNP) and the Alliance of Free Democrats (SZDSZ). Due to fatal infighting of several years, KDNP as a party did not qualify at all for the new parliament, while SZDSZ was diminished into a small party.

In the first round, just slightly more than half of the electorate participated in the elections. This ratio was much lower than the roughly two thirds participation of 1990 at the first post-Communist “free” elections and of 1994 when participation was stimulated by the need to overthrow an apparently rotten, reactionary coalition. In 1998, political scientists suggested that a low turnout would benefit the Socialists who possess the most disciplined membership and constituency. In as much MSZP repeated their 1994 score, the forecast was right. However, the low turnout did not prevent the entry into parliament of the far right Party of Hungarian Justice and Life (MIÉP), and the emergence of a right-wing coalition supported by a disciplined constituency ready to vote for other parties in case their leaders asked for that.

The entry of MIÉP was not forecast by political analysts and, according to the rules of the house, they were not meant to form a parliamentary faction with only 14 representatives. Before 1993, MIÉP constituted a right-wing in the then ruling Hungarian Democratic Forum (MDF). When some foreign politicians, including Tom Lantos of the US Congress, made it clear that such a tendency is not accepted by the international community, their leader István Csurka was expelled from MDF and some new rules were adopted to prevent them to form a faction and to re-enter parliament in 1994. These new rules required at least 15 deputies to form a faction² and at least 5 per cent of the popular votes to be able to enter parliament. In 1998, however, MIÉP passed the 5 per cent limit with ease and the Constitutional Court decided that despite having only 14 deputies in parliament they must be allowed to form a faction. Thus, first time in the history of the new parliamentary pluralism

in Hungary, the final result of the elections was determined not exclusively by the electorate but also by the Constitutional Court.

Table 1. Election results in Hungary , 1994 and 1998
(number of seats)

Party	1994	1998
MSZP	209	134
SZDSZ	70	24
Fidesz-MPP	20	148
MDF	37	17
KDNP	22	0
FKGP	26	48
MIÉP	0	14
Independents/Others	2	1

Source: *The Economist* 1998: 25

The failure of the Socialist-Liberal coalition

Until just a few weeks before the elections, MSZP seemed to be a likely winner of the race, which made many observers blame the weak campaign for the defeat the party suffered “unexpectedly”. Most Socialists were confident or even complacent during the campaign because of the improving macroeconomic figures of the country and the substantial lead of MSZP in the opinion polls. The actual unity of the right-wing parties became apparent only in the last weeks or even days of the race, which also showed that the recovery of the popularity of MSZP in 1997 and early 1998 was only temporary.

The recovery of the Socialists, similarly to that of the macroeconomy, was indeed remarkable, but it did not completely eliminate the impact of two major blows the popularity of the ruling coalition suffered between 1994 and 1998. These blows were inflicted by the stabilisation measures of 1995 and the corruption scandal of

1996. MSZP lost and FKGP gained popularity in the first case, while Fidesz-MPP picked up what was lost by MSZP in the second case. SZDSZ was hit by both factors, which accelerated the continuous decline of the party that did not stop even temporarily.

In March 1995, the stabilisation package of the Horn-government was introduced by finance minister Lajos Bokros. Despite being a minister only for a year, and leaving the country soon after, Bokros and his package was the basis on which the evaluation of the Socialist-Liberal government was possible in 1998. The Socialists claimed that the Bokros-package was the only way to sort out the financial problems of the country in a hostile international environment. The implementation of the harsh austerity measures restored the international respectability of Hungary and her government, which accelerated the inflow of foreign capital and lowered the interest rates on the foreign debts of the country. When Bokros left office in March 1996, Hungary could sign an agreement with the IMF again and became member of OECD. In the second half of the four year governmental period, economic growth was significant, and the workers and public sector employees experienced some increase in their real incomes too.

The Right has opposed the Bokros-package ferociously. They claimed restriction was unnecessary and the crawling devaluation of the forint—that was implemented also in 1995 March—caused more harm than good by boosting inflation. Bokros also wanted to cut much of the social benefits inherited from the Kádár era, which was—though temporarily—obstructed by the Constitutional Court,³ and declared inhuman by the Right. In a number of issues, the moderate Right and the radical Left shared their criticism of the neo-liberal economic and social policies of the government.

The Bokros-package was controversial enough, but the popularity of the ruling parties was even more damaged in Autumn 1996, when a major corruption scandal surfaced. The affair was related to the privatisation revenue owed by the national privatisation agency (ÁPV Rt.) to the local governments. The leaders of ÁPV Rt. hired a private lawyer to broker deals between the agency and the municipalities, and her oversized “success fee” was tapped by financial agents close to the two ruling parties. Horn sacked his privatisation minister Tamás Suchman and the entire board of directors of ÁPV Rt. but the belief in

the morality and expertise of MSZP and SZDSZ was nevertheless gone.

Despite these two blows, and the impact of the crisis of Socialists in Yugoslavia and Bulgaria in early 1997, the popularity of MSZP started to recover and the party was expected to win the elections again. Indeed, they won the most popular votes in the first round of the elections and managed to increase the number of their voters to nearly two million by the second round. This relative success, however, could not compensate for the losses suffered by their coalition partner, the Free Democrats.

The campaign slogan of SZDSZ claimed that we just need “to keep the right direction”. This phrase was nothing but a failure when the majority of the population believed that, with corruption in the government offices and increasing social differences, the country was not going to the right direction. The credibility of SZDSZ was also damaged by the rapidly deteriorating public security in Budapest and other major cities under a Free Democrat interior minister.

The two ruling parties believed that it was enough to present the improving international acceptance of the country (NATO and EU integration) and the favourable macroeconomic figures of 1997 and 1998. They failed to understand that the electorate needed something more - a vision about a different society that provides hope for those hit by the repeated austerity packages. The pragmatic attitude of MSZP ceased to be a virtue, and the lack of vision became apparent when the Socialists were facing the ambitious Young Democrats at the election campaign.

The reconstruction of the Right

Fidesz-MPP belonged to the smaller parliamentary parties in both 1990 and 1994. Their popularity was temporarily inflated in 1992 to about 40 per cent, following the rapid disillusionment from the then ruling MDF. Both the political situation of the country and the profile of Fidesz had to change until the party became the main ruling political force of Hungary.

Out of the many changes of the recent years, most foreign observers highlighted the long journey Viktor Orbán (35), the leader of Fidesz-MPP since its foundation, had already made in his political

convictions since 1988. According to Tina Rosenberg of *The New York Times*, Orbán stood a Thatcherite platform in the early 1990s, while now he is economically a populist and in social issues he represents a conservative, Catholic line (*Népszabadság* 1998: 3).

In the 1989-1990 period, Fidesz was presented as a liberal party whose main concerns were human rights and environmentalism. Orbán, just like his friends in the Fidesz faction of the first post-Communist parliament, walked to the meetings of the parliament in jeans.

Yet he turned Fidesz into a party with mass appeal by sounding anything but liberal. His economic pronouncements are tinged with demagoguery: taxes and inflation will be lower, he promises; growth faster; welfare more generous. He also champions the ethnic Hungarians living outside Hungary in ways that unnerve Romania and Slovakia, where most of them live. And he has rattled the EU: for the sake of those Hungarian cousins, he has said, Hungary should not join the EU's borderless Schengen area until they are in it too. And all good Hungarians should, like him, have three children. (*The Economist* 1998: 25)

In 1993, Fidesz and SZDSZ - together with the Entrepreneur's Party and the Agrarian Union - formed a shadow coalition expecting the rise of a Liberal bloc. A year later it became clear that Hungary will never have a purely liberal government. For Orbán's team the only way to government office was to become part - and if possible, a leading force - of a broad Right. "Budapest is worth a mass" could have been Orbán's philosophy that guided him in building a conservative Hungarian Civic Party on the ruins of the liberal Fidesz.

Orbán's party started to move to the Right from the Liberal centre as early as 1993, well before the 1994 elections, when Viktor Orbán got rid of the other popular leader of the party, Gábor Fodor. Fodor was followed by other liberal - or left liberal - politicians while Orbán invited more and more ex-MDF and ex-KDNP politicians into the party. The age limit of the party was abolished and the name was amended to be acceptable for a broader right-wing constituency.

The strengthening of the social basis of the new right-wing coalition was due the awakening of the new entrepreneur class. Back in 1990, MDF was the party of the domestic entrepreneurs. The meltdown

of MDF by 1994 was a political expression of the critical condition of this small business class. The MSZP-SZDSZ coalition pursued the policies of an alliance between the multinational business sector and the domestic organised labour. The campaign of Fidesz-MPP promised compensation for the domestic middle class by restoring their benefits abolished by the Horn-government⁴, diminishing the influence of labour in national politics, and restricting the positions of foreign capital in the Hungarian economy.

At the 1998 elections, Fidesz-MPP was campaigning on the basis of civic values which was also expressed in the popularisation of the new and full name of the party: Fidesz-Hungarian Civic Party. The Hungarian equivalent of "civic" (*polgári*) incorporates the meaning of citizen and bourgeois, and also that of civilian. Thus, the widespread use of this word left a good deal of doubt about the proper meaning of the intentions of Fidesz-MPP, nevertheless it was good enough to crystallise the strengthening class consciousness of the new entrepreneurs and the conservative minded civil servants.

Orbán managed to increase his popularity among students and other young people by promising greater material security and better life prospects for them. Since Horn pursued a neo-liberal economic policy, for Fidesz-MPP it was easy to expropriate traditional socialist demands and turn them against the Socialist-Liberal coalition, claiming that a civic government would achieve what the left of centre parties had promised (Bayer 1998: 23)

As a clear indication of his political objectives, Orbán made an electoral alliance with MDF more than one year before the elections. When KDNP was splitting, the Fidesz-MPP faction incorporated the liberal wing of KDNP that later formed the Christian Democratic Alliance (KDSZ). In addition, following the agricultural demonstrations of early 1997, and particularly the land debate of autumn 1997, a tacit co-operation emerged between Fidesz-MPP and the Smallholders too. This slow convergence turned into an open agreement a few days before the second round of the May 1998 elections, and developed not just into the formation of a common government, but also a pact on the subsequent municipal elections and the presidential election of 2000.

During the campaign, Orbán rejected any open co-operation with the tiny Hungarian Democratic People's Party⁵ (MDNP) too, but this

approach changed in June when the new government was being formed. He was completely surrounded by the remnants of the old Antall brigade. Though it was Fidesz-MPP that collected much of the right-wing vote, it looked as if a reunion of Antall's team hired a new captain to restore chances to qualify for the Premier League. And it worked. Orbán and some other Fidesz politicians provided a fresh media face for more conservative social and political groups.

The overall right-wing revival benefited not only the moderate and populist Right forces but also the neo-Nazi Hungarian Party of Justice and Life (MIÉP). Though the activists of MIÉP co-operated with other right-wing forces on the local level, they had no chance in becoming part of the new government. Nevertheless, they voted for the programme of the Orbán government when it was put before the parliament in early July.

The new government: personnel and policies

Following the announcement of the election results, president Árpád Göncz invited Viktor Orbán to form a coalition government. For him it was obvious to start negotiations with MDF and then with FKGP, though the possible alliance with the latter was denied before the public until the last moment. The coalition agreements with the two parties were signed at Hotel Gellért - a building with notorious right-wing political legacy.⁶

The most apparent feature of the new government is that the structure of government institutions and the distribution of portfolios is dominated by party political horse trading. On the side of "human areas", a fragmented structure of ministries emerged, while on the side of the economy some highly concentrated, strong offices were constructed. (The ministry of the economy was created on the basis of the former ministry of industry and trade by adding certain authorities from the previous ministries of finance and labour. Agriculture, previously a single portfolio, now captured regional development too.) From this distribution of forces we can expect that the ministries of culture, education, health etc. will be fighting their struggles for more resources individually against the strong economic ministries with less success than before.

In certain cases, the re-organisation was justified by "following

a Western pattern". Thus Orbán established a ministry of the national cultural heritage, explicitly on the pattern of the short-lived ministry established by British Prime Minister John Major in 1992. Also similarly to John Major, Orbán abolished the ministry of labour, and distributed its authorities to the ministries of the economy, education, and the social and family affairs.

One of the first measures of the new government was the abolition of the self-government of social security boards that was established in the Antall era. The alleged reason for abolishing the self-governments for health and pensions was that these funds operated under a board of laymen and a corrupt management, and that their control became illegitimate after their leadership was renewed on the basis of delegation instead of a general election in 1997. Though much of the corruption accusations are true in the case of the health fund, this move is rather a declaration of war on the trade unions and collective - tripartite - bargaining, and a preparation for the privatisation of the health sector. Another centralisation measure is the subordination of the attorney authority to the government instead of the parliament, which has been the case since the democratic transition began in 1989.

Thus, the second major tendency in the new structure of governance is the strengthening of the executive power at the expense of the legislation. Apart from increasing the number of ministries, now a cabinet minister will be in charge of the prime minister's office, and his work will be assisted by not less than five junior ministers. In the same time, Fidesz-MPP confirmed their previous proposal about decreasing the number of members of parliament substantially. Such a move, however, would require a two-thirds majority in parliament, and thus cannot be carried through without the consent of the Socialists. Nevertheless, in case this step takes place, a much smaller legislation would be supposed to supervise a much larger executive, which would provide greater room for manoeuvre for the latter.

It is not only the structure of governance but also its personnel is very telling about the aims and profile of the new coalition. In this "Fidesz-government", there is only one minister - apart from the prime minister - who has been an actual Fidesz politician since the party first entered parliament in 1990. It is László Kövér, who was - together with Orbán - one of the founders of the party in 1988 March. He has always

been on the rigidly anti-Communist Right of the party, and now became Orbán's deputy in case of his absence.

With a few exceptions (eminently Járαι and Chikán), the rest of the ministers have even less to do with liberalism than Kővér. Since in Hungary not only members of parliament can become ministers, most of the members of the Orbán cabinet were introduced weeks after the elections. To the surprise of many voters, a party that is liberal in name brought back the second line of a conservative, authoritarian and nationalist government apparatus left behind from the Antall era (Pintér, Katona, Martonyi, Szabó, Torgyán).

Finance was the area where the nomination of the minister was surrounded by the heaviest social and political bargaining. Zsigmond Járαι was the third person named as finance minister within just a few weeks following the elections. First, before and after the polling days, György Matolcsy was said to be candidate for financial affairs. During the Fidesz campaign, he was the most prominent to argue for the promise of the party to reach and maintain seven percent annual economic growth. He directed the works on the economic manifesto of Fidesz, and published a good deal of articles about the harm done by the IMF, Bokros and others to the Hungarian economy.

The reason Matolcsy fell was that following the appearance of the election results the index of the Budapest Stock Exchange started to dive - a clear indication of the lack of trust in the unfounded promises of the winners, and a rejection of the economic nationalism represented by Matolcsy. Fidesz responded to the crash by nominating Attila Chikán as minister for the economy and László Urbán as minister of finance. Neither Chikán, nor Urbán took part in the election campaign of 1998, but they had been active economic advisors of the party in the neo-liberal period of Fidesz before 1994. The college headed by Chikán was one of the cradles of Fidesz in the 1980s, and much of his students - László Urbán one of them - became prominent members or supporters of Fidesz.

After two weeks of candidacy, Urbán was replaced by Járαι with no public explanation apart from the ten year age difference and the greater experience that goes with it. Unofficial sources, however, suggested that the reason Urbán had to go was that his blueprints about settling the problems of Postabank - the second largest savings bank of

the country—were unacceptable for Viktor Orbán and his advisors.

The foreign policies of the new government will be managed by János Martonyi,⁷ a lawyer who served József Antall as state secretary in the ministries of foreign economic affairs and foreign affairs. Due to the favourable opinion the Western governments developed about the Horn-government, Martonyi promised no change in the foreign policy of Hungary, i.e. to preserve the three major foreign policy objectives of the 1990s: the Euro-Atlantic integration, the good neighbour policy, and the support of the Hungarian minorities abroad.

Though Martonyi and his deputy Zsolt Németh promised no change in the main objectives, they also hinted some shift in emphasis concerning the practical pursuit of these goals. They said for instance that EU accession would be a priority just like before but the Hungarian interest would be represented more consequentially than under the premiership of Horn and the ministership of László Kovács. Despite the explicit promise of more protectionism, they also marked 2002 as the likely year of accession.

The first foreign trip of the new prime minister was to France, to attend the World Cup final in Paris. Soon after, Orbán went to Paris again to negotiate with President Jacques Chirac. These frequent flights to France do not mean that France was more important for the Hungarian Right than Germany. Orbán paid a visit to Chancellor Helmut Kohl before the elections, and kept in touch with Otto von Lambsdorf, the veteran Liberal politician of Germany. In addition, certain key positions in the new government went to persons long involved in German-Hungarian relations. Gergely Pröhle, long serving secretary of the Friedrich Naumann Foundation in Hungary, became state secretary⁸ in the Ministry of Natural Cultural Heritage, and Tamás Wachsler, a former Fidesz MP, and recently secretary of the Manfred Wörner Foundation, became state secretary at the Ministry of Defence.

Some other appointments of the new government also took a controversial character at first glance. For instance, to head the national tax agency (APEH) and the still remaining privatisation and holding company (ÁPV Rt.), Fidesz-MPP nominated persons deeply involved in the financial management of the party. Lajos Simicska and Gyula Gansperger - together with István Stumpf's brother - have personal stakes in certain companies in need of favourable state regulation for

their business fortunes in the near future. Simicska was also concerned in a corruption case under the Antall government when Fidesz received an implicit state subsidy through the transfer of a Budapest palace they did not need for using as headquarters but sold it and received a huge sum of money that would have otherwise been considered as illegal subsidy.

Table 2: The first government of Viktor Orbán

Name	Portfolio	Party	Profession
Viktor Orbán MP	Prime Minister	Fidesz-MPP	lawyer
István Stumpf	PM office	Fidesz-MPP	political scientist
Attila Chikán	economy	Fidesz-MPP	professor
Árpád Gógl MP	health	Fidesz-MPP	physician
József Hátori	cultural heritage	Fidesz-MPP	biologist
Zsigmond Járai	finance	Fidesz-MPP	banker
Kálmán Katona MP	transport, water	Fidesz-MPP	engineer
László Kövér MP	secret services	Fidesz-MPP	lawyer
János Martonyi	foreign affairs	Fidesz-MPP	lawyer
Sándor Pintér	interior affairs	Fidesz-MPP	police officer
Zoltán Pokorni MP	education	Fidesz-MPP	teacher
Péter Harrach MP	social /family	Fidesz-MPP (KDSZ)	theologian
Ibolya Dávid MP	justice	MDF	lawyer
Imre Boros MP	PHARE	FKGP	economist
Pál Pepó	environment	FKGP	professor
János Szabó MP	defence	FKGP	lawyer
József Torgyán MP	agriculture and regional development	FKGP	lawyer

Source: *Népszabadság* July 8, 1998 and other sources

Note: a ministry of sports and youth will also be set up following the delayed graduation of the would be minister Tamás Deutsch MP (32, Fidesz-MPP).

It became very quickly obvious that the new ruling parties do not take most of their campaign promises seriously. There might be, however, a few they will try to insist on. For instance, the government announced that they would not build any dam on the river Danube. Before the elections, Fidesz-MPP won most of the environmentalist vote by opposing the dam, but now they withdrew the issue of the Gabčíkovo-Nagymaros project from the authority of the ministry of environment, and temporarily gave it to the ministry of economy - a sign of expecting further difficulties in this major international legal case.

The main test of the new government will be whether they will be able to reward their main supporters, the industrial, commercial and agricultural entrepreneurs. The great centralisation and the indirect intervention into the financial sector suggests that they are prepared to provide huge subsidies to the middle classes. Thus it really makes sense, as the official Fidesz-slogans suggest, to speak about “the government of the civic future”, since a “civic present” is largely absent if the supposedly independent bourgeoisie needs to be supported by the highly visible hand of the government.

Orbán declared his cabinet to be “the government of liberty, order, families, economic growth, togetherness, and European co-operation”. The question is how great emphasis all these different areas will get during the actual operation of his cabinet.

The Left in opposition

The defeat of the Socialists at the 1998 elections was unexpected for many, but it was by no means a humiliating defeat. To accommodate to the new situation, personal and organisational changes began immediately. Shortly after the election results were announced, the outgoing foreign minister László Kovács was elected leader of MSZP parliamentary faction. Kovács has long been the most popular Socialist politician - more popular than Viktor Orbán, even after the latter had already formed his government.

Soon after the results came out, Horn announced he would not seek re-election as party leader at the autumn 1998 congress of MSZP. Kovács was expected to become party president, while Horn was expected become honorary president on the pattern of the late Willy

Brandt of the German SPD. He later rejected all positions in the new leadership including honorary presidency. Together with some other leading figures⁹ of the party, he was blamed for the defeat and his withdrawal was seen as a pre-condition for the renewal of the party.

Kovács very quickly started to popularise his view on the revitalisation of the party, by declaring the need for further Europeanisation of MSZP, on the pattern of the British Labour Party under Tony Blair. However, it remains to be seen whether he was just following a main trend in the European political discourse, or he was proposing something like loosening links with the trade unions and abolishing party democracy.

In Hungary, links between the unions and the party were never so close as in the UK. Further loosening of the union links is unlikely in as much Sándor Nagy, the former MSZOSZ leader is expected to become leader of the parliamentary faction of MSZP when Kovács becomes president of the party. As a younger politician, Nagy is more likely to become candidate for premiership of MSZP at the 2002 elections.

Former contenders of the party leadership have been shifted to minor positions. Magda Kósa Kovács, former minister of labour and later general vice-president of the party, has become chair of the human rights committee of the parliament, and Imre Szekeres, former faction leader of MSZP became chair of the budget committee. Kósa Kovács is also expected to become chair of the national council of MSZP by replacing Ferenc Baja, former minister of the environment, who is considered to be one of the loyal lieutenants of Horn.

The reconstruction of MSZP, and of the broader opposition, may take too long time. The municipal elections of 1998 October may again turn out to be a contest between a united Right and a disunited Left. In the most important case, both Gábor Demszky of SZDSZ as incumbent and Béla Katona of MSZP as challenger are expected to run for the mayor of Budapest, while the candidate of Fidesz-MPP is expected to receive support from all government parties including the Smallholders.

Whether MSZP and SZDSZ will be able to mount a challenge against the united Right will not only be a matter of campaign and election tactics but also of the reconstruction of their social basis. It has already been recognised that MSZP had very little appeal to the young generations of Hungarians and, since 1994, lost some ground among

the blue collar workers too. The question is whether the British Labour Party or any other West-European party is a suitable example for the Hungarian Left.

MSZP is still a broad political force with various tendencies inside. While the Right still insists on the neo-liberal course set by Bokros, the left platform has openly criticised Kovács's Blairisation, and demands MSZP to turn itself into a Left wing people's party. The platforms of the party crystallise certain views but the real question is which social and economic groups will need MSZP as a potential governing organisation in the future. Large sections of the financial and business community, the strongest trade union federations, pensioners and intellectuals have equally supported MSZP since it was formed in 1989. The balance of power between these groups will shape the profile of the party at the turn of the century, depending on which of them will be first and most disillusioned with the incumbent government.

In terms of parliamentary politics, MSZP still has no alternative on the Hungarian Left. The Workers' Party won less than 4 per cent of the votes and remained outside parliament again, while the Social Democratic Party scored even weaker and sunk into political insignificance. Forming new parties is very unlikely, given the bias of the electoral system against small parties and the lack of resources in radical Left circles.

With more than a third of the seats in the new parliament, MSZP can act as a strong opposition party in the next four years. However, the number of representatives is not the only key to strength. They will have to review much of their policies pursued in the last four years, and they also need to oppose the measures of the new government firmly if they want to return to office in 2002 on a coherent and progressive platform. ●

Endnotes

1. Jemnitz (1998) is wrong to claim that in 1994 MSZP “won a landslide victory with 54 per cent of the total votes cast.” 54 per cent was the eventual percentage of mandates held by the Socialists, but their share in the popular vote was only 33 per cent.
2. The benefit members of parliament enjoy once they formed a faction is that they can be represented in various committees of parliament, they are given more opportunities to speak from the floor, and they have greater room for manoeuvre to influence the agenda of the house.
3. The function of the Constitutional Court is to judge whether a new law is in line with the spirit of the Constitution or not. In their decisions, the Court has displayed a predominantly conservative attitude. It should be noted that the CC of Hungary holds much greater authority and power than any similar bodies in other countries.
4. Much of the entitlements to social benefits abolished by the Socialist-Liberal government (family and child care benefits, free higher education etc.) had supported the middle class primarily. The Horn-government also attempted to impose stricter taxation on the domestic entrepreneurs.
5. MDNP emerged from a split in MDF in 1995. Their prominent politicians, former minister of finance Iván Szabó, former minister of foreign affairs Géza Jeszenszky and former interior minister Imre Kónya presented themselves as the true followers of the Antall legacy.
6. In 1919, Admiral Miklós Horthy announced the seizure of Budapest after defeating the troops of the short-lived Hungarian council republic with the support of the French and Romanian armies.
7. Under the last so-called Communist government lead by Miklós Németh, Martonyi was chairman of the board of directors of the privatisation agency.
8. The state secretary is in charge of the actual operation of the ministerial apparatus. Unlike the minister, he or she is not member of the cabinet, and in principle the state secretary ought not to be replaced when the government is changing.
9. The campaign chief Imre Szekeres was unable to seek re-election as leader of the parliamentary faction. The outgoing speaker of the parliament, Zoltán Gál, was prevented by the faction to become deputy speaker when, after a surprise challenge, former junior minister for the environment Katalin Szili was nominated instead.

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Poland 1968

One of the less edifying 1968 anniversaries, which should nevertheless not be forgotten, is the disgraceful episode of the anti-Semitic purge of March 1968 in Poland, led by General Moczar and his associates. Many of these were veterans of the Communist partisan forces in Poland - as opposed to those, like a number of leading Jewish communists, who fled the Nazi occupation and returned with the Red Army.

Jewish communists became prominent in the Stalinist security apparatus in Poland, as in a number of other central European countries and in the Soviet Union itself, apparently owing to Stalin's deliberate policy. People in such positions were naturally extremely unpopular and provided a focus for long-standing anti-Semitic feeling, thereby perhaps becoming more dependent on their master and inhibited from developing any independent power base. Their children were evident among the left-wing radical youth from privileged backgrounds, characteristic of 1968, and became the targets of anti-Semitic slurs themselves, but this time orchestrated by the regime itself. Moczar exploited this situation for factional ends and the campaign was tolerated by Gomulka, to his ever-lasting dishonour and with the tragic results described below.

The article that follows is translated from *Dalej!* (Summer 1998), the Warsaw based journal of the Revolutionary Left Tendency, which supports the Fourth International. *Dalej!* can be contacted at: PO Box 76, 03-912 Warszawa 33 or on e-mail: [dalej_nlr@hotmail.com.pl](mailto:dalej_nlr@hotmail.com)

David Holland

Marek Torunski

The Exodus of the Jews and the Death of Jewish Culture in Poland

The problem of the anti-Semitic campaign in March 1968 is not confined to racial purges in the central organs of the state and the PUWP (Polish United Workers' Party). There is a more important aspect than that some apparatchiks of Jewish descent lost their jobs. (It should be remembered too that many of them were people no more politically distinguished than the Moczarites). This more important aspect is the destruction of the remainder of Jewish culture in Poland. In Poland - the land of the Holocaust.

The Jewish community in Poland in the 1960s was certainly not reducible to a few hundred high-ranking apparatchiks. The majority of these were fully culturally assimilated, did not feel themselves to be Jews and maintained no contact with Jewish organisations. At the beginning of the 60's there were about 31,000 Jews in Poland. The community however was still a vibrant one. The Jewish Social and Cultural Association (JSCA) had about 7,500 members.

The Association campaigned to preserve the Jewish language (Yiddish), which had been rejected by the Zionists. There were about 1,500 young people in the JSCA. The leaders of the JSCA, such as Leopold Trepper, David Sfar and Hersz Smolar made great efforts to preserve the Jewish language amongst young people and to educate them in a spirit of anti-Zionism, secular culture and internationalism. The youth were organised in 24 youth clubs and five student ones. There

was a network of Jewish schools - 6 primary schools and 3 secondary ones (in Łódź, Wrocław and Legnica). There was a very well developed movement of amateur art circles.

There were still a dozen or two creative writers working in Yiddish. A monthly literary journal *Jidysze Szrifn* and a newspaper *Folks Sztyme* also circulated outside Poland. Every year the publisher Jidysz Buch issued a dozen or two book titles, which reached 24 countries. The Jewish Historical institute continued to produce the academic journal *Bleter far Geschichte*. The State Jewish Theatre was headed by one of the most important Jewish actresses, Ida Kaminska. This development of Jewish culture in post-war Poland, despite taking place in a tiny community, still had a very considerable moral and political significance.

At the end of the day, what better counter could there be in the struggle against Zionism than cultural development in a Jewish community outside Israel, especially when the leaders of this community condemn Israeli terror against Palestinians.

The years 1967-68 shattered the hopes of the leaders of the JSCA that an enclave of Jewish culture could be maintained in Poland. It counted for nothing that Israel's aggression against the Arab states was condemned by the JSCA. The Moczarites were not interested in campaigning against Zionism, but in an anti-Semitic purge. The authorities closed the Jewish schools. The publisher Yidysz Buch and the journal *Jidysze Szrifn* collapsed. *Folks Sztyme* turned from a paper appearing four times a week to a brutally censored weekly. Ida Kaminska and the majority of the actors at the Jewish Theatre left. After years of struggling against Zionism, Trepper, Smolar and Sfarid capitulated and left for Israel. Only the poet Elias Rajzman remained of the Jewish writers.

After the departure of the majority of their members, the JSCA and the Jewish religious congregations were only shadows of their former selves. Only pensioners unable to emigrate were left. In the following twenty years the few young people of Jewish origin did not frequent the Jewish clubs and houses of prayer. The prevailing view was that Polish Jewry had come to an end with the departure of the pre-war generation, while the few young people were being assimilated.

There are around 5,000 Jews in Poland today. Yiddish language

culture may be regarded as dead. A bilingual journal *Slowo Zydowskie - Dos Jidysze Wort* comes out in Warsaw. It's Jewish language content is 80-90 per cent reprinted from foreign periodicals and it is only kept alive by subsidies from the Ministry of Culture. The Jewish Theatre does not have a public which understands Yiddish. (The spectators listen to a translation of the performance through ear-phones !).

In recent years the Ronald Lauder Foundation has been active in Poland. Lauder is an American millionaire and former American ambassador in Vienna. The Foundation spends millions of dollars in Poland and is the chief author of the so-called "rebirth of Jewish culture in Poland." The Foundation concentrates its work on a milieu of a few hundred young Poles of Jewish descent. Young people of Jewish descent can amuse themselves at various free camps, excursions and shows. During these free events, Jewish religious studies, Hebrew and an uncritical devotion to the achievements of the state of Israel are propounded to the young people.

It is a fact that all the older generation of activists from the Jewish community have PUWP biographies and that the leaders of the middle generation (eg K. Gebert, St. Krajewski, R. Zachariasz) have excellent KPP (the pre-war Communist Party of Poland) antecedents. Paradoxically, this only strengthens the anti-communism of this milieu.

The spirit of Mieczyslaw Moczar hovers over this anti-communism and over the cultural void of Polish Jews.

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The Ability to Mobilise: Politics of the OPZZ

[In the following article, the Warsaw left-wing quarterly, *Dalej!* (Summer 1998), casts a critical eye on the policies of the OPZZ.]

The demonstration organised by the OPZZ [National Trade Union Alliance] on 3rd April this year [1998] in Warsaw, marking the opening of a general dispute with the Government, showed that very substantial potential to mobilise large numbers in defence of the interests of the workers lies dormant in this trade union grouping.

The day after the demonstration, *Trybuna* wrote that the OPZZ: "was often perceived as a bureaucratic, inanimate post-PRL [People's Republic of Poland] union which would find no place in the new order." The OPZZ leadership - the union rank-and-file are guiltless in this - deserved this criticism. It is pleasing that such criticism can be read today not only in periodicals such as *Dalej!* but even in *Trybuna*.

We rub our eyes in amazement however, when we read in the same newspaper that:

In recent years the OPZZ was so passive that there were some in the SdRP [Social Democracy of the Republic of Poland, - ex-Communist], who argued that it was time to withdraw from the alliance with the OPZZ and start working entirely on their own account.

We are asked to believe that in the leadership and apparatus of the SdRP there were people who were annoyed because the OPZZ stood by quietly without protesting, when the Social Democrats took the side of the

capitalists on every issue that was important to them, when they had to choose between their interests and the interests of the workers. Why feed this clap-trap to the readers ?

We read further in *Trybuna*, in connection with the OPZZ demonstration:

The workers showed that - contrary to the opinions of the neo-liberals - they are an important partner for discussions and not merely an obstruction on the road to reform. The words of the song 'Wretched of the earth arise,' which could be heard here and there in the OPZZ ranks, are today once more a reality. 'The wretched,' made so by the Solidarity and Freedom Union Government, who today care only for the new vanguard of change, the so-called middle class, were marching in the streets.

And who, if not the so-called middle class, did the SdRP look after when it was in power and who else will it care for if it should return to power ? And at whose cost, if not that of the workers ?

The decision to organise the demonstration was taken by the OPZZ Presidium on 11th March. In connection with this, *Nowy Tygodnik Popularny* wrote:

The debates at the Prsydium were historic in character. For the first time in six years the OPZZ decided upon such decisive action in relation to government policy. They adopted numerous demands of a national, regional and work-place character, reflecting the growing conflicts, closures and job losses, inappropriate restructuring of some [? ed. *Dalej!*] branches of industry, sharp increase in the cost of living and growing poverty and simultaneous excessive enrichment of the elite in the work-place and in the state at national and regional levels.

The same weekly also reported on the prevailing mood at the meeting.

...we will not allow further oppressive behaviour by the Government towards working people, towards the unemployed and pensioners, or put up with the continual disregard shown by the governing coalition towards the largest trade union

organisation. The time has come to say Stop! - stressed members of the Presydium.

Would it were so! Experience teaches us that we must take a sceptical attitude to this declaration by the leadership of the OPZZ. We should not however look on passively, or take the OPZZ leaders literally and say 'stop' to the Government. We should demand and exert pressure on them to really do what they say. Saying 'stop' to the Government can only be done in one way, by a massive mobilisation of the workers, not once, but as part of a campaign of protest action adopted democratically, after the widest possible consultation amongst workers and in the trade unions.

The demands which the OPZZ has put forward are very limited. God forbid that they should in any way disturb the rule of capital. It can be seen clearly that the same views prevail among the leaders of the OPZZ as are shown in the recent declaration by the Council of the Metal Workers' Federation. There it is stated that "the basic conflict from the point of view of the trade unions lies between capital and labour." Anyone who thought however that the Council was beginning to speak the language of class struggle would be mistaken.

Indeed, if we read on, we learn that it expects that the OPZZ Congress should "define, in the form of a resolution, the interests of working people, taking into account the interests of capital." Capitalists, however, do not respect even the most elementary interests of working people, unless they are forced to do so through an arduous struggle. Nevertheless, the union thinks that the definition of the interests of working people should respect the interests of the capitalists! The result of their interests being taken into account is invariably the same: the interests of working people lose out and those of capital benefit.

In the columns of *Nowy Tygodnik Popularny* someone who expresses the prevailing views of the OPZZ leadership writes that, although Balcerowicz's neo-liberal budget for the current year cannot be defeated, "trade union pressure can cause a diminution of the pain for the worst off." And that, in general, "it is the trade unions who have the capacity to oppose neo-liberal tendencies effectively."

At the same time the following credo is formulated, which illustrates very well the split personality, which characterises the OPZZ

leadership:

We are not talking here about the welfare state, but about a minimum social justice, about exerting some restraint on the excessive enrichment of the few at the expense of the majority. The past four years have shown that it is possible to reconcile economic growth with improvement of the social situation, that the left is - what a paradox! - building capitalism, without interfering for an instant in the transformation of the system. This is logical, since in order to meet social needs more adequately it is necessary to strengthen the market economy, to the extent that it favours economic growth.

If union activists are so eager to show that they do not dissent from the dominant ideological trend, that they abandon advocacy of the welfare state and restrict their goals to "minimum social justice," if they do not demand that the few stop enriching themselves at the expense of the majority, but only that limits are put upon excessive enrichment, and shamelessly assert that the strengthening of the market economy makes it easier to meet social needs, then there can be only one outcome: time and again the defence of the workers' needs will be abandoned. When trade union militants are so ambivalent, then it is always advantageous to the capitalists and not to working people - exactly as in 'defining the interests of working people, taking into account the interests of capital.' And when it is asserted that Poland's adherence to the European Union supposedly means adherence to a "social Europe," in reality it means joining a neo-liberal capitalist Europe.

The OPZZ is today the only mass workers' organisation which can defend the workforce and what remains of publicly owned property from exploitation and waste by neo-liberal capitalism. The 3rd April demonstration showed that, contrary to all those who had written off trade unionism as a lost cause, the OPZZ was capable of mobilising the working masses. Whether and to what extent this capacity is used and translated into deeds cannot be left to the narrow circles of the OPZZ leadership. It is a matter for all those who are under threat of finding themselves on the street, reduced to beggary, if no organisation comes forward to defend their rights, dignity and interests. If the OPZZ adopts such a course, then sooner or later it will win over workers who belong

to Solidarity, who are losing out, like all other workers and have nothing to gain from the policies of AWS (Solidarity Electoral Action) or the Freedom Union. ●

OPZZ Demands

We reproduce below the "systemic demands" presented by the OPZZ Presydium, launching a national dispute with the Cabinet. It also put forward demands relating to particular sectors, plants and groups of plants.

1. The opening of negotiations between the employers and the trade unions, with the participation of the government, on a pact regarding social reforms, to include self management, health insurance, social insurance and education.
2. Consultation to take place with the social partners in the forum of the Trilateral Commission on restructuring and privatisation, together with the introduction of binding sectorial and industrial agreements on social benefits.
3. Presentation of a three year programme to increase public sector wages in relation to the private sector.
4. The introduction of a permanent mechanism evaluating the impact of government initiatives and legislation on the labour market.
5. The introduction of a system of workers' participation in companies belonging to the National Investment Fund, on the basis of the principles enshrined in the law on the commercialisation and privatisation of state enterprises. Access to shares in companies owned by the NIF should also be available to former employees, on the same basis.
6. The introduction of ceilings on the earnings of managers and members of supervisory boards of companies owned by the Treasury and the management of state enterprises through use of a multiple of wages paid in the enterprise and on financial results.
7. Preparation of a list of enterprises whose assets will be designated to

finance social security reforms.

8. Execution of "Priorities for the achievement of a programme for promoting productive employment and the reduction of unemployment in the period 1997-2000" in the form adopted by the Government in June 1997.

9. Changes in the regulations implementing legislation on the participation of foreigners in economic and social life.

10. Implementation of existing legislation:

* on social assistance (in part relating to increasing the employment of social workers).

* on work-place social benefit funds (the issue of regulations in part relating to additional deductions in some administrative areas [*gminy*] in the Katowice and Walbrzych Voivodships)

* on the professional and social rehabilitation and employment of disabled persons (in the area of establishing national and voivod level teams responsible for the registration of invalids).

* in the area relating to the production of goods containing asbestos (partly regarding budgetary support for the restructuring process).

11. Restoration of 100 per cent indexation for all pensions before the social reforms enter into force.

12. The opening of negotiations with the social partners over the institution of a minimum guaranteed income.

13. The introduction of social protection in connection with energy price increases through reductions in domestic prices for electricity and gas.

14. An end to violations of trade union rights, amongst others in the area relating to consultation regarding legislation affecting employment.

15. An end to deliberate obstruction by the Government in the area of negotiation of collective agreements by teachers, health workers and social workers.

16. Speeding up of the work of the Procurator regarding the unlawful eviction of five trade union federations from occupation of their premises on Zloty St. in Warsaw.

Translation is by **David Holland**.

Tatiana Zhurzhenko

Ukrainian Women in the Transitional Economy

The conflicting experience of seven years of independence and economic reforms in Ukraine is possibly not yet sufficient in order to make final conclusions regarding the “great post-Communist transformation”. Nonetheless, even now it is evident that the social costs of the transformation to democracy and the market economy have been unexpectedly high. The growth of unemployment, destruction of the social sphere, and the sharp fall in the standard of living have in varying degrees touched the entire Ukrainian population. One important feature of the economic and political transformations in the transition society is that they are affecting the situation of men and women differently - the social and economic costs of market reforms to a greater degree fall on women. This is especially characteristic of contemporary Ukraine, where the chosen scenario of reform deprived women of the benefits of ‘socialism’, without being able to guarantee them access to the positive aspects of the market economy.

The new market discourse

However, before turning to an analysis of this concrete situation, it is necessary to ask the question: can this problem be solved from the position of scientific positivism and androcentrism which are so

characteristic of the social and economic sciences in contemporary Ukraine? In the dominant academic and public discourse, women's problems are always considered marginal and of secondary importance. This is not by accident. The process of transition to a market-oriented economy is reinforced by defined forms of social knowledge. The role of economic theory in this process is the ideological legitimisation of the market social order. The natural and unchanging nature of the existing division of labour between the sexes defines the conceptual basis of economic science and is a principle part of the ideological legitimisation of the market. Gender-neutral science turns out to be incapable of explaining the reasons for the worsening economic situation of women.

The disintegration of socialism and the beginning of the transformation of post-Soviet societies in the direction of democracy and the free market is seen today as evidence of the final victory of neo-liberal ideology. Ideas of economic liberalism (the market, free competition, private entrepreneurship), supported by the authority of economic theory, have been both a force for the destruction of the Communist system and, at the same time, the theoretical and ideological basis of the project of transition to the market-oriented economy. In order to analyse the situation of women in the transition society, it is very important to understand that this project is not gender-neutral and that the worsening of the position of women in the economic sphere is determined not simply by government policy but also by a change in the place of "women" in the discursive mechanisms of power.

The terms "transition period" and "transition economy" are concepts which are widely used in the social sciences but are nonetheless not fully defined. They emphasise the process, but not the result, and leave open the question of the direction of the transition. At the same time, the concept of the transition economy justifies the disintegration of society and the social costs accompanying market reforms, including the worsening of the situation of women and other vulnerable social groups. The transition period is usually regarded as a natural and inevitable stage when the market mechanisms, which supposedly will guarantee the social equity and welfare of all members of society, has not yet formed. In this way the ideology of transition is itself a part of the mechanism generating the social and economical marginalisation of women in contemporary Ukraine.

In promoting market rationality and economic efficiency as the main social priorities, this ideology of marketisation regards the worsening situation of women in the sphere of employment and the plunge in the level of social protection as a natural outcome of economic progress. The social benefits of economic reforms are expected in the indefinite future, after the final victory of the market system.

The logic of market reforms dictates a rather precise and severe sequence in which structural transformations and the modernisation of production take priority over social programs. Financing the social sphere according to the residual principle (that is, in the final count, when all investments have already been distributed among various branches) met with strong criticism in the beginning of the Perestroika period. But today this is firmly anchored in the principles of neo-liberalism.

In the context of the global goals of constructing an independent state and a market economy, women's problems appear secondary and even over-exaggerated to all except representatives of the women's movement, pushed by the logic of market reform into "economic romanticism".

Thus the feminist approach to analysing the status of women in the economy breaks from the conventional gender-neutral concepts of transition. Men and women, as a rule, are included in varying degrees in market and non-market forms of economic activity. Male economic activity, which is usually market-based, and which therefore enjoys social prestige and corresponding rewards, is regarded as properly economic. The female contribution to the economy (most of it) is tied to the reproduction of human life (child birth, raising children, house work) which does not receive an appraised value on the market and is therefore economically marginalised in the framework of the dominant value system. Therefore the transition to the market economy doesn't just strengthen sexual discrimination on the labour market, but also marginalises female economic contribution. The economic transition, for women, is also a forced transition from the market sector into the domestic labour sector, with the aggrandisement of their share of unpaid housework. Particularly for this reason the market economy is not gender-neutral and the influence of market reforms on the situation of women deserves special analysis.

The Soviet legacy

However, gender inequality already existed in Soviet society before Perestroika and market reform. Therefore the study of the contemporary situation of women in the Ukrainian economy cannot be made without a brief account of the Soviet legacy.

It is well known that one characteristic of the Soviet economy was the high level of employment of women. In the 1970s and 1980s women's employment reached its biological maximum, when women made up more than 50 percent of the work force. This situation was predetermined by political and ideological factors (the special policy of active involvement of women in production was seen as a practical realisation of the Marxist concept of female emancipation) as well as by economic factors (launching of the economic industrialisation campaign by the Stalinist regime created not only a short-term increased demand for labour but also established a foundation for an extensive resource-consuming model of economic growth in which the cheaper, more easily manipulated female labour force was a vital resource).

The high level of female employment was ensured by an explicit social policy. Nonetheless, as has been shown in the studies produced by the Moscow Centre for Gender Studies (for instance, *Women in Russia. New Era in Russian Feminism*, edited by A. Posadskaya, London, Verso, 1994), the main emphasis was on safeguarding women's social protection by means of extending guarantees and benefits in the labour market rather than on ensuring real equal opportunity. In the Soviet political discourse, the problem of "women's rights" was practically absent. Instead, the emphasis was placed on the "protection of motherhood". The main elements of this protectionist policy were: restriction of the use of female labour for heavy and harmful work, compensation pay tied to such work, benefits and assistance tied to child birth and child care, labour benefits and special measures to support women with children.

On the one hand, these measures had the positive effect of ensuring stability and confidence in the future. On the other hand, the long-term effect had, at times, negative consequences for the situation of women. For example the compensation paid to women employed in heavy and harmful work created artificial incentives for women to work in this area. This promoted the retention of both technological

backwardness of industries and professional segregation, for example, by using female labour in auxiliary positions and heavy labour. Paying compensation was easier than industrial modernisation. The female labour force, overloaded with social guarantees, evoked negative attitudes from employers and this situation became especially acute with the beginning of market reforms.

In the 1970s-80s, Soviet society developed, to an extent, a certain type of gender contract - the "working mother". It implied the combination of women's family life with a role in industry, with the government providing the necessary preconditions: day cares, free medical care and maternity leave. The result was the creation of the phenomenon of "dual employment" which was characteristic of the socialist systems. But the social services provided by the government, taking into consideration their composition and quality, could not compensate women for the overload resulting from the combination of several social roles. The low quality of goods and services, queues, and shortages increased the amount of unpaid domestic labour which played an especially important role in the "deficit economy".

Ukraine in the post-Communist period

These peculiarities of the system of female employment were inherited by Ukraine after the break-up of the USSR. However, in the conditions of transition to the market economy its positive aspects (above all social benefits and guarantees to working women) were lost and the economic decline and tightening of competition on the labour market has given birth to new serious problems in the area of women's employment. Furthermore, the promised possibilities related to the market and economic freedom have in reality turned out to be inaccessible to the majority of women.

The question still remains unclear as to what degree these negative tendencies reflect the general consistency of post-Communist societies and to what degree they are tied to the peculiarities of the market modernisation specific to Ukraine, with the incompleteness and contradictions of political and economic reforms. Such peculiarities of contemporary Ukrainian society as nomenklatura capitalism, remonopolisation of the economy, and "shadow business" bloc all independent female economic or political initiative or make them an

object of manipulation.

End of the social contract

The first direct consequence of reform was the destruction of the social contract. The erosion of the social contract actually began in the 1970s, with the emergence of an alternative (although mostly shadow) system of fee-based social services offering, as a rule, a higher quality of service. Nonetheless, the stability, social protection and material independence of women was still ensured. With the beginning of reform, however, the government unilaterally abandoned its responsibilities and the “working mother” gender contract was replaced with another type of contract, one which endorsed the strategy of autonomous individual survival. It was one based on the ideology of individualism, the values of private initiative, and free enterprise which, in the mythology of national values and traditions, assumed the figure of the “strong male” - the bread-winner.

The woman, faced with such a division of gender roles, became responsible for the family, raising children, housework - practically the Victorian family model, which historically never existed in Ukraine. This type of gender contract not only legitimised discrimination in the labour market (“men need jobs more than women”). Its shadow side was the active use of female labour (both paid and unpaid) as the main resource at whose cost society existed during the times of the economic hardship, when male entrepreneurs were mainly preoccupied with the redistribution of government property. In reality, it was now women found themselves responsible for the economic survival of their families, since it was women who were more ready to adapt to the new conditions, even at the cost of marginal secondary forms of employment, and who were less concerned with considerations of prestige and social status.

State, market, family

Today the redistribution of functions between the family, the state and the market, resulting from the privatisation of functions previously provided for by the government through the intermediary of state enterprises, has led to an increase in the social burdens placed on the family, especially on women. The destruction of the system of social protection, the increase in the cost of social services, the deteriorating

quality of medical care, and commercialisation of education forces women to accept the burden of social responsibilities which earlier were managed by the state. The irony of market reform in Ukraine is that, faced with a sharp decline in the standard of living of families, many types of goods and services, which used to be delivered by the state and acquired on the consumer market, are today produced within the household (mainly by women). The growth of unpaid women's domestic labour is evidence of the women's marginalisation in the transitional economy.

Unemployment

Female unemployment, like unemployment as a whole, was a new phenomenon in the Ukrainian economy. How acute is this problem? On the one hand, during the last few years, it is namely women who have made up from 70 to 80 per cent of the unemployed. On the other hand, according to official data, Ukraine has an extremely low unemployment rate. In 1994 the rate was 0.3 per cent, rising to 2.5 per cent in 1997. (National Tripartite Conference, *Women in the Labour Market in Ukraine*, Kiev, 17-18 February 1998, p.30). Taking into account the catastrophic decline in the volume of production (about 55 per cent in the last five years) such a low unemployment rate seems unlikely. However these figures do not take into account hidden unemployment tied to various forms of partial employment, shortened work weeks, shortened work days, and unpaid, company-initiated leaves of absence. Taking these into account, the real unemployment rate is between 12 per cent (according to the International Labour Office), and 40 per cent (according to the United Nations). Hidden unemployment is a shock absorber which prevents massive dismissals for which the economy and society as a whole is unprepared.

Why do people who have lost their jobs or who have not been paid for many months rarely turn to employment services? One of the answers may be the insignificant amount of unemployment aid (40 hryvnias per month, approximately \$20), which doesn't make it worthwhile putting up with the difficulties involved in obtaining unemployed status. Nonetheless the main reason is socio-psychological: people do not believe in the aid of state organs, and prefer to depend on themselves by counting on professional or friendly connections or by

entering the informal labour market.

The effect of hidden unemployment on women

The secret of the durability of hidden unemployment is to be found in the fact that the majority of people combine formal and informal employment. In fact, the second unofficial job is usually the main source of income. In 1996 (even according to official data) one-third of the employable population supplemented its income with a secondary job and, among youth, the proportion with secondary jobs was as follows: 80 per cent of workers, 64 per cent of students, 63 per cent of pupils and 60 per cent of the unemployed. (V. Kucheruk, 'Rynok pratsi: tryvozhni tendentsii', *Polityka i Chas*, no. 4, 1997, p.18.) According to a Ukrainian-American study, 70 per cent of Ukrainian workers in 1994 used various forms of "survival strategies" and there is no reason to believe that this percentage has today diminished. (S. Johnson, D. Kaufmann, O. Utsenk, 'Household Survival Strategies', *Ukrainian Economic Review*, V. II (3), 1996, p.113).

In reality, all sides are more interested in preserving hidden unemployment than is at first evident. The government in this way preserves the appearance of its control over the economic situation; companies save money on the payment of benefits; and workers under the conditions of total socio-economic instability prefer a passive strategy of survival and avoid wasting their time looking for work or retraining. The decline in earnings is compensated by free time used for additional employment. Companies turn a blind eye to the practice of using equipment and materials for work "on the side" or "under the table" since this helps to compensate for the cut in wages.

In this situation of hidden unemployment, women find themselves in a more vulnerable position than do their male counterparts. They are more confined in their choice of secondary employment and "survival strategy" for various reasons (more loaded with domestic responsibilities, competition, inaccessibility of some of the most profitable forms of activity, and harsh attitudes in the sphere of the shadow economy). Women are often left with no other choice than becoming domestic workers. Women who have a more narrow set of qualified skills are more inclined to cling to their old workplace. Furthermore, they are tied to a greater degree to the remaining social

benefits and services still provided by the enterprises.

Women not only make up the majority of the officially registered unemployed (which means that they more frequently lose their jobs and have a more difficult time finding work) but are also more vulnerable in situations of hidden unemployment. Women are more often sent on unpaid leaves of absence or transferred to a shortened work schedule. At the beginning of 1998, men accounted for 5.6 per cent of forced unpaid leaves initiated by employers whereas this figure for women was 6.5 per cent. Forced to work only partial days or partial weeks were 3.9 per cent of men and 5.3 per cent of women. (National Tripartite Conference, p.6). Hidden underemployment has become a new area of women's discrimination.

In general, the actual rate of unemployment is understated due to the exit from the labour force of several categories of workers stricken by labour reductions (women, persons who have almost reached retirement age). They generally transfer to the domestic work sector and do not search for work, that is, they do not register as unemployed persons not because they do not need work but rather for other considerations: they have no access to information, have low self-confidence or are ashamed of their acquaintances and those close to them finding out about their unemployed status. Therefore official statistics in Ukraine do not reflect the real situation of women's unemployment.

According to the experts, the general level of official unemployment will increase in Ukraine in the near future: by the end of 1998 there will be 2.4 million unemployed. A big increase in mass unemployment is expected with the completion of the privatisation process. Mass redundancies of staff in Ukrainian enterprises will lead to the growth of women's unemployment. At the same time, improvements in the unemployment benefits system will encourage women to obtain the status of unemployed persons and will thus also increase the official unemployment figures. But, compared to the conditions of present day Ukraine, the legalisation of hidden unemployment would be a positive step forward towards a civilised labour market. The long-term improvement of the situation of women's employment might be expected only in case of the success of economic reforms, economic revival and the general growth in employment.

However, the elaboration and adoption of special legislation which would guarantee women's rights in the labour market is vitally important in order to prevent discrimination under the new economic conditions.

Professional segregation

Finally, one other essential problem in the area of women's employment is professional segregation according to sex, which is one of the main reasons for the wage gap between men and women. In 1997 the average wage for women working in the social development sector was 71.6 per cent of the male wage and in industry this indicator was 63.1 per cent. (National Tripartite Conference, p.25).

Although the structural transformations and economic crisis in Ukraine has a distinct influence on the structure and forms of professional segregation, its foundations were already present in the Soviet economy. Horizontal segregation today (that is, the uneven distribution of female labour in the branches and spheres of the economy and, linked to this, the disparity in wages) is illustrated by the Table 1.

Although the economic crisis has a negative effect on the situation of all sectors of the Ukrainian economy, it can be seen from the table that priority sectors able to guarantee a higher wage (fuel industries, ferrous and coloured metals) have a low proportion of female labour and a large differential in wages between men and women. Similarly, in female dominated sectors of the economy (light industries) the average wage is one of the lowest.

The differential in wages between men and women can also be explained by vertical segregation: different levels of the professional hierarchy with predominantly male or female labour. In the Soviet economy, women dominated the lower levels of the professional hierarchy (which required unqualified manual labour); they were much less represented among higher-category workers - it was typical that qualified manual labour was the highest paid in the Soviet economy. Women were also concentrated among lower and mid-level clerks and administrative personnel. Finally, at the highest levels of the professional hierarchy (high-level administrative personnel) women were very weakly represented.

Table 1. Number of Women Employed in the Main Branches of Ukrainian Industry and their Wages, July 1997

Industry	Workers	Women	Monthly wage		Proportio of male wage
	000	(per cent)	(hryvnya)		(per cent)
			women	men	
Milling	14.9	41.9	248.63	256.88	96.8
Food	287.6	51.8	151.52	163.15	92.9
Woodwork	44.6	40.2	63.9	77	83
Building Materials	70.5	35.7	94.62	120.58	78.5
Chemicals/Oil	123.4	47.2	141.86	192.78	73.6
Light industry	226.3	75.2	65.51	92.36	70.9
Electricity	78.2	33.3	239.8	339.9	70.5
Medical industry	13	56.1	198.27	281.7	70.4
Machine industry	653.1	42.9	89.1	129.48	68.8
Coloured metals	14.3	35	177.45	261.4	67.9
Ferrous metals	187.7	38.4	188.25	288.8	65.2
Nuclear industry	3	28.7	148.45	238.46	62.3
Fuel industry	172.8	29.3	131.21	288.99	46.4

Source: National Tripartite Conference, Women in the Labour Market in Ukraine, Kiev, 17-18 February 1998, p. 27)

The Ukrainian economy reproduces this model. It is also necessary to take into account that the restructuring and the reorganisation of enterprises is leading to a reduction of employment among specialists, service people and other typically female mid-level positions). On the whole, the tightening of competition on the labour market has already forced women to take non-prestigious and low-paid positions.

Table 2. Share of Women in Various Groups Employed in Industry, 1994

Group	per cent
Managers	33.3
Specialists	70.3
General Sector	85.3
Middle Administrative Personal	29.1
Technical Staff	64.4
Qualified Workers	45.3
Unqualified Workers	66.6

Source: Ukraine. Human development report 1995 (Kiev: PROON, 1995), p.36

The absence of capital for the modernisation of industry will mean the preservation of a high level of heavy physical labour in the Ukrainian economy. For women, this will be one of the most accessible niches in the labour market. The proportion of women working in hazardous jobs has grown and today is 15 per cent. Whereas previously women were attracted by benefits and additional pay linked to hazardous working conditions, today the deciding factor is the impossibility of finding another job.

Women and private business

It is a common belief that private enterprise is an alternative possibility for employment under the new economic circumstances. However, possibilities for the development of legal small businesses are limited for Ukrainian women. First of all, this has to do with the closed character of Ukrainian business, which is mainly based on family relations and/or the use of potential former Communist Party connections. Under the conditions of a low-trust business culture in Ukraine, entrepreneurial structures endeavour to create private informal networks for the development and support of partnerships where it is quite difficult for an 'outsider' to be let in. Frequently a businesswoman turns out to be the official façade of an entrepreneurial structure which hides its male relatives who, for various reasons, do not want to advertise their involvement in business. Often, people who work in government positions, who do not have the right to be involved in commercial activity, manage their companies through figureheads; the most trustworthy people in such situations are usually their own wives. When privatising state owned companies, businessmen often use their female relatives as figureheads to acquire a decisive block of shares. In addition, the rigid hierarchical character of business relations, the underdevelopment of the legislative base, and the semi-criminal character of most Ukrainian businesses make women entrepreneurs highly vulnerable. Finally, there is a lack of institutional conditions to support women entrepreneurs: no practical aid from state bodies, no access to credit, unfavourable tax laws and complex registration procedures for new enterprises.

A successful career woman in business is still a rarity for Ukrainian society. Much more typical is the participation of Ukrainian women in the informal economy in various marginal, partially shadow forms of entrepreneurship. One such form which has grown in Ukraine since the end of the 1980s is shuttle business. It is a specific kind of small wholesale commercial business which includes delivery of foreign consumer goods to the Ukrainian market in small lots by one or a few people without any official registration called "chelnoks". In shuttle business, profit is derived from the difference in prices for the goods in the country in which they were produced and in the local market. Being accessible and democratic, demanding relatively small amounts of

starting capital, this kind of business attracts women searching for any possibility to improve their economic conditions. According to various data, 60-70 per cent of the chelnoks are women. At the same time, this type of business is tied to risk, physical and psychological overloads, and the absence of minimal social guarantees which creates special problems for those women who do such work.

Migration of labour to both the countries of the former USSR and further abroad is gaining greater popularity. Included in such labour migration are women who very often involuntarily become trapped in such sexual trades as prostitution and exotic dancing. According to the data of the Ministry of International Affairs, there are 400,000 Ukrainian women aged under 30 living abroad and involved in various kinds of sex industry. Specialists estimate the potential for illegal migration will be 1,400,000 women. (*Den'*, no. 68, 11.04.1998).

The case of Ukraine shows that the transition to a market oriented economy is accompanied not simply by the crumbling of the system of social guarantees and benefits for working women but also by their growing marginalisation in all spheres of the economy. An analysis of the course of reform from a gender perspective gives grounds for criticism of the market optimism of liberal forces and also the traditionalism of nationalist orientated politicians. It is precisely the socio-economic status of women which can be viewed as the most important indicator of successful reform in a transition society. ●

Adam Swain

The first and last Ukrainian plan? Dismantling the coal mining industry

Introduction

Eastern Ukraine faces an unprecedented period of industrial and regional restructuring. The coal mining industry, the mainstay of the Donbas region comprising Donetsk and Luhansk Oblasts since before the beginning of the century is in the process of being dramatically restructured involving mass mine closures (see Map p. 92). This raises the prospect of the decimation of the region's industrial structure and mass unemployment. Such a transformation has implications not only for the coal industry, its enterprises and trade unions but more broadly for the region's entire social relations. Moreover the process of industrial restructuring is bound up in a dramatic reshaping of the country's system of national, local and industrial governance and is transforming state-economy-society relations in general. In this paper I describe the major elements of the restructuring plan for the coal industry. In doing so I attempt to show that the restructuring of the coal industry has involved (1) attempts to de facto re-nationalise the industry as central institutions have sought to exercise not so much ownership as control rights over state property, (2) the (re)formation of a state compatible with (re)integration into the capitalist world economy and (3) the (re)imposition of state control over Ukrainian 'state space'.

The coal industry

The Ukrainian Soviet Socialist Republic (SSR) produced 25 per cent of the Soviet Union's total coal production in 1988 (Cole 1991, 42). Within Ukraine the coal mining industry was a highly significant sector employing at its peak around 1 million people and contributing 7 per cent of industrial production in 1990 (EIU 1997, 26). Moreover the industry was high geographically concentrated. The most important coal mining region in the country was the Donets Basin or Donbas comprising Donetsk and Luhansk Oblasts where 193 of the country's 276 mines were located (see Table 1). Whilst the industry in the region predates the formation of the Soviet Union the industrialisation of the Donbas accelerated during the Soviet era as a large heavy industrial complex comprising the production of iron and steel, chemicals and machine-building was developed tightly controlled from Moscow and integrated into the All-Union planning system. By 1990 Donetsk and Luhansk Oblasts accounted for 80 per cent of coal production and 91 per cent of Ukraine's employment in the coal mining industry in 1990 (Swain 1998). In addition to the geographical inequality this concentration of production created within Ukraine it generated a particular form of geographical integration of the Donbas. As heavy industry in the Soviet Union was highly vertically integrated and subordinate to All-Union Ministries located in Moscow the Donbas was governed from Moscow with little role played by Republican or Oblast institutions.; 73 and 74 per cent of enterprises were subordinated to All-Union ministries in Donetsk and Luhansk respectively compared with an average of 56 per cent for Ukraine as a whole (Dolishnii 1992, 295). However, a Republican Ministry for the Coal Industry was established in Donetsk but was later disbanded.

Geological conditions in the Donbas are poor as the seams are narrow (often less than 1m) and very deep (often more than 1km underground). Consequently, not only was mining in the region highly dangerous, the high over burden ratio resulted in, so far as Soviet accounting procedures allowed, high production costs even compared to coal mining regions elsewhere in the Soviet Union. This problem was compounded as investment in the industry declined in response to the stagnating Soviet economy. The industry was dependent on the central planning agencies raising the notional cost of coal every few

years and on subsidy increases in between times. As early as the early 1970s the crisis in the industry was recognised and 12 collieries in the Donbas Region were earmarked for closure. By the time Ukraine had secured independence from the Soviet Union in late 1991 a further 11 mines had been identified for closure (Dienes 1992, 139). Despite these intentions no mines in the region had been formally closed with the result that as the central planning system began to unravel in the late 1980s the industry slipped repeatedly into a liquidity crisis. By 1990 it was reported that production at some mines had ceased in Donetsk Oblast due to lack of money (Friedgut 1994).

Table One. Change in coal production and employment between 1990 and 1996, by Oblast (percentages)

Oblast	No.of Mines (1996)	Production	Employment
Donetsk	115	-52.3	-23.9
Lugansk	78	-66.2	-59.5
Dnipropetrovsk	nd	-27.1	18.8
Lviv	14	-64.4	-28.2
Kirovohrad	nd	-82.0	-26.9
Cherkasy	nd	-69.4	-27.6
Zhytomyr	nd	-93.8	nd
Ukraine	276	-57.2	-38.4

Source: Swain 1998

Restructuring the coal industry

The contradictions implicit in the Soviet planning system manifested themselves in a particular form for the coal mining industry in the Donbas. Firstly, the inability of central planners to either secure investment funds nor implement mine closures over a sustained period of time illustrated the extent to which they had lost control over 'their'

industries and the regions concerned. One response to this was the disbandment of the Republican Ministry for the Coal Industry located in Donetsk in 1986. As a result the organisation of the industry became even more centralised as enterprises became directly controlled, at least in theory, from Moscow. Secondly, as the governance and the institutional structure of the industry disintegrated from below, for example by refusing to implement mine closures, the different factions in the industry began to place greater demands on the central planners. As a result the industry was caught in a vicious circle: a failing system of governance and simultaneously an increase in the demands placed upon the very same. The intractability of the problems of the industry coupled with the privileged position the mining industry enjoyed within the Soviet Union generated growing militancy on the part of both enterprise directors and miners.

The dissolution of the Soviet Union and the formation of the Ukrainian state acknowledged the crisis, transformed the spatial scale of its articulation but did little to resolve it. Planners in Kyiv were in no more a position to co-ordinate the industry as planners in Moscow had been. In many ways they were in a poorer position to respond to the demands emanating from the industry. In particular the newly independent Ukraine faced four dilemmas connected to the coal mining industry which went to the core of the formation of the state. First, economic and political dependence on the geographical concentration of the coal and associated industries in the Russified east of the country which remained tightly integrated into the Russian economy endangered the integrity of the new nationally defined Ukrainian state. Consequently members of eastern elites held important positions within central government institutions. Second, the central planning system bequeathed a set of powerful regional elites which vied with one another for not only control of the new embryonic state apparatus located in Kyiv but also for securing privileges for their regions. Between 1991 and 1994 the new state was unable to exert control over the regions with the result that centre-local relations were unclear. This issue was particularly acute in the Donbas where the Russian population urged greater autonomy and even succession. One outcome of this tension was an agreement between Donetsk, Luhansk, Zaporozhye and Dnipropetrovsk Oblast administrations to plan coal production for power

stations (van Zon 1998). Third, the disintegration of the Soviet Union disrupted the supply of energy with the result that Ukraine inherited a negative energy balance which placed the coal industry in an even more strategic position. Fourthly, the adoption of economic reforms similar to those pursued by other east and central European countries implied a confrontation with the powerful coal mining industry lobby in the industrialised east of the country. In particular as the state's subsidies to the industry represented 2.5 per cent of GDP in 1994 (IMF 1997, 89) the coal industry was a significant barrier to improving the state's financial position and the implementation of economic reforms.

Faced with such strategic dilemmas the first Ukrainian post-communist government led by President Kravchuk was unable to strategically intervene in the coal industry. Instead relations between the industry and the new government continued to resemble those which existed prior to independence. Intervention was driven by short term crisis management as key individuals and enterprises in the industry sought to secure state support through the exercise of personal contacts. One feature of this situation were the attempts mine directors made to mobilise workers and their trade union representatives as well as local Oblast officials behind them as they sought to secure special benefits for their mines in the form of transfers from the state budget. This was particularly evident during a major coal miners strike in the Donbas in June 1993 when mine directors and local Oblast officials were successfully able to use the strike to secure significant financial advantages for the industry and the regions concerned (Borisov and Clarke 1994, Borisov 1995).

In this way the industry continued to be governed according to 'plan bargaining' (Smith and Swain 1998), only the focus of the bargaining had shifted from Moscow to Kyiv. As central authorities were increasingly in no position to grant privileges as they had done previously both the formal and informal levers which sought to contain the problems broke down. Consequently the 'plan bargaining' entered the realm of the symbolic and when the state did announce its intention to restructure the industry, in the run up to the 1994 elections, it was an exercise in electioneering. The "Programme for the development of the coal mining industry and its social sphere up to year 2005" (see World Bank 1996, 3), approved in early 1994, included commitments

to sink 21 new mines, modernise a further 60, and construct housing and other social amenities. The plan also included a proposal to close 48 mines over a ten year period and raised the prospect of the eventual corporatization of coal mining enterprises and the removal of centrally-fixed prices.

The elections in 1994 produced a parliament (Rada) dominated by factions from the east of Ukraine opposed to economic reform and a President, Kuchma, who in spite of having been elected on a east Ukraine platform was a proponent of structural economic reforms and Ukraine's (re)integration with the capitalist world economy. In late 1994 the new government launched a stabilization programme supported by the International Monetary Fund (IMF) and the World Bank. Owing to the burden that state subsidies to the coal industry placed on the country's finance the government sought to reform the sector. The government attempted to impose tighter financial controls on the coal mining industry but fell short of ending the scheme of centrally-determined prices. Crucially the imposition of 'hard budget constraints' and the ability to resist the industry-lobby's demands for special favours required the centre to have greater control over the industry. In the aftermath of the collapse of the Soviet Union the organisation of the industry became more and more complex as individual enterprises sought greater independence from higher authorities. As a result the organisation of the industry became highly complex as some 20 mines became independent from regional associations and became directly subordinate to MCI which had no means of effective supervision of these mines (*IntelNews Business Journal* 8.9.1997). Also mines which remained formally part of a regional association secured greater autonomy. In practice the industry was beyond the scope of state or any form of institutional control. To recover control over the industry the State Coal Committee was replaced by the Ministry of Coal Industry (MCI) and greater powers to direct the industry were transferred from the Economy Ministry (the former Ukrainian planning agency) (World Bank 1996). In this way a process of centralisation was begun as the state sought to de facto (re)nationalise the industry.

These changes had a beneficial impact on the state budget. The state's subsidies to the industry through the 'coal price differential' fell from 2.5 per cent of GDP in 1994 to 0.5 per cent in 1995 and again to

0.2 per cent in 1996 (IMF 1997, 89). However, the financial stringency plunged the industry further into crisis and in 1997 total state support for the industry amounted to 5 per cent of total government spending (*Financial Times* 9.12.1998). Investment in the industry virtually ceased with the result that costs increased rapidly whilst production, employment and productivity declined equally quickly (see Table 1; Swain 1998).

At the same time a huge inter-enterprise payments crisis developed in the industry as transactions were demonetised. In the first half of 1997 76.5 per cent of coal transactions were barter agreements (*IntelNews Business Journal*, 8.9.1997, 12). Additionally the growing liquidity crisis worsened the problem of the non-payment of wages and other social benefits, as well as contributions to the state welfare funds. By the end of 1997 wage arrears in the coal industry amounted to Hrn1bn out of a national total for all sectors of Hrn2.6bn. Also total debts in the industry were £1.9bn or 7 per cent GDP by the end of 1997 (*Financial Times* 9.12.1998). This crisis in the industry took a particularly significant geographical form. In January 1997, 21 per cent of the country's total wage arrears were in the Donetsk and Luhansk and figures on inter-enterprise July of that year show a similar proportion of was in the two Oblasts (Swain 1998). As a result the problems of the industry became increasingly intractable and bound-up with the country's path of economic and political development.

In particular the restructuring of the coal industry depended simultaneous on improving the efficacy of the national state together with securing greater control over the all-powerful coal industry lobby comprising enterprise directors, workers, official and unofficial mineworkers unions and the Oblasts concerned. Kuchma's pro-reform government sought closer relations with the IMF and the World Bank to bolster not only his own premiership but more generally the institutional capacities of particular arms of the state. The IMF concentrated on providing budget support in return for the government adopting its policy advice, particularly the reduction of government expenditure. Crucially the new macroeconomic polices involved a shift of power within the state away from the Economy Ministry, which prior to independence had been the Republican planning agency, and the branch ministries and state committees towards the finance ministry

and the National Bank. Meanwhile the World Bank complemented the IMF by identifying opportunities for intervention in key sectors of the economy as a means to support the restructuring of the state's finances. This involved attempts to transform the branch ministries and state committees from institutions of planning towards institutions for regulation.

World Bank activities focused especially on the energy sector and in early 1995 it raised the prospect of considerable budget support in return for the government implementing a wholesale restructuring of the coal industry. The World Bank established two missions to examine the coal industry and prepare the restructuring plan. One mission was charged with the task of devising the technical and institutional requirements of closing uneconomic mines and planning for the mitigation of the social and environmental impacts of closures.

The other larger mission concentrated on devising an industry-wide restructuring plan for the industry involving the identification of mines for closures, devising procedures for privatisation and market liberalisation. At an early stage in the process the World Bank involved other Western donor organisations, especially the EU's TACIS programme and the UK government's Know-How-Fund (KHF), to provide additional support. In particular these organisations were charged with devising and implementing strategies designed to enhance institutional capacities, assist the dissemination of public information on the reform process, and mitigate social, environmental and regional development problems.

At the same time the government attempted to secure greater control over the Donbas region. In contrast to 1993, when demands for regional autonomy brought forward the date of the elections forward by one year and catapulted members of the local elite into the central government (Borisov and Clarke 1994, Borisov 1995), the miners strike in June 1996 indicated the growing weakness of the coal industry-Donbas regional lobby. Whereas prior to the election of President Kuchma, Donetsk regional elite were influential in government circles following the election there was a shift towards the Dnipropetrovsk Oblast elite, a centre of the iron and steel industry and industrial production for the military. With the appointment of a series of local leaders from Dnipropetrovsk culminating in the selection of Pavlo Lazarenko the

former Oblast Governor, as Prime Minister in May 1996, the new government, by then already negotiating with the World Bank, was able to propose the closure of coal mines and sought to do so in part to weaken the rival Donetsk regional elite.

Consequently the fate of the coal industry became irrevocably intertwined with the struggle between the Dnipropetrovsk and Donetsk regional elites. The number of mines earmarked for closure ranged between 18 and 50 depending on which elite was more influential at any point in time. The battle between the elites was brought to a head by the miners strike in June 1996 and had profound impacts on the subsequent progress of reforming the industry. Vladimir Scherban, the Governor of Donetsk Oblast (the centre of the strike) and a former Minister for the Coal Industry sought to use the strike to secure greater regional autonomy from the central state.

However, following the payment of back wages and the resolution of the dispute, the central authorities took steps to weaken the Donetsk elite. Scherban and his two deputy Governors, including Vitaliy Hayduk who had threatened that the Donetsk Oblast administration would have to 'refuse to acknowledge the [coal industry] "reforms"' (cited in *Economic Review* 29 April 1996, 11), were removed from their positions for having recognised the strike and a new Governor, Yanuckovich, the director of the local transportation company was appointed. Additionally, the chief of the local television station and local security officials were removed from their positions and the co-chairman of the mineworkers' permanent Strike Committee (set up during the Soviet miners strike of 1989) was sent to prison in Zaporozhye. Coupled with the adoption of a new Constitution in mid-1996 which reduced the powers of regional and local administrations the national government was able to secure greater control over the provinces in general and Donetsk Oblast in particular. Through these changes the Donetsk Oblast administration and the local elite lost the ability to influence the form of the restructuring plan just as negotiations between the government and the World Bank were reaching a loan agreement. In so doing the World Bank was able to use the division between the two regional elites as not only a means of securing leverage over the national government but also as a way of temporarily altering the balance of power between the elites in order to bolster the centre at the expense of the regions in

general.¹

The World Bank's coal industry restructuring plan

Negotiations between the government, represented by the then Vice-Prime Minister for Fuel and Energy Pavlo Lazarenko, and the World Bank about a coal industry sector adjustment loan or Coal SECAL began in early 1995. The form the negotiations took and the manner in which they proceeded illustrated the way the Bank attempted to shape government policy. Negotiations took place in phases. Each phase had a series of specific conditions attached which had to be implemented before the next phase of discussions could begin. The World Bank offered the prospect of three separate loans. The first was to be a small pilot loan to begin the process of reform in the crucial Donetsk Oblast. This was to be followed by the nation wide coal SECAL and a third loan to provide finance for investment in the trimmed down industry. The first two loans were due to commence in 1996 and the third loan in 1998 (see Table 2). The sequencing of these loans was highly significant in terms of securing the governments agreement to rationalising the industry and preparing public opinion for the ensuring social implications. With its focus on environmental clean-up and job creation it was significant that the first loan was to be implemented as negotiations on the coal SECAL, which would involve a mass coal mine closure programme, were to conclude.

There was thus instituted a seamless procedure by which World Bank advice was legitimated through its adoption by the government. At the same time the UK Know-How Fund provided direct advice and assistance to the Ministry for the Coal Industry. In these ways the World Bank was able to enlist support for the reforms from a small number of key people within the Ukrainian government and at the same time prepare medium ranking officials in the coal ministry for their

1. It was significant that whereas in 1996 there was an attack by the centre increasingly dominated by officials from Dnipropetrovsk on the Donetsk elite which permitted and was reinforced by the implementation of reforms to the coal industry in 1997 there was a similar attack on the Dnipropetrovsk elite. This involved the dismissal of Prime Minister Lazarenko in July and the removal of key officials in the Dnipropetrovsk Oblast administration.

implementation before confronting more hostile interests. In this way a momentum of reform designed to gradually sweep those involved in the industry along the desired pathway of reform was generated.

Table 2. World Bank Loans for the Ukrainian Coal Mining Industry

Name	Date Agreed (implemented)	Value (\$m)	Location	Details
Coal pilot project	May 1996 (August)	15.8	Donetsk	Mitigation of social and environmental consequences of closure of 3 coal mines
Coal sector adjustment loan	Dec 1996 (Dec)	300	Nationwide	Implementation of economic restructuring of the coal sector
Coal mining improvement project		100		Improvement of mine safety and coal quality; social mitigation of restructuring

Source: World Bank 1997

Production of the Ukraine Coal Industry Restructuring Sector Report by the World Bank (which was later published (1996)) was the procedural device for preparing agreement on the 'Coal SECAL'. It involved the establishment of a separate policy unit comprising World Bank staff which provided the government with an alternative source of policy advice on the coal industry and thus undermined the influence of the MCI. In this way the Bank was able to shape government policy for more than a year before the loan was agreed. The Sector Report involved a comprehensive analysis of the industry by World Bank officials based in part on research commissioned from the Donetsk Coal Mining Research Institute. In it the Bank discusses the need for the

liberalisation of the market for coal, for the closure of uneconomic mines, for the corporatization of coal mining enterprises, and specifies the detailed procedures for implementing mine closure and for increasing productivity at open mines. In particular the World Bank argues that the government's then intention (1995) to close 39 mines was too few to secure the industry's competitiveness suggesting instead that at least 75 closures were necessary (World Bank 1996, 28). The need for widespread mine closures was based on an audit of all mines carried out in 1995 by the MCI and reported in the Sector Report. According to the audit each mine was allocated to one of four categories: category one for unsubsidised profitable mines, category two for mines thought potentially profitable with access to capital for modernisation, category three for mines operating unprofitably and scheduled for closure, and category four for those mines where production had already ceased but where formal closure had not yet occurred. According to the audit the Ministry placed 57 mines in Category One, 161 in Category Two, 15 in Category three and 24 in Category 4 (see Table 3).

The presentation of the sector report became an exercise in consultation to secure support for the proposed reforms. In particular the report was discussed at a conference in London in early 1996 involving experts who had been involved in the restructuring of the UK coal mining industry. This was followed by a further conference in Kyiv in April 1996 attended by mine directors, government officials, as well as workers representatives and parliamentarians. At this meeting the World Bank argued for the closure of 80 mines, well above government's figure at the time of 39, and generated considerable criticism of the planned changes from the delegates (*Economic Review* 29 April 1996). The report's findings were also the subject of a series of consultative meetings in coal mining regions. In this way the preparation and presentation strategy of the report generated opposition only after the need for reforms had already been accepted in most government circles.

Thus even before the April conference the government had adopted the reforms which had been identified as conditions to be met prior to the World Bank agreeing to the SECAL. In this way the report and its recommendations formed the basis for the Government's coal industry policy announced in decrees in February and March 1996. In

Table 3. Coal Industry Restructuring Plan

Category	Action	No. of mines Feb. 1995	No. of mines Nov 1996	No. of mines Sept 1997
1	Reorganisation into 15 regional holding companies	57	76	76
2	Given one year (end 1997) to demonstrate viability	161	105	105
3	Scheduled for closure in the medium term	15	75	35
4	Immediate closure	20*	20	40

* mining ceased at 24 collieries but four of those were merged with existing mines.
Note: The discrepancy in the number of mines between 1995 and 1997 which is due to the merger and de-merger of mining establishments

Source: World Bank 1996, 28, and interviews, September 1997

March 1996 the MCI set up a subordinate agency entitled UkrVuhleRestrukturyzatsiya (UDKR) or the Ukrainian Coal Restructuring company located in Donetsk. The institutions led, significantly, by Oleksandr Postuk a former deputy coal minister based in Donetsk, was set up to manage the technical, social and environmental aspects of mine closures. By the end of 1996 coal mining had ceased in 25 collieries and half of these were transferred to UDKR for closure. Also in early 1996 the government ended the price system under which low cost mines subsidised high-cost mines and ended the monopoly on the sale of coal (IMF 1997).

The conference was rapidly followed by a visit of the World Bank's Vice President Johannes Lynn to Kyiv to discuss reform of the industry (*Economic Review* 29 April 1996). Shortly after this visit the

World Bank agreed, in May, to the first loan for the industry. The 'Coal Pilot Loan' was to focus on environmental clean-up and job creation and became effective in August of that year. This loan provided \$15.8m towards a \$28.5m project to close three unprofitable mines, Red October, Pravda and Promeskaya, in Donetsk Oblast. Significantly the loan was directed at Donetsk (involving budget transfers to the Oblast administration) and was designed to mollify opposition to the reforms. The loan was designed to generate the institutional framework needed for the larger reforms and play a crucial demonstration role. In particular the loan supported the establishment of UDKR located in Donetsk city. This involved establishing a British Know-How Fund project designed to transfer technical knowledge of restructuring the coal industry to UDKR officials.

The KHF put the contract to provide technical support out to tender which was won by a consortium most comprised of consultants working for International Mining Consultants (IMC) and led by a former Finance Director of British Coal (Enterprise) a subsidiary of the state owned coal industry which managed the social mitigation of coal mine closures in the UK in the mid-1980s. This involved the establishment of an office attached to UDKR run by UK-based consultants (four were permanently based in Donetsk and a further 32 specialists rotated) to improve its institutional capacities, provide policy advice and technical assistance. In this the consultants worked closely with the World Bank's representative in Donetsk, who was attached to Donetsk State University. International Mining Consultants also secured a TACIS contract to provide a detailed audit of a mine in Donetsk Oblast which involved taking management to a mine in Spain with similar technology and geology. IMC concluded that as the mine in Spain produced three times as much and its technology lasted two and a half times as long than its counterpart in Ukraine, productivity could be improved by 20 per cent and the workforce reduced by 30 per cent whilst maintaining current levels of output.

The pilot-project involved UDKR elaborating plans for the technical closure of the underground facilities and the demolition of surface facilities, the design and implementation of remedial environmental measures and the design and implementation of social mitigation measures such as of job creation schemes. In particular

UDKR piloted a micro-credit scheme to assist former miners to start their own businesses, a temporary work programme in which former miners were placed on public works projects and the transfer of social amenities to the relevant local authorities. Connected to this was the aim of devising public information strategies (and monitoring procedures) designed to ensure effective publicity of the social mitigation measures. It was significant that when setting up a survey panel and an ethnographic study of the responses of miners and their families to closures and social mitigation measures UDKR opted to employ researchers from the neighbouring Oblast of Kharkiv rather than involve local universities. The closure of the three mines was thus used to devise, implement and train local officials in a set of procedures with a view to the introduction of mass closures and two further loans. Moreover, it produced an institutional framework in which the World Bank via the KHF consultants and UDKR could ensure tight control over the process of coal mine closure and social mitigation procedures.

As the coal-pilot loan became effective negotiations on the coal SECAL were nearing completion. The coal SECAL worth \$300 million to be disbursed in two tranches of \$150m was agreed and made effective in December 1996. The loan was payable over 17 years with repayments beginning after five years. The responsibility for administering the loan was given to the Ministry of Finance whilst the MCI was to be responsible for implementation of the agreed sector policy. In this way the Bank took measures to reduce the potential of resistance emerging in the coal ministry. The agreement between the government and the World Bank included a series of conditions to be met prior to the release of the second tranche of money in scheduled for mid-1997. These included continuation of the policies adopted prior to the loan and also those related to the conditions attached to government financial support and the transfer of social assets to local authorities.

Whilst the agreement did not contain a figure for the number of mines to be closed it is possible to calculate from the loan agreement between the government and the World Bank the anticipated range of likely closures. Significantly the division of the country's 276 mines into one or other of four categories (see above) was revised following pressure from the Bank (see Table 3). The number of mines in category one and thus not under threat of closure increased from 57 to 76.

However the number scheduled for closure increased from 39 to 95. The number of mines in category two, those given a year to demonstrate profitability, declined from 160 to 105. It was anticipated that half of the category two mines would eventually be closed. Additionally the number of mines allocated to category four was increased from 20 to 40. Thus the minimum number of closures was to be 95 mines and the maximum around 150 up until to 2004. In a document of the government's coal industry policy attached to the loan agreement they committed themselves to closing a minimum of 20 mines per year.

Without identifying the exact number of mine closures the World Bank calculated that the restructuring programme would involve 184,243 compulsory redundancies of which around 60,000 were to be in the year 2000 alone. Taking into account voluntary redundancies it could be expected that total employment in the industry would fall from 465,000 in 1996 to around 200,000 by 2004 (employment in the industry was 755,000 in 1990 (Swain 1998)). Moreover, the geography of the industry and that high cost mines were disproportionately located in the Donbas meant that the effects of the restructuring would be felt disproportionately in the Donetsk and Luhansk Oblasts. In order to prevent the emergence of localised political and social stress with the potential of undermining the closure programme it was agreed that the sequencing of mine closures would take into account local labour market conditions as well as the level of mine losses.

An important feature of the restructuring programme was the organisation of mine closures. Under the programme the formal closure of mines (those in category three and four) was not to be implemented by the Regional Associations nor directly the MCI but by its agency, UDKR. Through the pilot loan project UDKR was equipped to implement the closure programme and tight forms of control were created which allowed the World Bank team in Kyiv to closely control and monitor the agency's operations. This institutional framework was designed to ensure that state funds allocated for the financing of mines closures went directly to UDKR where it could be spent on its intended purpose rather than flowing through the MCI to the Regional Associations where, the Bank feared, it would be used to subsidise loss-making production and finance investments. In this way the most cash rich part of the industry was that to be closed. Indeed it meant that as

UDKR had money to meet social liabilities the option of formal closure raised the prospect of the payment of wages, pension and other social benefits. A financial incentive for implementing mine closure was thus duly established. Following UDKR's formation in March 1996, 28 mines, predominantly in Donetsk Oblast, were transferred from the Regional Associations for formal closure.

Mines in category two and three were eligible to receive for a period of time production subsidies. In the case of category two mines, production could be subsidised beyond the end of 1997. Arrangements for category three mines were more complicated as they were scheduled for transfer to UDKR and for formal closure in the 'medium term'. Mines in this category were transferred from the Regional Associations and placed under the direct control of the MCI. This centralised of control over the industry involved the creation of divisions, organised by Oblast, within the ministry to manage the mines directly from Kyiv. Moreover these Oblast divisions were also responsible for distributing production subsidies to the mines placed in category two. This change had significant implications. First, it involved a recognition of the limitations of the ministry's control over 'its' industry and a strengthening of its institutional capacities. Secondly, and connected to this process of centralisation, it involved de facto re-nationalisation of a section of the industry as a necessary precondition for ensuring the implementation of centrally planned mine closures. Thirdly, the arrangements included a discretionary element in the form of the distribution of subsidies. Scope was thus maintained for selective bargaining between the mines and the ministry over individual mines' financial conditions in much the same way as had existed under centrally planning and continued after Ukrainian independence. There was also scope for bargaining over which category a mine was to be placed in. As a result mines were transferred from category to category depending on the influence mine directors exercised within the ministry at any given point in time. Fourthly, the transfer of the mines to the MCI was designed to ensure the economic viability of the Regional Associations prior to corporatisation and eventual privatisation..

The mines allocated to category one (and those moved from category two to category one after one year), that is between 170 and 120 mines, were to be corporatised and grouped to form 15 regional

holding companies owned by the MCI as successors to the Regional Associations. It was envisaged that eventually the shares in the holding companies would be privatised. In this way the section of the industry deemed to be internationally competitive was to be subjected to the rigours of the international coal market and raise investment capital through capital markets. However corporatisation involved the division of debt liabilities between different legal entities. Moreover it also involved the transfer of social assets from the mines to district authorities which required the provision for additional budget transfers to the Oblasts administrations to assume the extra responsibilities.¹ This proved a convenient means of securing support for the reform programme from Oblast administrations.

The reform plan begins to unravel

In April 1997 the MCI began the legal procedure to consolidate the coal stockholding companies as the first step to securing the industry's future. However, the progress of the reform programme slowed with a change of the coal industry Minister on 25th July 1997. Rusanov, a former director of a Regional Association, was replaced by Stanislav Yanko who had been the First Deputy Manager of the State Coal Committee from 1992 to 1994, and who had then become a deputy in the Rada. In particular he used his position in the Rada to secure backing for his arguments with fellow ministers over budgetary support for the coal industry. Following his appointment Yanko argued that Ukraine's energy deficit meant the coal industry was 'strategically important' and argued for government backing for the expansion of coal production from 75 million tons to 100 million. As a result he sought an increase in the 1997 allocation to the coal industry of Hyn. 1.5bn from the state budget to Hyb. 4 - 5bn to permit investment in category one and category two mines. Crucially, it was the World Bank's view that only category one mines should receive investment capital and only then in the form of soft loans for projects with an expected rate of return of not less than 15 per cent. Moreover whereas the loan agreement implied the closure

1. This was a particularly sensitive issue because it had implications not only for the amount of tax paid by mines to local authorities but more broadly for the division of tax revenues between local and national government.

of more than 100 mines the new minister indicated that UDKR would only close 52 (*IntelNews Business Journal* 8.9.1997).

Additionally the closure programme itself became bogged down in technical difficulties with the result that by the end of 1997 not one mine had been formally closed (*Financial Times* 9.12.1997). In particular the confused economic situation, in which people either worked for their enterprise without pay (and often for private gain) or did not work for their enterprise but remained unsalaried employee in order to secure non-wage benefits, meant there were mines in the process of being formally closed which continued to produce coal whilst mines that were technically open had ceased production. The formal closure of mines was prevented due to the difficulty of transferring social assets to local Oblast administration which, in the case of Donetsk, were unwilling to accept them without prior renovation. Additionally, the division of assets and liabilities between UDKR and the Regional Associations in the course of closure became a controversial issue. Connected to this was the problem of money allocated to UDKR not reaching the intended recipient. In 1997 some Hyn. 200 million of the coal industry budget of Hyn. 1bn was allocated to UDKR however by the end of September that year only Hyn. 70 million had been received. In part this was due to the redirection of money allocated to implement closures to provide investment capital in the few profitable mines. Initially money due for UDKR arrived from the World Bank via the Ministry of Finance and the Ministry for the Coal Industry. In order to prevent money being redirected by the MCI to Regional Associations the transfer of money was altered so funds reached UDKR via the Oblast administrations where it was working. However, as money continued to go missing en route to UDKR the procedure was changed once again so that money passed from the World Bank via Donetsk Oblast to UDKR.

Although 28 mines due for immediate closure were transferred from the Regional Associations to UDKR as stipulated by the loan agreement the transfer of the other 12 mines scheduled for closure became a topic of disagreement between the World Bank and the MCI. Although according to the loan agreement mine closures were to be implemented solely by UDKR coal industry minister Yanko indicated that the 12 smaller mines would be closed by the Regional Associations. This decision had important implications for the financing of the sector

as it implied that budget transfers which had been scheduled for UDKR would be redirected to the Regional Associations, breaking one of the conditions of the loan which stipulated state financing for the coal industry in composition and in aggregate. However, more importantly Yanko's decision reflected the enduring inability of the MCI to exercise control over 'its' industry. In particular it was in no position to rein-in those mines which had left their Regional Associations and which were effectively beyond the ministry's reach (*IntelNews Business Journal* 8.9.1997).

There were also a number of more specific disagreements between the MCI and the World Bank. The MCI failed to implement the transfer of category three mines from the Regional Associations to the MCI which meant the Associations remained unprofitable and continued to receive state subsidies. There was also disagreement over how many holding companies should be created in the wake of the associations. The MCI sought the creation of 18 holding companies whereas the loan agreement stipulated and the Bank sought just 15. Moreover as production costs in the industry increased dramatically in the course of 1997 according to World Bank officials nearly 200 of the 276 mines were unprofitable which if correct implied the need for between five to seven holding companies in the longer term (interviews September 1997).

A further point of contention between the Bank and the MCI and UDKR focused on the technical costs of coal mines closures and on the costs of social mitigation. Firstly, the high costs of closing mines stemmed from the willingness of mine authorities and workers to remove assets even at costs substantially greater than the assets being recovered. However, for the employees concerned the economics of this activity was largely irrelevant as the reclamation of even scrap metal was for private rather than the enterprise's gain. Indeed given the widespread recycling of public goods for private gain the prospect of closing a mine offered employees, which had not been paid for many months, opportunities for securing an illicit income. Secondly, the proposals emanating from the industry design institutes, which were responsible for devising alternative employment strategies, were reminiscent of state plans and involved variously the construction of new mines and the establishment of factories. The average cost per job according to these

proposals was \$30,000, equivalent to 45 years of the average salary, and was considerably higher than the World Bank's preferred figure of \$10,000. Moreover the Bank sought temporary employment schemes rather than the setting up of alternative businesses.

As a result of these problems and disagreements between the World Bank and the MCI the second \$150 million tranche of the Coal SECAL, which had been due for disbursement in the middle of 1997 had yet to be released by the beginning of 1998. Moreover, the prospect of the third of the World Bank coal industry loans, the 'coal mining improvement project' worth \$100 million, which was due to be agreed in early 1998 receded further into the future. In consequence the section of the industry which was to form the basis of a trimmed-down internationally competitive sector was starved of the investment capital required to maintain current production and productivity levels whilst the theoretically cash-rich mines due for closure could not be owing to the difficulties of implementation.

Conclusion

As Ukraine looked forward towards Parliamentary elections in March 1998 further reform of the coal industry was in the balance. The largest party in the Rada, the Communist Party led by Petro Symonenko a former official from Donetsk Region, stood on a platform opposed to the coal industry reform programme and included several miners on its party lists. Yet notwithstanding divisions within the government the power of the state executive and especially the President supported by foreign institutions such as the World Bank, TACIS and the KHF seemed potentially powerful enough to maintain reform after the election. However whilst the prospect of continued reform remained uncertain some general conclusions could be identified from the reform programme. Foremost amongst these was the way processes restructuring the industry were closely connected to processes restructuring the state. Indeed in many ways these two sets of processes were the very same.

First, the reform process revealed the importance of what may be termed a 'parallel state' that is to say a network of institutions, comprising in the case of the coal industry the World Bank, the EU's TACIS, the UK's KHF as well as individual western consulting firms

such as International Mining Consultants (which had won contracts from all three donor organisations), which exercised state-like power. Moreover, this 'parallel state' was highly authoritarian and placed individual foreign technical experts in positions of great influence. Thus the project leader of the KHF technical assistance project to UDKR in Donetsk, itself funded by the World Bank, was a leading member of a consortium which successfully won a TACIS contract to set up a regional development agency in Luhansk. In this way this individual stood to become arguably one of the most powerful men overseeing economic transformations in east Ukraine.

Second, the progress and the problems surrounding the reform programme indicated the need to secure central control over the industry as a precondition for restructuring it and eventually privatising it. Thus an institutional framework was established which involved bringing mines scheduled for closure under the direct control of either the MCI itself or its agency for closing mines UDKR. This could be interpreted as an attempt to effectively re-nationalise the industry in order to implement a restructuring programme. Moreover, the inability to formally close any mines by the end of 1997 reflected the limits of the states ability to retake control over the industry even with financial and technical assistance. This was in part a result on the inability of regional government to accept new responsibilities in the field of welfare without adequate financial support and served to highlight the relationship between the restructuring of different arms of the state at different spatial scales and the restructuring of the coal industry.

Thirdly, the restructuring of both the state and the industry involved the re-organisation of space by means of a re-articulation between different spatial scales. In particular attempts to secure central control over the coal industry as part of (re)nationalisation strategy required the imposition of central control over the regions and specifically over regional authorities. Moreover contestation over the future of the industry was also a conflict over the governance of Ukrainian 'state space' in which institutions operating at different spatial scales, ranging from mines at the neighbourhood level through to the World Bank at global level, sought to establish which of the different spatial scales was to become the prime scale of socio-economic intervention. In the midst of conflict between weak institutions operating

at the local, regional and the national scale, international organisations bearing capitalist social relations were able to go a long way towards securing control over Ukrainian 'state space'..

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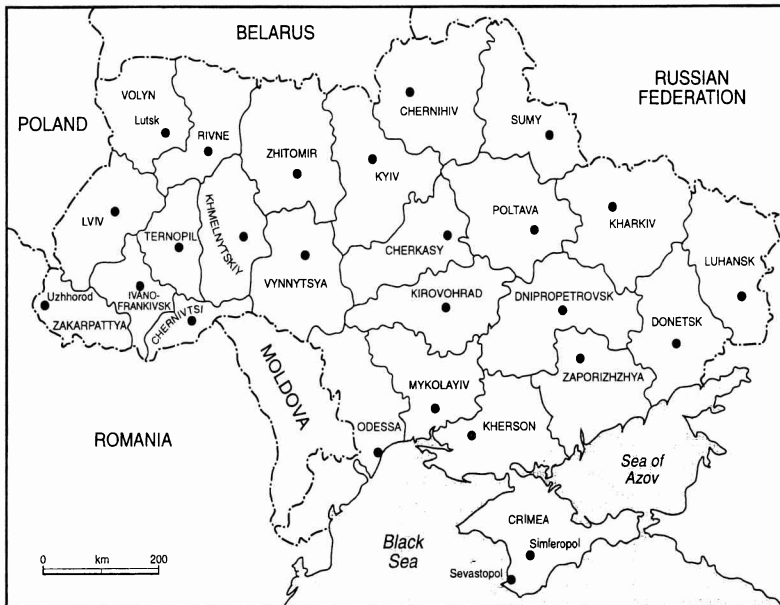
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Ukraine



Review Article

Boris Kagarlitsky

One Hundred Years of Reformism

At the end of 1996, the new leader of Britain's Labour Party, Tony Blair (in May 1997 he became prime minister after victory in the general election), having defeated the left opposition within his own party, became the country's most fashionable political figure. At the same time, Donald Sassoon's book, *One Hundred Years of Socialism*,¹ appeared on the shelves of London's book shops. The aim of this substantial work, with its wide-ranging commentaries and tables, is to provide a historical survey of the development of the West European Left from its Marxist origins to Blairite pragmatism. The author displays little interest, however, in Communist parties and has written basically a history of social democracy. Only the Italian Communists are honoured with a separate chapter but even this exception confirms the rule: it is precisely the Italian Communist Party which has transformed itself in the 1990s into the Democratic Party of the Left (PDS) and become one of the strongest and most moderate social-democratic organisations in Europe.

In Sassoon's opinion, European socialism has been in a profound crisis and unable to achieve its original goal: the creation of a new society qualitatively different from bourgeois society. Moreover, in

1. Donald Sassoon, *One Hundred Years of Socialism*, I. B. Tauris, London, 1996, pp. xxv + 965, ISBN 1 85043 879 X.

Sassoon's opinion, such a society is not desired by 'anyone, anywhere'. But, nevertheless, socialist organisations 'modified the trajectory of European society' (p. xxi). It is thanks to socialists that the institutions of the welfare state have arisen and the lives of working people improved.

Almost simultaneously with Sassoon's book, there appeared the work by the British historian Willie Thompson, *The Left in History: Revolution and Reform in Twentieth-Century Politics* (Pluto, 1996). This book is permeated with even greater pessimism. Describing the history of the main left-wing currents, the author comes to the conclusion that they will all have suffered defeat by the end of the century. During the greater part of the century the Left constantly defined the political agenda, and the Right 'seemed to be permanently on the defensive' (p.9) At the end of the century, however, traditional notions of progress, and with them left-wing ideology, have collapsed. Capitalism cannot cope with contemporary problems but the traditional left-wing project is also dead. Postmodernism and other new currents do not appear to be a real alternative for, in rejecting 'universalism' and proposing in its place a programme for the liberation of separate groups, they cannot provide an intelligible perspective for society as a whole. It only remains to hope for some sort of 'new project' (p. 231).

Sassoon is not so pessimistic. From its very beginning the movement has simultaneously pursued two goals: on the one hand, it has attempted to improve the position of working people under capitalism, and on the other, to liquidate capitalism itself. These goals were not initially in contradiction with one another, but as ever greater success was achieved on the path of reform, the more socialism linked its future to that of capitalism. In Sassoon's opinion, socialism's problem has always consisted in the fact that its successes have only been possible on the basis of and thanks to the successes of capitalism. And this also applies the other way round: wherever capitalism has been a failure, socialism has found itself in crisis.

This thesis seems highly convincing: it was not by accident that the rise of radicalism in Western countries after the Second World War led not to the crisis-ridden seventies, but to the prosperous sixties. The author seems unaware, however, that this very thesis undermines his own assertion concerning the outcome of preceding reforms. Recurring capitalist crises are evidence of the fact that reforms have been unable

to 'remove' the fundamental contradictions engendering the socialist opposition to capitalism. Future prospects are, however, of little concern to Sassoon, for whom the history of socialism is complete. Consciously or unconsciously, he follows the layout of Leszek Kolakowski's *Fundamental Currents in Marxism*. Dividing his investigation into three volumes (origins, 'golden age', decline), the Polish author finally came to the conclusion that the sooner his own investigation was complete, the sooner Marxism itself would come to an end.

Sassoon does not draw such categorical conclusions but they somehow flow from the structure of his book. The history is divided into three parts: 'expansion', 'consolidation' and 'crisis', creating a kind of Hegelian completeness. West European socialism represents a distinctive 'thing in itself'. The Russian revolution and events in the USSR are referred to only as background, and their influence on Western socialism is reduced to the split with social-democracy which gave rise to the Comintern (the political and ideological significance of which is limited to a discussion of the 21 conditions of membership proposed by Lenin). Paradoxically, Lenin is quoted on a number of occasions when the author refers to his ideas for confirmation of his own opinions. The Third World exists throughout as an external background, undeserving of attention. Formally the author is correct to do this insofar as this is not what the book is about. Moreover, he emphasises that he is concerned exclusively with the history of parties, and is not interested in the history of the left-wing movement and socialist ideas. But in so doing, the history of parties is reduced in the final analysis to the history of the political apparatus of social democracy.

It must be said that the author does not idealise socialists. He recounts in detail the most unsavoury episodes in the history of social democracy, in particular the social democrats' collaboration with the Nazis in Denmark during the occupation and in Finland during the war against the USSR, and also the transition to collaborationist positions of several of the leading members of the socialist parties of Belgium, Holland and France.

The golden age of social democracy arrived in the post-war years simultaneously with the rise of regulated capitalism. This period came to an end with the oil crisis of 1973. The achievements of the 'golden age' were considerable. Now they must be defended.

However, West European socialism, evolutionary “welfare” socialism, pioneered by Bernstein, developed in Britain, Germany and Sweden, based on strong unions, state intervention and a growing public sector was, by the 1980s, unmistakably in crisis. By the 1990s, it even proved difficult to defend the gains thus far achieved: the welfare state, full employment and trade union rights; the first was in danger, the second had become a thing of the past, and the third was severely curtailed. (p. 648)

Even worse, the Left had no means of overcoming the situation.

Socialists had run out of ideas. In the 1960s they had abandoned the idea of abolishing capitalism; in the 1970s and 1980s they proclaimed that they were the ideal managers of it. By 1989, when the Berlin Wall collapsed, the conventional reformist idea that it was necessary to possess a large public sector to countervail the negative tendencies of the private sector had evaporated from the programmes of all socialist parties. The privatisation of the public sector, previously unthinkable even among most conservatives, came to be accepted by many socialists (p. 649).

The social base of the movement has also changed. It is becoming ever more eroded. Representatives of the middle class are replacing organised workers, who in turn are becoming depoliticised. Wage-labourers have themselves changed: they are no longer just white, Christian males, but also young women or immigrant Muslims. The culture and traditions of labour are changing. Ecological and feminist ideas are becoming more prominent in society but, despite their attractiveness for the Left, they are not, unlike the ideology of socialism, its exclusive ‘property’.

How does Sassoon propose to overcome this crisis? In the book he demonstratively declines to answer. He does, however, provide a partial answer in an article published in the *Observer* soon after his book appeared. This article, titled ‘Why the Left lost Utopia’ (24 November 1996) does not simply repeat, word for word, a few pages from the book, but sets itself the goal of providing an historical justification for the correctness of the policies of the new Labour leader,

Tony Blair. In Sassoon's opinion, if Britain is different in many ways from continental Europe, and the British Tories are extremely provincial, then New Labour, on the other hand, is in step with social democracy on the continent.

Sassoon remarks in the *Observer* article that:

Those who do not like New Labour will have to come up with a better explanation of its origins than the one currently doing the rounds, namely that the party has been hijacked by a pinko-Thatcherite Christian fundamentalist, surrounded by a clique of assorted dark forces and teenagers on the make, equipped with the historical memory of a goldfish. Throughout Europe democratic socialists and / or social democrats have abandoned what Willy Brandt called "the theology of the final goal".

None of them adheres to the idea that socialism is a state of affairs following on from capitalism, or that it encompasses the expansion of state ownership. British New Labour, Sassoon continues, is on a par with the 'renovadores' in the Spanish PSOE, and tendencies referred to as 'riformisti' in Italy and 'nouveaux realistes' in Belgium, which in the last analysis

have built on the so-called revisionist tradition initiated by Eduard Bernstein at the end of the last century and continued in the late Fifties by Anthony Crosland and the drafters of the Bad Godesberg programme of the German SPD. Over the years, they have abandoned the idea that a single class - the traditional male factory proletariat - was somehow endowed by history with the task of embodying the hopes and aspiration of the whole of humanity. This loss - if it is a loss - has effectively delivered socialists of a utopian albatross. Capitalism is not a particular transitory phase in historical development but a mode of production. The task of socialists lies in devising a political framework which enables the advancement of certain values, such as justice and equality, while ensuring that the regulatory system imposed does not seriously impair the viability of capitalism. Thriving capitalism does not guarantee socialist

successes, but capitalist failures and decay have never provided the Left with an opportunity for progress.

Here Sassoon undeniably encounters a serious methodological problem which for a historian should not remain undetected. If the theoretical and ideological bases of the new revisionism were laid by Bernstein and were evidently triumphant back at the turn of the century then what is 'new' in 'new realism' and why it has become necessary seems incomprehensible. In other words, what is crucial is not new realism's continuity with Bernstein but the manner in which it breaks with or modifies the traditions of European revisionism. Sassoon declines to tackle this problem. A solution is, however, contained in his *Observer* article, albeit in a concealed form. Describing the achievements of the 'new realists', Sassoon enumerates chiefly the withdrawn slogans, the discarded promises and rejected principles. The list of victories is exclusively negative despite the fact that they had prevailed over their own past:

New Labour has rewritten Clause Four, but other parties of the Left have preceded it; they dumped traditionalist symbols and images, discarded a utopian vision of a socialist society and reconstructed themselves. Some had much further to go: the Italian Communist Party turned itself into the Democratic Party of the Left (PDS), jettisoned the hammer and sickle and adopted an oak tree as its new symbol. It is now a member of the Socialist International and the backbone of Italy's new left-of-centre government, the first in the country's history.

The new PDS advocated a state which "would do less but enable more" and "would step back from directly managing economic activities and develop instead a role in regulating the market". It accepted the principle that "in the present historical circumstances there are no alternatives to the market economy"; that it was not possible to return to "traditional recipes of sustaining employment through global demand management"; and that privatisation "can provide the opportunity to restructure the national economy on a more modern foundation".

The Spanish socialists started out by dumping Marxism in the

late Seventies; they proceeded to rule Spain for more than 14 years, during which they helped the private sector to modernise itself while constructing the first welfare state in their country's history. It has not been a history of unmitigated successes - unemployment is still at an intolerable level - but their achievements should not be dismissed.

In France, the socialists eventually accepted that markets should be regulated by legislation and not through state ownership. The Left, throughout Europe, now accepts that the object of socialism is not the abolition of capitalism but its coexistence with social justice, and that the trade unions are to be regarded as representing workers' interests with no presumptive claim to have a greater say in politics than other interest groups.

It means giving a far greater priority to the concerns of consumers and having the political courage to accept aspects of the liberal critique of socialism - including the association between collective provision and bureaucratic inertia.

One cannot fail to notice that he is dealing in a majority of cases not with parties with a revolutionary ideology but with thoroughly reformist organisations, with a long tradition of theoretical and programmatic thinking in the spirit of revisionism. And it is precisely these which have felt the need to reject their former ideas.

Sassoon observes that:

As early as 1988, Peter Glotz, then general secretary of the German SPD, warned that "the Left must shelve its centralist megalomania and drop the obsessive conviction that the state can effectively manage the whole economy ... As part of its plans for exerting control over the market economy, the Left must stand up for consumer rights, free investment decisions, the free disposal of assets and a decentralised decision-making process."

In 1969, the Norwegian Labour Party still declared its goal to be "a socialist society". By 1981, it had replaced this aim with values such as freedom, democracy and equality. In 1989, it emphasised individualism and collective freedom and accepted that the state had become too burdensome, and the public sector had grown too large. It said that the state regulation of markets should be in

the interests of consumers and not only of producers.

In 1991, the Austrian Socialist Party renamed itself the Social Democratic Party. Its new programme emphasised social-democratic economic policies drawn out of a competitive economy and using market mechanisms restrained by a network of social safeguards and the principle of solidarity.”¹¹

Nor did Greece remain an exception. In 1996,

the Greek socialist government of Costas Simitis won the election on a platform repudiating the rigid labour market and the corporatist and statist mentality of the past. Simitis argued that efficiency and privatisation were not by-words which could be left to the Right; they had to be used to defend a new concept of social justice and building a welfare state for the next century.

Socialists are increasingly concerned with a fairer tax system: for example, in Germany in May 1994 the new SPD leader, Rudolf Scharping, proposed a new tax plan with tax cuts for the lower paid.

In Holland, the Labour Party - which fought (and lost) the 1986 election on an intransigent defence of the welfare state - embarked on a wide-ranging reappraisal of its ideology.

The new party leaders came to the conclusion that ““when the market actually works” it is “better able than any other mechanism to chart reliably the economic performances of companies and cater for the preferences of consumers””. It was also agreed that

capitalism was a condition of democracy, and that the welfare state had to be reformed in order to strike a new balance between efficiency and justice. In 1994, the Dutch Labour Party was leading the first government in modern Dutch history without the Christian Democrats.

In Finland, the leader of the Finnish Social Democratic Party, Paavo Lipponen, having lost the general election in 1991,

embraced market reforms declaring that "... we need a real paradigm change... We have to get more flexibility and reduce labour costs and social security costs". Lipponen is now his country's Prime Minister..

This list should convince the reader that repudiating one's principles is the most reliable road to power. True, the left Labour reviewer of Sassoon's book, Jim Mortimer, notes that the facts provided in his own book contradict such a conclusion. If one takes a rather longer period than the last 5-7 years, it turns out that over the past 25 years the Left's biggest electoral victories have been achieved 'on the basis of radical programmes'. This applies even to the model 'realist' parties of Spain, France and Greece, which initially forced their way to power precisely with radical slogans. In 1974, when the Labour Party won the election in Britain, they also conducted a very radical campaign. According to Mortimer: 'Not one of these governments subsequently carried out its promises, but this does not alter the fact that the electorate liked their original radical programmes'.¹

However, history does not always teach the present a lesson. Let us assume that Sassoon is correct and the electorate rejects left-wing ideas. If this is the major lesson drawn by European socialists from one hundred years of their history then the British Labourites are undoubtedly 'swimming with the current'. Consequently, everything is going well for them, the more so as moderate socialists are in power, either on their own or in coalition with other parties, in Finland, Norway, Sweden, Denmark, Holland, Belgium, Australia, Italy, Greece, Portugal and Luxemburg, and since the beginning of 1997 also in Britain and France. Now the Left must find a common language with other forces adhering to the idea of a 'social' Europe. These forces, in Sassoon's opinion, include continental conservatives, who speak the language of social solidarity - from Jacques Chirac's Gaullists to Helmut Kohl's Christian Democrats. True, in Germany and France themselves they view the situation differently. While Chirac's social conservatism is being discussed in Britain, his popularity in his home country is falling rapidly

1. *Socialist Campaign Group News*, January 1997, p. 10.

and his policies are considered anti-social as the results of the June 1997 elections confirmed. And even in Germany, the invincible Helmut Kohl is losing support. The reason is the same - mass social dissatisfaction. The standard of living is falling, although this is not the main reason. Rather, the quality of life is declining, as insecurity, bitterness and stress are increasing. If such a society is becoming the norm across Europe, should one be striving for it? The American journalist, Daniel Singer, has incidentally written an excellent article in *The Nation*. In his opinion, more and more people are arguing that if what is proposed is our future, it would be better not to have any future at all.

But back to the question: where is the novelty in 'new realism'? Is it really in its capacity to find a common language with social-conservatives or enlightened liberals? But this is not quite so new. From the very first stages of its development, the modern workers' movement has been confronted with the question: is its goal the replacement of capitalism with a new, better and more just society or is it a matter of improving capitalism. None other than Karl Marx in Volume I of *Capital* (in the section devoted to English factory legislation) wrote of the possibility of improving capitalism through social regulation. Sassoon is convinced that today these disputes are pointless and that an answer has been found: socialism must improve capitalism.

Acceptance or non-acceptance of this thesis is a matter of taste. Let us assume for a moment that Sassoon is right and that humanity cannot in principle create anything better than capitalism, and we have only to concern ourselves with its improvement (as they earlier improved Soviet 'developed socialism'). The question is could New Labour, Tony Blair and other representatives of 'new realism', to whom Sassoon links the future of the Western Left, cope with this task.

One is immediately struck by the fact that, while discussing in general terms social capitalism and the creation of a new version of the welfare state, the author could not name a single concrete reform carried out or at least promised by the 'new realists'. But to make up for it he notes the patent convergence of the 'new realists' positions with those of left-wing and 'socially oriented' conservatives - Chirac's neo-Gaullists in France and Kohl's Christian Democrats in Germany. But if the Left cannot be distinguished from the Right, what use is the Left? The notion

of an evolutionary improvement of capitalism is incompatible in principle with reformism. An evolutionary improvement of the system requires not social reformers but thoughtful conservatives, intelligently deployed by the government of the day. Reform is needed precisely when natural evolution, structural improvement and routine corrections of course prove insufficient and the accumulated contradictions threaten more serious crises. The reformist movement begins from the premise that the system is bad. It is another matter that the reformists are not inclined to raze it to the ground, but desire only to replace important elements.

A harsh critique of capitalism was the starting point not just of revolutionary Marxism but also of social-democratic 'revisionism'. It was precisely for this reason that social democrats succeeded with reforms in the 1940s and 1950s. The starting-point of Roosevelt's 'New Deal' in the USA was also that the system had to be changed, that society was in profound crisis and that a social explosion could only be averted through serious changes. 'New realism' in Europe, on the other hand, starts from approval and acceptance of existing society. It is not a question of whether this society in itself is good or bad (for some it's good, for others not so). The problem is that alternatives cannot be elaborated on this basis.

It must be acknowledged that Sassoon treats 'new revisionism' rather more strictly in his book than in his article. He remarks that 'To know that it is necessary to innovate, without knowing how to do it or in which direction to proceed, is not necessarily an intellectually vacuous position to hold' (p. 735) Nevertheless, the demands of political 'expediency' triumph over intellectual needs. Historical research leads to the conclusion that the entire previous path was followed simply to reach the point at which we are today. The goal is nothing but the movement has ceased. The end of history ...

Meanwhile socialism can play a major role in improving capitalism precisely on the strength of its anticapitalist essence. Reform of the system requires an internal ideological impulse. Moreover, capitalism has throughout its history required stabilisation from within. Precisely because of its own dynamism, the capitalist system is subject to constant crises and shocks. It is for this reason that capitalism required at first Christian traditions, monarchy and aristocracy, then the socialist

institutions of the welfare state in the West or Confucian feudal clan structures in the East. The periods of most 'pure' capitalism were the most bloody and unstable times in history.

Sassoon repeats Keynes' words to the effect that capitalism must be tamed. But if socialist ideology ceases to be a principled alternative to capitalism, if the workers' movement loses its capacity for aggressive behaviour and is incapable of decisive struggle against the bourgeoisie, then it will not be able to tame anyone or anything. Without class hatred you cannot have any social reforms or social partnership. On the whole partnership is generated not by the partners' mutual sympathies but by an understanding that a rejection of collaboration could lead to catastrophic consequences.

From Sassoon's point of view, 'new realism's biggest trump-card is the ability of people equipped with such ideas to come to power. He admits, incidentally, that this was the main aim of the ideological reforms carried out by New Labour: 'The long period in opposition had united the party round a single objective: to regain power at virtually any cost', remarks the historian in the conclusion to his book (p. 739)

The aim of course is worthy, but what next? Describing the successes of the continental parties, along whose route the British are travelling, Sassoon has very little to say about the concrete results of government by 'realists'. This is understandable - there is nothing to write about. However surprising this may seem, Sassoon believes that coming to power is itself an achievement. For politicians dreaming about their seats, such a thought would be normal. But for an intellectual! But at last we have arrived at an answer to our main question: what is new in 'new realism'? Here is its principled philosophical and political foundation: electoral victory, the gaining of power, and obtaining ministerial positions in and of themselves constitute the meaning and only goal of political activity. Power is no longer a means but has become a goal in itself and the supreme value. There is nothing Nietzschean in this. To accuse such an approach of being totalitarian would be unjustified for the notions of power in this instance are very modest. Power does not mean the capacity to act, command and transform, as the great reformers, liberators, heroes and tyrants understood it, only a simple, peaceful term in office.

Here we have the quintessence of the functionary's world view

in the circumstances of contemporary Western democracy. The art of politics involves maximising the number of ministerial portfolios and positions for one's own group. Democracy consists in the competition between a few groups for a limited number of seats.

The political successes of 'new realism' in this sphere are indisputable but it is precisely here that a problem arises. The quicker 'new realists' come to power, the quicker they lose it. Even worse, having lost it once, they probably cannot win it back again. The Spanish Socialist Party, which is undoubtedly a model both for Sassoon and for politicians like Blair, has already lost power. The Lithuanian Democratic Labour Party (LDLP) became the first left-wing party in Eastern Europe to come to power in order to carry out a right-wing programme, initiating the region's 'left-wing' wave. Lithuania has also initiated the return of the Right. The LDLP's catastrophic defeat at the 1996 elections is the completely logical outcome of its government.

The 'new realists' only come to power where right-wing parties are so discredited and weakened that they cannot hold on to power under any circumstances. In Spain after the decades of right-wing dictatorship, conservative politicians were so compromised that they simply could not compete with the socialists, the more so as the bourgeoisie had no objections to a 'left-wing government' implementing right-wing policies. But as soon as a change of generation had taken place and new people, unconnected to the past, became prominent on the Right, the socialists lost power.

It has proved a common occurrence that socialists come to power on a wave of general irritation at neo-liberal policies and continue to implement precisely the same policies after their victory. There inevitably follows a loss of positions and authority and, eventually, defeat. Nor is it in any sense obligatory that the defeat of left-wing 'realists' will lead to the return to power of moderate right-wingers. Everywhere the coming to power of a 'realist' Left has been accompanied by the rapid rise of a radical, anti-democratic Right.

The Polish dissident and one-time ideologue of Solidarity, Karel Modzelewski, gloomily predicts that, after the defeat of the moderate Left, right-wing liberals will also fail to regain their previous influence. Society will swing even further to the right. The 'reds' will be replaced by the 'blacks'. In Britain, where the Left was out of power for many

years, there are virtually no neo-fascists. In contrast, the rapid rise of Le Pen in France is one of the most obvious consequences of 14 years of socialist government.¹

The 'realists' are interested least of all in their 'traditional' social base. They are convinced that the lower orders and the working class will support them in any case as these social strata have nowhere else to go. The policies of the 'new realists' are designed to win the support of the middle class. However, the lower orders, forgotten by everyone, are unexpectedly finding their own way out. The 'Left's obvious and open betrayal of their interests is forcing them to turn to the far Right, which not only demagogically exploits their difficulties, but unlike the 'realist' Left, promotes demands in practice which meet the concrete interests of a significant part of the population. These just demands are mixed up with nationalist and racist lies about immigrants and foreigners as the source of all ills. But if we do not understand that, for example, anti-Europeanism and the hostility of the 'new Right' to European integration correspond completely to the feelings and needs of millions of people, we will fail to grasp the causes of the rapid success of politicians like Le Pen.

The Left says that everything is alright. The Right denies this, and the average person knows full well who is lying. The Left says that there is no other path than tightening one's belt and joining a united Europe but the average citizen of France, Britain or even Germany frequently has no desire to go in that direction, let alone tighten their belt. At the end of 1996 the *European* newspaper published sensational opinion poll data indicating that if a referendum were held in Britain on the question of relations with Europe, supporters of integration would lose (9 December 1996). In this sense it is precisely the right wing of the Tories which expresses to the greatest degree the mood of the average voter. I think that the coming to power of the Left will lead to the Conservatives shifting even further to the right, and by doing so they will gain broad popular support.

The Left prefers not to discuss bureaucracy. The far Right talks

1. Karel Modzelewski, *Wohin von Kommunismus aus?* Berlin, 1996, pp. 179 and 188.

about it. The Left argues that international institutions are working in everyone's interests. The far Right denies this. The masses listen and quickly realise that in the Left's propaganda there is at least no less demagoguery than in the Right's.

'New realism' long ago became programmatic for German social democracy but its ability to come to power has proved minimal. Wherever bourgeois parties are effective there is no demand for 'new realists'. But Germany is also interesting for another reason. In the eastern Länder, where the Party of Democratic Socialism (PDS) is active and repudiates the ideas of the 'new realists', the right-wing radical party, the Republicans, has achieved no notable success. In the western Länder, where there are no serious forces to the left of social democracy, protest votes are going to the neo-fascists.

Such is the reality of contemporary Europe that neo-fascism is ripening in the shadow of 'new realism' and seeking to take its place. The Left's incapacity and crisis engender on the one hand a distinct type of politician who tries to turn precisely the impotence, weakness and demoralisation of their own party into an advantage in the struggle for personal power. On the other hand, such 'realism' indicates an incapacity to implement reforms where they have become essential. It is here that it is dangerous, for it is fraught with new crises.

'New realism' is the perfectly natural offspring of the crisis of socialism. But it is a symptom of illness and not its cure. If the contradictions of the system are not quickly overcome, and the discontent of the population becomes more openly displayed, it will prove most likely only the prelude to a 'new radicalism'. It is merely a question of whether this radicalism will be of a left-wing variety. To a significant degree this depends on left-wing politicians, trade union figures, leaders and activists of the workers' movement themselves. ●

Reviews

S. Clarke, P. Fairbrother, and V. Borisov, *The Workers' Movement in Russia*, Aldershot, Edward Elgar, 1995, 431 pp., ISBN 1 85898 063 1.

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THE
WORKERS' MOVEMENT IN
RUSSIA

**SIMON CLARKE
PETER FAIRBROTHER
VADIM BORISOV**

**Studies of Communism
in Transition**

This volume is a systematic presentation of a vast amount of data, much of it collected directly through interviews and direct observation, about three major sections of the new Russian labour movement, from its origins in 1989 until the end of 1994. It offers detailed accounts of the workers' committees and the Independent

Miners' Union (NPG) in the Kuzbass (with some discussion of the national and other regional unions); the Sotsprof confederation of unions, both its national level and its primary organisations (with special attention to the First Moscow Watch Factory and the Moskvich auto plant); and the Federation of Air Traffic Controllers' Unions, also at various levels.

The authors' stated purpose might appear modest: "Not so much to provide an explanation ... as to provide some evidence on which to base further discussion of such explanations." (p.1) However, this is a valuable and quite unique book. It is all the more remarkable in view of the difficulty of systematic data collection in the chaotic conditions prevailing in Russia, and in its labour movement in particular.

The book's title, however, is somewhat puzzling, as it implies that the "traditional" unions inherited from the Soviet period are not part of the workers' movement, even though they were and remain the principal labour organisations. Despite their numerous shortcomings, they are no more detached from their membership than, for example,

the national Sotsprof or even the national NPG, as it eventually evolved. Politically, the “traditional” unions have shown more independence than the “alternatives”, despite the authors’ claim that they continue “to be bastions in defence of whoever happens to be in power.” (406) Their political independence was most pronounced in the crisis of September 1993, which surprisingly is barely mentioned in the book. The “alternatives” supported Yeltsin’s coup, which ushered in a presidential autocracy, while the “traditional” federation, at least until Yeltsin’s threat to dissolve it was really felt, defended the constitution and parliamentary democracy. This book is really the story of the failure of the “alternative” labour movement. It was not an unmitigated failure, but by the end of 1994, these organisations were clearly only marginal elements in the labour movement and, except for the traffic controllers (and a few other transport-related unions not covered in the book), they did not represent attractive alternatives to the “traditional” unions for the vast majority of unionised workers.

For all the richness of its data (the detail is sometimes even excessive), the book’s focus on the structures, policies and actions of the “alternative” organisations and their leaders at the various levels neglects important parts of the picture that would have helped in understanding the failure and in “discussing explanations”. Moreover, despite the modesty of the authors’ expressed aims, in practice, there can be no narrative without at least implicit explanation.

There are a number of key questions concerning the “alternative” labour movement about which one is left wondering by this book. Except for the air traffic controllers, driven mainly, it seems, by craft interests, the other unions discussed in it were formed largely because the old unions were perceived to be unreformable. But was this really the case? The obstacles to reform are not made clear enough in the book, especially in view of the progress achieved by the “traditional” miners’ union, which by the end of the period discussed was doing a better job defending its members than the NPG. Even outside of the coal sector, there are local “traditional” unions and even some national ones (though the latter are mainly in Belarus and the Ukraine) that have undergone very significant change in a progressive direction.

One also remains puzzled about the reasons for the stubborn attachment of the leadership of the “alternatives” to Yeltsin and to liberal

reform, long after their rank-and-file had turned away from them. Indeed, despite the economic and political disaster Yeltsin has inflicted upon Russian workers, the majority of these union leaders even today continue to support him. Various factors are offered in the course of the narrative, but none satisfactorily explains this dogged loyalty. It is hard to avoid the conclusion that corruption - through union business activities, by political figures and organisations, by the AFL-CIO - is an important element of the explanation of the evolution of the "alternative" movement. This factor crops up repeatedly in the book (though too often in footnotes rather than in the body), but, unfortunately, the authors did not consider it a "real issue" and made the explicit decision not to be "diverted by widespread stories of scandal and corruption" (14). It would have been interesting, for example, to know what brought the second secretary of the U.S. embassy to court at one point on the side of the leaders of the air-traffic controllers! (369)

But perhaps the question that begs most for a fuller explanation is the marked tendency of almost all "alternative" unions to focus on various forms of politics (and often also on business activities) and court battles, while neglecting day-to-day organising activity among their members. (Of course, this is also true of most "traditional" unions, although they have a more structured presence in the enterprises, partly inherited from the past and partly due to their acceptance by management.) This tendency is all the more puzzling in view of the fact that in the period studied the "alternative" unions were able to lead significant rank-and-file mobilisations (though their own role in preparing these mobilisations on the ground was often minimal). In other words, their members or supporters were active.

The book offers some elements of an explanation in the material advantages of the "traditional" unions, the hostility of management, the legal framework, etc. Another piece of explanation no doubt is to be found in the attitudes and interests of the leaders of the "alternative" unions themselves, though these too need to be explained. But a key element of the answer has to be sought in the rank and file, their material situation, their relations with management, their perception of their interests, their consciousness and "mentalities." It is perhaps the major shortcoming of this book, even as a narrative, that relatively little information is presented about so key a player in the workers' movement.

(At the same time, it has to be recognised that it is the player that is the most difficult to study.)

These unanswered, or partially answered, questions come together in the strategic choice of the “alternative” workers’ movement to pursue its aim of creating a democratic, independent labour movement through a strategy of splitting rather than reform of the “traditional” unions from within. As difficult as the latter strategy was - and is - to realise, it is a real choice and it was made by many of the activists of the 1989 miners’ strike. The alternative unions were based upon the most active part of the working class. And so their splitting strategy, at least for a certain period, served in practice as an alternative to day-to-day organising and mobilising on the ground: for a time, the “alternative” unions could take the lead of collective protests even without organisation. But only for a time, since, as the authors note in their conclusion, these isolated protests could not achieve their goals. As the situation deteriorated, even the most active workers became demoralised or else they left their enterprises to find jobs that could provide for their families. Even the apparently narrow motives of the air-traffic controllers were partially defeated by the political isolation that resulted from their split, though it is among such “worker aristocracies” (locomotive drivers, blue-collar port workers, etc.) that “alternative” unions have had at least some relative success for their members.

To be effective, the workers’ struggle in Russia had to be waged on a political level against the Yeltsin “reforms”. The “alternative” movement played an extremely negative role in this by drawing the most active sections of the working class into Yeltsin’s orbit or by neutralising their potential opposition. By the same token, by depriving the “traditional” unions of many of their most independent and active elements, they made their reform so much slower and more difficult. This may have been partially compensated by pressure from the competition provided by the new unions, but that competition also sometimes had the effect of pushing the traditional unions more firmly into management’s embrace.

A certain enlargement of the focus of this book would have allowed it to provide fuller answers to these central questions. Even so, this is an extremely valuable contribution to the study of the contemporary Russian labour movement. It presents systematically a

wealth of data that shed important light not only on the workers' movement but on Russian civil society in general as well as on its political system. No serious student of Russia can afford to overlook it.

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Land Reform in the Former Soviet Union and Eastern Europe, edited by Stephen Wegren, London, Routledge, 1998. ISBN 0 415 17066 4, hardback, £50.00;

Political Economy of Agrarian Reform in Central and Eastern Europe, edited by Johan F.M. Swinnen, Aldershot, Ashgate, 1998. ISBN 1 85972 560 0, hardback, £49.50;

Agricultural Privatisation, Land Reform and Farm Restructuring in Central and Eastern Europe, edited by Johan F.M. Swinnen, Allan Buckwell and Erik Mathijs, Aldershot, Ashgate, 1998. ISBN 1 85972 648 6, hardback, £45.00.

Agriculture and the rural economy are not currently headline-grabbing subjects. Yet, as the European Union is enlarged to bring in the countries to the East with their relatively large rural and agricultural populations, and as pressures on the Common Agricultural Policy from the World Trade Organisation and the richer members of the Union increase, there is every likelihood that they will become the issue of the first decade of the next millennium. In this context, an understanding of the social and economic transformations under way in the countrysides of Eastern Europe and the former Soviet Union is an essential prerequisite to informed political discussion. These three volumes contribute much knowledge to this discussion - a wealth of statistics and legal detail - but little understanding.

Stephen K. Wegren's collection is the best produced of the three,

for an English audience at least. Its authors write English fluently and structure their articles coherently. On the other hand, there is little evidence of an editorial presence, certainly not in the sense of an attempt to introduce thematic coherence to the volume as a whole. There is no concluding paper, and the introduction is strangely distanced from Eastern European issues, seeing current developments as a 'third wave' of land reform in the world history of the twentieth century, when it seems more appropriate to note that they are the third wave of land reform this century in Eastern Europe. The implicit theoretical assumptions underpinning the volume are those of agricultural economics: that once land is fully privately owned, once a real market in land has developed, and once farming structures have approximated the western European family farm, then transformation will be complete. The most extreme case is the article on Albania where it is suggested that this country of 490,000 private farmers with holdings of an average of 1.05 hectares in 1.9 million separate parcels, the only Eastern European country which has experienced extensive rural emigration and was dependent on western food aid, is among the most 'successful' in Eastern Europe simply because it has the highest proportion of land in private farms. The teleology of their approach to transition induces in most contributions an initial focus on the development of family farms, which is only then followed by lengthy and generally quite sensible explanations of why, despite the superiority of the family farm, it has nowhere yet become the predominant form, why large-scale farms (either co-operative or some other corporate form) dominate the farming sector and why numerically the most common 'farm' is the small-scale household plot without which the majority of the populations of Eastern Europe would not survive.

Despite reservations about the naiveté of the book's theoretical underpinnings, the articles are thorough and informative, especially regarding legal detail, although there is at least one worrying error: there never was a three year ban on selling restituted land in Hungary, as Csaki and Lerman state (p. 255), it was simply that sale of such land within three years incurred oppressive tax penalties. An attractive feature of the book is that, although national level developments are covered thoroughly, most of the authors, who are mainly American academics or World Bank advisors, have been involved in research or development

projects on which they draw to illustrate their cases. Indeed, the second article on Russia is devoted entirely to Oblast level and village level responses to land reform.

The two books edited by Johan F.M. Swinnen, either on his own or in conjunction with others, are also from an agricultural economics perspective and, in the main, base themselves on national level statistics and published sources only. Despite the facts that both, like the Wegren collection, contain a wealth of material, and both, unlike the Wegren collection, attempt to impose some sort of theoretical coherence and explain why some countries have progressed further than others along the path to private family farming, severe reservations must be recorded about both books. The first problem is trivial but important. English is not the mother tongue of the majority of the contributors, and there is no indication that any native speaker has taken the trouble to improve the text. The result is that the articles are difficult to read and give the impression of being boring, even where they are not. A second minor irritation is a lack of editorial intervention, beyond the apparent obligation on the contributors to the *Political Economy* volume to say something about political economy. As a consequence, in the middle of country chapters in the *Agricultural Privatisation* volume, the Slovak chapter for example, we get a theoretical section which would make more sense in a general introduction.

A much more important editorial issue is the decision to publish two books at all, or at least not to be more disciplined in focusing the one more on political economy and the other more on the state of agricultural privatisation. As it is, there are huge amounts of overlap between the two. Tighter, more ruthless editing could have produced a single book which both brought together all the latest data on agricultural restructuring, which is the strength of the *Agricultural Privatisation...* volume, and proposed a political economy explanation for the differential patterns of restructuring, which is the apparent purpose of the *Political Economy...* volume. The editor gives the appearance of having simply thrown together two sets of conference proceedings on related themes, with a high degree of commonality of authors without considering that the result might be a certain amount of duplication. As a consequence we have two tedious and rambling books (much of the *Political Economy...* volume covers general political developments rather

than agricultural politics, which have been better studied elsewhere) rather than a single volume that might have been the authoritative statement on the state of agricultural restructuring by the mid 1990s whilst also offering explanations, from a political economy perspective, on why outcomes differ.

Beyond these editorial reservations, there are more important ones of interpretation and understanding. This is partly because the Western authors have only a rudimentary understanding of the region prior to 1989, while their Eastern European collaborators appear to have confined their input to providing the required statistical information; but it is also because economics as a discipline allows the formulation of explanations that lack realism. There are numerous statements that irritate in the book, and the same mistake is made about Hungarian land sales (in *Agricultural Privatisation...* the assertion is of a ban for five years (p.177), in *Political Economy...* it is more nearly correctly three years (p. 250)); but three problems require particular attention.

The first relates to political parties and political interests. For Swinnen et al., mainly in the *Political Economy ...* volume, but implicit in both, it is axiomatic that there is a rural interest and a political party, such as the Smallholders' Party in Hungary, the Peasant Party in Poland or more generally Christian Democrat parties elsewhere, that represents it. But both assumptions are problematic. First, there is no single farming interest, not even a single private farming interest. The authors allow for differences of interest between 'conservative' co-operative and former co-operative managers and private farmers, but increasingly the conflicts in the Eastern European countryside are between the small number of large commercial farms, whatever their formal ownership, and the majority of tiny subsistence agricultural holdings. Second, precisely because there is no single rural interest, it is by no means clear that the parties that identify themselves as peasant or farming parties consistently act in the interests of their constituencies. The parties use a peasant rhetoric and attempt to mobilise a rural vote. Rhetoric appears to favour small peasant producers, but actual policy (in so far as it can be discerned at all) often favours larger commercial producers. The only evidence of interest representation that Swinnen et al. point to is the position taken by the parties to the one-off transition issues of

whether co-operatives should be liquidated or transformed and whether restitution in land should be direct and within 'historic boundaries' or indirect.

A second problem, this time more present in the *Agricultural Privatisation...* volume, but also implicit in both, is a fundamental misunderstanding of some key issues. Swinnen et al. systematically talk about restitution of land, whereas for the majority of the countries studied land was not restituted at all because ownership remained with the peasants. They acknowledge this in footnotes (*Political Economy...*, p. 375; *Agricultural Privatisation...*, p. 340) but continue to proclaim it, and the only way that readers can make sense of their table of land reform procedures (*Agricultural Privatisation...*, p. 337; *Political Economy...*, p. 365) is by recognising that the only genuine process of restitution in relation to land which affected the bulk of the population, the Hungarian voucher scheme, does not figure in the table as 'restitution' at all, but as 'sale for compensation bonds'. They further assert that post collectivisation asset ownership status was a key determinant of privatisation and land reform policies. But this makes sense only as a truism in relation to policies and is incorrect with regard to outcomes. It is self-evident that policy could not be the same in Hungary, where co-operatives owned most of the co-operative land, as elsewhere, where land remained privately owned: the problem was different. But there were huge differences in both outcome and policy in countries where the post collectivisation land status was the same, such as the former Czechoslovakia, the GDR, Bulgaria, and Romania.

The authors are no more secure when making statements about co-operative restructuring, which they misleadingly call agricultural privatisation. Sentences such as the following make one wonder if the authors understand the processes at work at all. They write (*Agricultural Privatisation...*, p. 356),

These observations support our hypothesis that individual farming is more likely when agricultural assets are privatised through allocation to collective farm members than through restitution to outsiders.

This statement is both incorrect and suggests an unreal dichotomy. The countries which distributed assets only to collective farm members

were Russia and the Ukraine and Albania, the former two because former landowners could no longer be identified, the latter because it would have been politically unacceptable to privatise to 'feudal' landlords. But in Russia and the Ukraine very few private farmers have emerged, while in Albania agriculture is now wholly private. But, more important, there never was a dichotomy between privatising to members or outsiders. In all countries where co-operative assets were distributed more widely than to current working members, the 'eligible persons' included current working members, current pensioners and outsiders no longer resident in the village; and in all countries the combination of outsiders and non-active members was greater than that of active members. This feature of high levels of outside ownership is as true for countries such as Slovakia, where farming remains predominantly co-operative, as it is for Hungary, where farming is more mixed, or Romania, where it has reverted to private peasant farming.

Swinnen et al. also claim ethnicity as an important determinant variable. But this is just not true. Unusually for Eastern Europe, ethnicity was not an important issue in either restitution or co-operative transformation. The key factor that they refer to in order to support their claim is the exclusion of foreigners under restitution legislation. But this misses the point. The original aim in all countries was to revert to an acceptable agricultural status quo ante of small peasant farming, which for most countries was before roughly 1948, although everywhere greater or lesser exceptions were made for certain categories of restitutee. These exceptions apart, the status quo ante was at date by which post war ethnic cleansings were already complete. Germans were excluded from Czech and Polish restitution of course, but this was a by-product of the date chosen, not a policy goal in itself. The only ethnic component to co-operative restructuring that the authors can point to is the Bulgarian decision to give more weight to labour contributions rather than land or capital contributions in the distribution of co-operative assets, which was a concession to the Turkish party (because Turks generally had contributed labour only to the co-operatives); but this hardly makes ethnicity a determinant, region-wide influence.

Finally, there is a problem of realism. The authors quite rightly identify the outcomes in Romania and Albania as something that needs to be explained. Disregarding the countries such as Poland and

Yugoslavia which retained private farming for most of the socialist period, Albania and Romania are the only ones where private family farming has become the dominant form. The explanatory variables that the authors suggest however are the 'average pre-reform productivity' of the collective farms and the 'relative access to appropriate technology'. They continue,

In those cases where pre-reform productivity was low (such as Albania and Romania), peasants have preferred to leave collectives and start up their own farms efficiency losses were small or non-existent even in the short run. (*Political Economy...*, p. 387.)

As explanatory variables, these are not stupid: it was in the countries where collectivised agriculture was more successful (more productive and more capital intensive) that they were least likely to break up unless, as in Bulgaria, political pressure for liquidation was overwhelming. But they are entirely lacking in realism. Collective farm members in Albania and Romania destroyed their collectives and went back to private farming because their two countries, unlike all others in the region with collectivised agriculture, had never progressed beyond the Stalinist model of collectivisation of the 1950s, because they got no material benefits from the farms, only costs and obligations. They did not rationally consider whether productivity on the collectives was so low that even tiny private peasant farming might be more productive, they smashed a system that they hated and from which they derived no benefit, and then private farming was all that was left.

These important reservations aside, both Swinnen books, especially *Agricultural Privatisation...*, provide a wealth of statistics and facts. They, like the Wegren volume, are immensely valuable as annotated statistical cum legal handbooks. But because the experts involved have little sensitivity to the history of the region and do not progress beyond the standpoint of traditional agricultural economics, they further our understanding of the social and economic processes at work in the Eastern European countryside hardly at all. The worry is that it is from experts such as these that policy-makers seek advice.

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Volume 1, *Migrations Past, Migrations Future*, edited by Klaus Bade and Myron Weiner, ISBN 1-57181-125-7

Volume 2, *Migrants, Refugees, and Foreign Policy; US and German Policies Toward Countries of Origin*, edited by Rainer Münz and Myron Weiner, ISBN 1-57181-087-0

Volume 3, *Immigration Admissions: The Search for Workable Policies in Germany and the United States*, edited by Kay Hailbronner, David A. Martin and Hiroshi Motomura, ISBN 1-57181-126-5

All published by Berghahn Books (1997)

At the time of writing this review (July 1998), reports in the press on the German general election campaign indicate that both the CSU and the CDU are playing the immigration card as one way of trying to claw back their opinion poll deficit with the SPD. The harshness of the rhetoric reflects the abject way in which political parties and their leaders in West European countries have scapegoated foreigners as the cause of a range of social ills from unemployment, increased criminality, and threats to homogenous notions of national identity. Chancellor Kohl has also repeated the oft heard refrain of German policy makers over the years that Germany is 'not a country of immigration'. In fact Germany is the 'country of immigration' par excellence in Western Europe with over 16 million immigrants since 1945, far more than either France or Britain. True these may have been overwhelmingly 'ethnic' Germans, but they are still immigrants. Klaus Bade makes it clear in volume 1 that 'throughout German history the movement of people across borders and the consequent clash of cultures has not been the exception but the norm'.

In the United States, also, concerns have arisen about the dilution of the 'essential' American identity, expressed usually as the ability to speak English and the acceptance of certain values of democracy and the due process of law, a kind of 'civic Anglo-Saxonism'. This has led to demands for greater controls on immigration and the need to ensure that those who do come to settle permanently are willing to fit into American society.

The appearance of this series under the general editorship of Myron Weiner is therefore to be welcomed as a useful antidote to the usually ill-informed debate in both Western Europe and the United States concerning immigration and its new variant the increased numbers of asylum seekers. These three volumes form part of a five volume series on the politics and policies towards migration and refugees in the USA and Germany since the 19th century. The last two volumes are now also in print: vol. IV, *Immigration Controls* and vol. V, *Paths to Inclusion*.

The aim of the series is to provide both a historical and contemporary analysis of the impact that migration has had and continues to have on both these societies. The overall effect is to inform and improve the level of debate by emphasising the historical continuities in the processes of immigration as a structural necessity for industrial capitalist economies both in peace and war. The authors are drawn from a number of specialist areas including law, sociology, demography, history, politics and economics. There is also a prescriptive element to this work in that the aim is not only to educate but also to influence policy-makers in their approach to this question. Certainly the chapters are all well researched, informative and clearly written, and provide a substantial background and stimulating ideas for policy-makers to consider.

Volume I looks at past and present of migration in the two countries with chapters covering both German and US histories of emigration and immigration from the early 19th century to the present. Volume II focuses on the current debates in both countries concerning the new wave of immigration around asylum seekers and refugees, and makes the clear point that policy makers in both countries need to consider this issue as more than just a question of labour market policy. Volume III looks at the divergence in controlling admissions in both countries as a result of different historical experiences.

The editors of the first volume nail their colours firmly to the mast of correcting existing attitudes concerning immigration and integration. In the introduction they refer to Germany's continuing refusal to see itself as a country of immigration (*kein Einwanderungsland*), and state quite categorically that without

a reconceptualisation of Germany from an ethno-national society

in which citizenship is based on ethnic identity to a society in which membership in the political system is acquired by birth and choice, Germany will not be able to integrate its immigrant population and their children.

The term *Gastarbeiter* is still used, stressing temporariness, even though many within the immigrant communities have been born in Germany or lived there for decades. The major issues for policy makers are to consider integrating elements of 'jus soli' and allowing multiple citizenship in order to come to terms with the multicultural reality of their society. The only omission in the historical survey is the role of imported labour under the Nazis when the whole war machine was heavily dependent on migrant and slave labour.

German policy has remained remarkably consistent for almost a hundred years, in terms of placing difficulties in the way of those who wish to become German citizens. At the same time there has also been a clear policy to allow those who emigrate permanently from Germany to retain their German citizenship, with the ethnic conception of the nation-state and the separation of territory from citizenship always at the core of the idea of German nationality. So that when descendants of ethnic Germans, who emigrated to the Volga area of Russia in the 17th century, returned to Germany after the events of 1989, they were able to become German citizens automatically. In stark contrast, many second and third generation people of Turkish origin born in Germany find enormous obstacles placed in the way of their becoming German.

This notion had been based on the distinction between 'jus soli' and 'jus sanguinis' as the methods by which nationality and citizenship is acquired. Countries such as Britain and France have accepted a 'jus soli' basis for becoming nationals. As Bade notes, the stress in Germany on 'jus sanguinis' placed the

principles of nation and national community above those of civil rights and republic, in strict opposition to the principle of territory (jus soli) embodied in the French republican idea.

Germany has a similar percentage of newer immigrant communities in proportion to the overall population as the Netherlands, France or Britain, but there was, for example, no ethnic Turkish player

in the German World Cup football team, compared to the Dutch, French, English or even United States' teams.

A great deal of fuss has been made in recent years throughout Western Europe and the United States concerning 'economic migrants'. The suggestion is that many of those seeking asylum in the West are not genuine refugees but merely seekers after a better life and should therefore not be allowed to enter or remain. The authors point out that had such notions and restrictions been in place in the 19th century most of the waves of German immigrants to the USA would have been refused entry at Staten Island and sent back on the first available ship to Hamburg or Bremerhaven. The distinction between 'economic' and genuine migrant is often hard if not impossible to distinguish.

In contrast to Germany, Ueda categorises the United States as an 'immigration country of assimilative pluralism'. It is important to remember, however, that the USA has operated a strict system of quotas and also until 1946 made it very difficult for certain categories of immigrants, for example, Chinese to enter the country, instituting a policy of distributing quotas according to a hierarchy of nationalities ranked in grades of 'assimilability'

The chapters on the experience of immigration in the USA are thorough and informative, describing the process of urban growth, the fluid social structure, and the continuously expanding cultural pluralism produced by mass immigration which provided a setting in which ethnic Americans could find niches for self-assertion and acculturation. This process led to a form of liberal nationalism whereby a civic self-identity was valued beyond ethnic identity and with the separation of church and state allowed the development of a collective concept of immigrant nationhood.

But there is little discussion of the major exception to the notion of assimilative pluralism, namely the experience of African-Americans who remain an unresolved issue in terms of a notion of assimilative pluralism. Although on the issue of exogamy the US statistics have slowly started to change in terms of black-white marriages from 1.6 per cent of all marriages involving African-Americans in 1968 to 8.9 per cent in 1988. The authors issue a caveat that such marriages probably reflect changing behaviour of higher socio-economic groups since the rate for lower socio-economic groups remains very slight.

Volume II considers policy concerning asylum seekers and refugees and provides details of those major areas of flows into the respective countries over the last 30 years. The authors in this volume examine the way in which foreign policy has begun only recently to interlink with trade policy, and to consider further the root causes in the sending countries. There is a useful chapter on the impact of German foreign policy towards the former Yugoslavia, in light of the subsequent war there and its effects on Germany, particularly in terms of creating a large number of refugees who then sought to escape the fighting by going to Germany.

Withdrawal of economic co-operation has been used by the US, for example, to exert pressure on Mexico to control illegal emigration into the US. Furthermore there is the conflict between on the one hand humanitarian concerns, and on the other growing antagonism within the receiving countries towards large numbers of new entrants. Both countries have, therefore, instituted new regimes of control in order to try to minimise the numbers of people attempting to enter their borders. At the same time they are actively involved in international organisations, trying to apply a range of policy instruments, from emergency assistance, development aid, trade and investment to stem the flow of migrants and asylum seekers at source. For both the US and Germany there is an urgent need to consider the movement of people within a much broader policy framework, which the authors conclude has started but needs to be expanded further.

Volume III covers admission policies, political asylum and the crisis of controls. The theme that runs throughout this volume is that immigration controls in most major receiving countries in the West have 'serious shortcomings either in concept or in implementation, or at times both'. The authors address these issues directly and examine policies that range from active encouragement of immigration to those that attempt total exclusion. There is also discussion of the ethics of immigration and humanitarian issues. Technicalities of control receive analysis, as do the mechanisms by which sending states may seek to limit the number of new immigrants by a series of measures such as temporary work visas.

The role of the family and immigration is examined, and in particular the vexed question of family reunification. All Western

countries are obliged to respect the importance of the family, but difficulties arise in deciding who is family in terms of allowing dependent relatives entry. There is a further issue concerning the responsibility of family members to each other, which has provoked the fierce debate in the German election campaign mentioned above. The CSU in Bavaria has introduced proposals in the Bundesrat calling for the deportation of the entire immigrant family where underage members are found guilty of offences, even if the offenders or their parents were born in Germany.

Two chapters on the current situation of refugees raise pertinent questions concerning the continuing validity of the 1951 UN Geneva Convention definition of a refugee and the protection that states should afford them. In response to current charges that it is anachronistic, Fitzpatrick stresses the continuing importance of the principle of 'nonrefoulement', whereby refugees should not be forcibly returned to the site of persecution. She also criticises the common practice of states to erect even more onerous barriers of access to asylum seekers. Many of the current provisions in European Union member states have been questioned by the UNHCR, as breaching the spirit if not the letter of the 1951 Convention.

Another area covered in this volume is the differences between the two countries in terms of their approaches to the question of immigration controls. The US has placed emphasis on clearly established terms and conditions of admission pre-arrival and on arrival usually through the requirement of a visa. These visas tend to distinguish between those who are coming on a temporary basis and those coming permanently. Germany on the other hand has not considered itself a 'country of immigration' and so has relied more on a system of work and residence permits, with progression from one temporary status to another more secure status over time. One reason for this is the highly centralised system of labour market control available in Germany through the Labour Ministry.

In the concluding chapter, the authors call for better observance of the principle of family reunification, a fairer system of admissions procedures, and the need for more bilateral and multilateral agreements to govern this increasingly important area of international relations. Exclusively domestic answers to the asylum issue are doomed to failure.

The overall contribution of these volumes, then, should make

policy-makers more aware of the long term benefits of the presence of immigrants to most societies whatever their origins. The authors are to be congratulated on such a comprehensive analysis, and for proposing a more humane and tolerant approach to this issue which has so often lacking.

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