

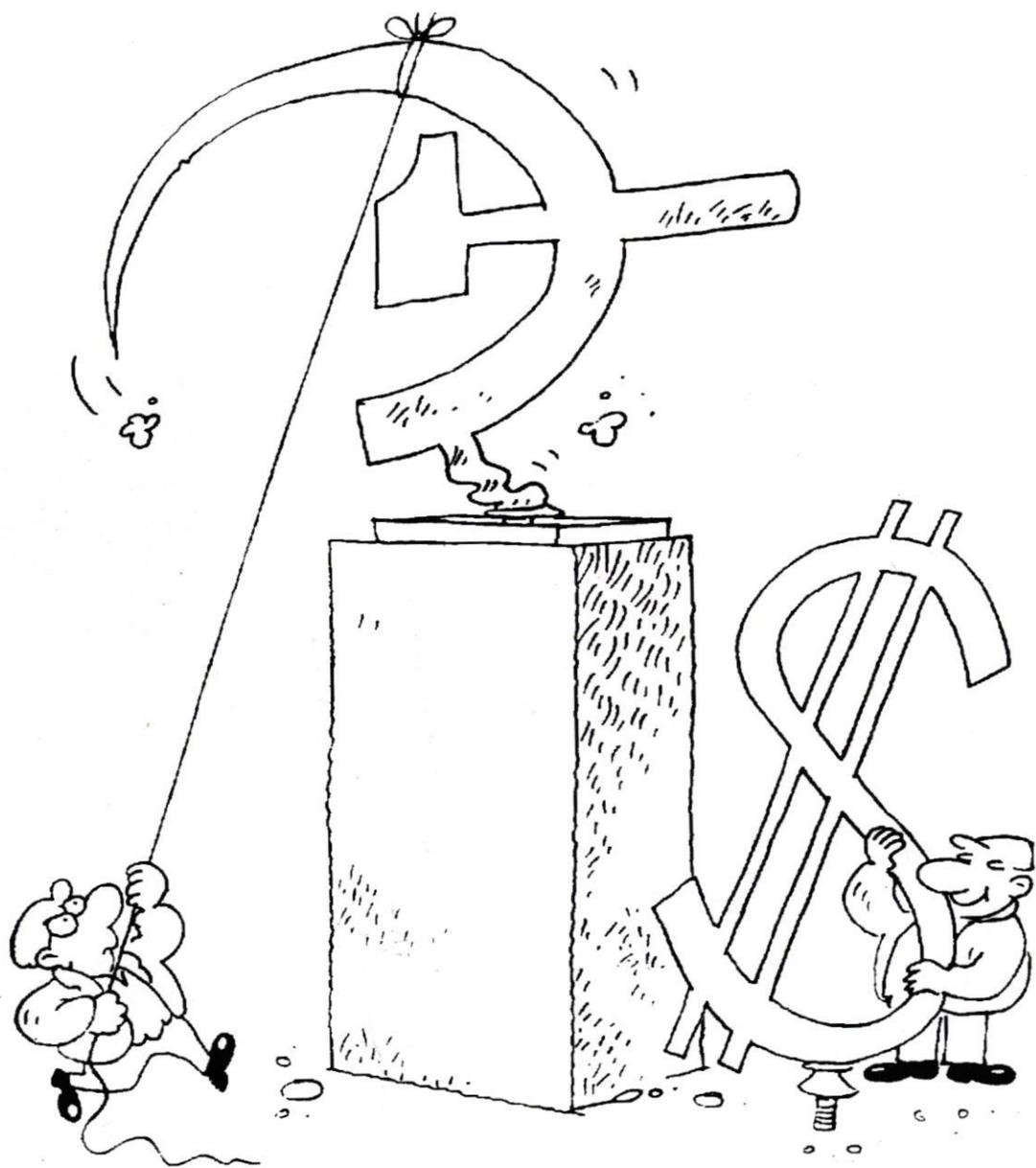
International VIEWPOINT

Issue 235

September 28, 1992

£1.50 ; \$2.75 ; C\$3 ; 16FF

A year of Yeltsin



- ◆ **France:** before the Maastricht referendum
- ◆ **Poland:** revival of workers struggles
- ◆ **Brazil:** the last days of Mr. Clean?

Contents

BRAZIL 3

THE impeachment of a tarnished "Mr. Clean" reopens question of governmental power — can the Workers Party meet the challenge? — *Alfonso Moro*

FRANCE 4

MAASTRICHT referendum: a plebiscite on austerity — *Maxime Durand*

ECONOMY 6

RAVAGES of free market fuel calls for state intervention — but where do interests of workers lie? — *Ernest Mandel*

POLAND 9

STRIKES multiply as government attacks last remnants of self-management — *Jan Malewski*

RUSSIA 12

JOYLESS anniversary of failed coup highlights debate over economic strategy — *Poul Funder Larsen*

Plus

A GUIDE to Russian political parties — *Hans-Jurgen Schultz*

INDIA 17

PROGRAMME of liberalization and deregulation hits women hardest — *Vibhuti Patel*

ISRAEL 19

RABIN government welcomed by the West — but Palestinians look for something more than empty gestures — *Michel Warshawsky*

EL SALVADOR 20

AFTER a war that ended in stalemate, what kind of peace will follow? — *Paquito Gomez and Rudie Hasting*

PERU 24

GOVERNMENT preens itself on capture of guerilla leader, but economic situation continues to deteriorate — *Roland Wood*

GREECE 26

SOCIALISTS oppose chauvinist hysteria — *Document*

Plus

STRIKE wave threatens rightwing government — *Nicos Simeonides*

THEIR MONEY AND OURS 28

MADNESS on the markets — *Colin Meade*

Plus

IV FUND and circulation drives continue!

CORRECTION

IN previous editions of *IV* an incorrect number for postal transfers (322 42T) has been published: you will find the correct number (2 322 42T) printed on the form below. ★

International Viewpoint

A fortnightly review of news and analysis published under the auspices of the United Secretariat of the Fourth International, in conjunction with the French language *Inprecor*, which appears on alternate fortnights

All editorial and subscription correspondence should be mailed to: International Viewpoint, 2, rue Richard Lenoir, 93108, Montreuil, France. Fax: 43 79 21 06.

Published by Presse-Edition-Communication (PEC). Directeur de publication: Christian Lamotte. Commission paritaire: 64324. ISSN: 1294-2925. Imprimé par Rotographie.

International Viewpoint is catalogued by the US Alternative Press Index

● News closing date: September 18, 1992

2

Subscribe now!

Payment: French francs preferred. Cheques to PEC. Postal transfers to PEC, CCP No. 2 322 42T Paris. Bank transfers to PEC, BNP Robespierre, Account 230179/90. IMPORTANT: ALL BANK OR POSTAL TRANSFERS MUST ALSO BE NOTIFIED BY LETTER

Subscriptions and correspondence to International Viewpoint, 2, rue Richard Lenoir, 93108, Montreuil, France

SUBSCRIPTION RATES

All surface mail and EEC airmail: □ 1 year 280FF; £28; \$48 □ 6 months 150FF; £15; \$28
 Airmail (non-EEC): Europe outside EEC □ 1 year 300FF; £30; \$51 □ 6 months 160FF; £16; \$29
 Middle East, North Africa, North America □ 1 year 340FF; £34; \$57 □ 6 months 180FF; £18; \$32
 Asia, Africa, Latin America □ 1 year 380FF; £38; \$64 □ 6 months 200FF; £20; \$35
 Oceania □ 1 year 420FF; £42; \$70 □ 6 months 220FF; £22; \$38
 (Please tick where appropriate; Dollar prices all US dollars)

(BLOCK LETTERS PLEASE)

Last name..... First name.....

Address.....

City..... Country..... Code.....

Renewal of existing subscription

New subscription (please indicate)

The last days of Mr. Clean?

THE findings of the parliamentary commission of inquiry (PCI) clearly show that Brazilian president Fernando Collor, elected in 1990 on an "anti-establishment", Mr. Clean ticket, benefited directly from the network of corruption set up by his former campaign treasurer, influential businessman Paulo Cesar Farias. With the release of the PCI's report and the beginning of Collor's trial, the president's resignation seems imminent.

ALFONSO MORO — September 4, 1992

WHEN president Collor appeared on television in early June — in an attempt to convince the population of his innocence — he had a Bible at his side. In so doing, he hoped the people would forgive him for the sins everyone knew he had committed: the acts of corruption, embezzlement and other crimes for which he is now being judged. Since then he has had further opportunities to explain himself on television; after each appearance he becomes even more unpopular than before. Indeed, a majority of Brazilians are now demanding his resignation.

Moral foundations

Collor won the presidential elections of 1989, after a time as governor of the small and impoverished northeastern state of Alagoas, with pledges to re-establish the moral foundations of society; he vowed to put an end to the *mordomias* (privileges) received by the *marajás* (the name given to public officials who enjoy significant financial and material benefits). At the same time he took aim at political parties in general, denouncing them as being responsible for the country's crisis. This approach fits in well with the neo-liberal trend sweeping the world which seeks to further distance people from political life — a life characterized as dirty and meant only for the experienced.

In the second round of the presidential elections, only two candidates remained in the race — Collor and Luis Ignacio da Silva, popularly known as "Lula", president of the Workers' Party (PT) and supported by the Brazilian People's Front (FBP). Almost all the media and a big segment of the bourgeoisie supported Collor, unleashing an openly anti-communist campaign and covering

up all the manoeuvres and corruption which are now coming to light.

Once in power, Collor governed the country in an authoritarian manner. He implemented his austerity program on the population, focussing particularly on the unions, whom he accused of enjoying enormous privileges. With his intimate circle of friends, popularly known as the "Republic of Alagoas", Collor put into place a system which confiscated people's savings and current accounts on deposit in the banks. At the same time he proposed to put an end to inflation in one fell swoop, which according to him required that everyone "tighten their belt".

A little less than two years later, Brazil — devastated by a spiral of mounting hyper-inflation — is going through a deep economic recession. The wealth of the country remains in the hands of a tiny privileged minority: 18% of the national wealth is concentrated in the hands of 1% of the population — one of the highest concentrations of wealth in the world. At the same time, more than 18 billion dollars have been sent abroad to service the country's debt.

Meanwhile, the hunter of *marajás* showed immediately just how far his hypocritical moralizing could go. Indeed, the corruption, influence peddling, and so on of which he is today accused are not only of his doing. Since the beginning of his mandate, the amount of corruption in the ministries

and among the friends of the president has not stopped growing: Pero Pablo Leoni, former Secretary of Strategic Affairs, is mixed up in the scandal of the state oil firm Petrobras; Jorge Fuiza, current minister of Social Affairs, received 100,000 dollars from the Brazilian Federation of Banks as a personal donation to his electoral campaign; former presidential secretary Claudio Vieira is accused of having used confidential information to buy foreign debt bonds. Collor's own wife, former president of the Brazilian Legion of Aid (LBA), had to leave her post after the discovery of many irregularities recorded during her time in this organization. The list of examples could go on endlessly.

It is clear that this government is characterized by a long list of corrupt activities of every kind, and Collor is in the driver's seat. This is why it is not sufficient that Collor alone resigns, and why his entire team should be condemned. Of course, those same interest groups which before sang the praises of Collor the redeemer want to avoid such a condemnation at all costs.

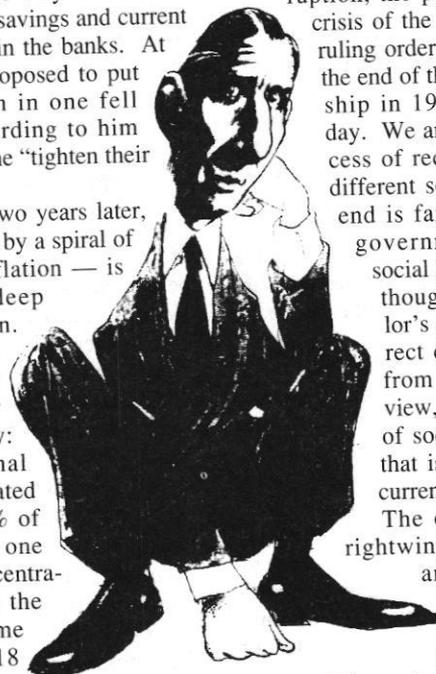
Crisis of ruling order

Faced with these accusations of corruption, the political and social crisis of the Brazilian state and ruling order, which began with the end of the military dictatorship in 1984, deepens each day. We are witnessing a process of recomposition of the different social forces, whose end is far from sight. The government has lost all social legitimacy and even though the call for Collor's resignation is a correct democratic demand from an ethical point of view, it is the very model of society in the country that is at the heart of the current conflict.

The official media, the rightwing parties, the army and the bosses have

demanding a "negotiated transition", in which Col-

lor would be replaced by his vice-president Itamar Franco, former member of the Party of the Brazilian Democratic Movement (PMDB). This would allow the continued implementation of the neo-liberal economic and social program which has already inflicted severe damage on the population since 1990. Such an end to the current conflict, though certain not to resolve the crisis of legitimacy of the state and the regi-



me, would produce a Collor government, without Collor.

Explosion of scandal

It is no accident that in response to the explosion of the scandal people like the current minister of the economy, Marcilio Marques Moreira, have gone to great lengths — inside and outside the country — to insist that the economic program of the government will not change, even without Collor. In so doing, he hopes to calm the nerves of international creditors, the International Monetary Fund (IMF) and the Brazilian ruling class.

Everyone is now desperately trying to save their skin. Leonel Brizola, central leader of the Democratic Workers Party (PDT) and current governor of the state of Rio de Janeiro, has always held to a populist line. For some time he has been an open supporter of Collor; accordingly at the beginning of July — when proof against Collor came to light — he declared that the president was the victim of a conspiracy designed to overthrow him. In mid-August, after the demonstration of more than 150,000 people which took place in Rio de Janeiro with the slogan, among others, "the governor of Rio supports a thief" Brizola decided to change camps, hoping in this way to appear as a great defender of democracy.

We have seen the same kind of behaviour from the Liberal Front Party (PFL). It has 14% of parliamentary deputies, and has been the principal supporter of the government. Collor counted on this party to help him prevent the opening of a political trial against him, but they are now keeping their distance from him.

The press and media who had for the most part acted as propaganda agents for the government are also taking their distance, now presenting themselves as the defenders of morality and the ruling order. Papers like *Folha de Sao Paulo* and *O Jornal do Brasil*, like the television monopoly *O Globo*, have demanded that the whole affair be quickly settled and that, above all, the economic program applied until now should not be changed.

Role of Workers Party

The conclusions reached by the PCI cannot be explained without understanding the role played by the Workers Party. From the end of May 1992 onwards, the national executive of the PT was committed to calling for a national mobilization for the establishment of a commission of inquiry.

They undertook political alliances with other parties, both in Parliament and in the streets. Once the PCI was designated, the PT organized the fight to ensure that the inquiry was not shut down, as was desired by those seeking to save the image of the principal defendant, president Collor.

At the beginning of July, the national leadership of the PT pledged its commitment to the struggle for Collor's resignation.

Meanwhile, inside the PT a debate took place with one side wanting to limit the political action of the party to the narrow confines of parliament — that is, defending the perspective of electoral struggle and preserving the alliance with other parties. On the other side were those who wanted to give priority to mass mobilization without abandoning the institutional terrain, arguing that, following the probable resignation of the president, Itamar Franco's tenure in government should only be temporary so that early elections could be held.

Even if it is difficult to guarantee a real mass mobilization of the population, this second option is more correct — even though we have yet to see the creation of a real organized movement. This is the great challenge facing the PT, the only political and social force capable of offering a genuine solution to the country's current crisis.

Municipal elections

It should be recalled that the Collor affair is reaching its climax one month before the municipal elections, scheduled for October 1992.

Moreover, a referendum on the form of government desired by the Brazilian people is supposed to be organized for 1993. These two factors also justify the holding of early elections, all the more so since the government as such no longer exists, given its total loss of legitimacy.

The PT is today faced with a decisive test — the perspective of governmental power is once again on the agenda. This possibility, while it opens up a qualitatively different situation as much for Brazil as for the whole of Latin America, will not become a reality unless the actions of the PT remain clearly in the camp of radical and democratic opposition to Collor.

Above all, the majority of the population must find its voice in a conscious and organized movement — so that it is ready and able to defend a democratic and popular government. ★

The mirage of Maastricht

THE possibility of a "no" vote in the French referendum on the Maastricht Treaty on European Unity on September 20 has been widely given as one reason for the current financial crisis in Europe. But, as Maxime Durand explains in the article below, the source of the economic disorder lies much deeper; furthermore Maastricht means more austerity, thus a deeper recession and additional reasons for financial chaos.

MAXIME DURAND*

WHATEVER the outcome of the French referendum on the Maastricht Treaty on European union, the rise in support for a "no" has revealed the true face of Euro-democracy. When the weight of forged evidence is not enough to get a conviction, the establishment looks for the hand of the devil.

If we are to believe the kind of articles appearing in the French press at the end of August, the danger of a vote against Maastricht on September 20 was the direct cause of the fall in the dollar, while the prestigious pro-government daily *Le Monde* devoted a whole front page to a concocted catastrophe scenario.

In fact, the dollar's fall and its effects on the European currency started even before the opinion polls, and its causes lie elsewhere.

The current economic buzzword is deflation. It is used to describe a sluggish world economy which is refusing to respond to any of the remedies promoted by the various economic gurus. On top of this is the vast weight of the debts accumulated on all sides during the 1980s. It thus looks as if the crisis of the system — meaning its inability to regain a minimum dynamism

— has set in for the long-term.

The economic stupor takes place in a context of disorganization that is enough to explain the fall of the dollar. High German interest rates are drawing in capital; everyone wants to own deutschmarks rather than dollars. The resulting rise in the mark throws the European monetary system off-balance; the British pound, falling sharply against the mark, comes within a hair's breadth of devaluation, while the defence of the strong franc rules out any cut in French interest rates. The monetary disorder strengthens the obstacles to growth, already stifled by austerity policies.

The moral of all this is that the system does not need bad opinion polls for it to slump into depression and that the good health of currencies is obtained at the expense of jobs. In France we have a strong currency and high unemployment.

The president speaks

Would the measures envisaged in the Maastricht Treaty improve things? In his big TV appearance to defend the treaty, French President Mitterrand used a new argument: a single market set up by the Single Act alone would be incomplete; it would be one of a poorly controlled liberalism. It would be highly dangerous to have a single market without a single currency.

If this is true, Mitterrand (and a series of Eurocrats) should resign for incompetence, since in 1988 he went into battle for the Single Act and has been praising its merits ever since. The basic swindle is well-known from business: they sell you the basic gadget cheap, but you then find that all the accessories needed to make it work are very expensive.

In fact there is no reason to suppose that the single market would be incompatible with the existing European monetary system. The margins of fluctuations are not great and the financial experts have a fair grasp of the risks. Furthermore they have been at pains to assure us that the possibility of a "no" vote has already been taken into account by speculators.

As for the single currency, the present mechanisms preserve a degree of flexibility that has been tested to the limit during the recent excitement. It is hard to see how a more rigid post-Maastricht system could have coped with the fall in the dollar without exploding into pieces.

We should thus distinguish between the political and economic significance of the September 20 referendum. On the political level, a French "no" would bring the unity process grinding to a halt. As Hervé Monet put in the *Le Monde* on September 8, 1992, "negative developments could be expected in the short term". However "it is certain that a 'yes' would mean a better immediate situation".

The leftwing "no" to Maastricht

THE French and Euro-establishments have been pulling out all the stops to get a "yes" vote in the September 20 referendum in France on the Maastricht Treaty on European Union. An unending parade of Eurocrats, experts and celebrities have predicted the direst catastrophes. One of the highlights has been the stage-managed "debate" between pro-Maastricht French president François Mitterrand and the Gaullist advocate of a "no" vote, Philippe Séguin, before a hand-picked audience of eight "yes" and six "no" supporters.

The choice of Séguin was significant; apart from being tipped as a possible member of a future Mitterrandist centre coalition, his presence told the public that the opposition to Maastricht comes exclusively from the right. Furthermore, there were no left critics of Maastricht — from the Communist Party, the Greens, the far left or the anti-Maastricht current in Mitterrand's own Socialist Party — in the audience.

But there is, in fact, significant support for a "no" to Maastricht from the left, an opposition based not on fear of foreigners and appeals to national sovereignty, but on the treaty's anti-working class and pro-austerity content. The Ligue Communiste Révolutionnaire (LCR — French section of the Fourth International) has been at the centre of efforts to explain why workers and all progressive-minded people should reject the treaty; it has also fought hard to ensure that the left opposition remains untainted by nationalism and xenophobia. Throughout France the LCR has helped to build joint meetings to put forward the case for a leftwing "no", drawing in left Socialists, Greens, dissident Communists and other far left currents. Its campaign culminated in a big rally in Paris on September 17.

The next issue of IV will report on the results of the referendum and give a more detailed account of the progress of the leftwing "no" to Maastricht in France. ★

On the other hand the economic effect of a "no" would be a return to the status quo ante; the capitalist governments have nothing else on offer other than austerity whatever the result.

The pro-Maastricht camp is predicting all kinds of catastrophes if they lose this referendum. In fact, however, the argument can be turned against them. No study demonstrating the benefits of Maastricht has yet been published. This is for the good reason that they are all bad and are thus being kept under wraps. Only one IMF study has slipped out. Claude Soula comments in *le Nouvel Observateur* (August 6, 1992) on "this little semi-official study" and its conclusions which he finds "hardly surprising; in fact a child could have reached them; when states go on a strict diet... growth slows and unemployment rises". This is what is hidden under all the pro-Maastricht Euro-guff.

Indeed the whole single currency project is the expression of a form of bizarre fetishism which sees money as the final cause and effect of economic life.

The Maastricht plan for convergence of the economies of the EC states means trying to achieve a rapprochement between economies as different as those of Germany and Portugal. If this were to be achieved

at the level of the overall economy, then monetary union would pose few problems (at least from an economic point of view). But Maastricht puts the cart before the horse, proposing that monetary union should be the engine of economic convergence. Even those economists who are most enthusiastic about Maastricht envisage an incomplete monetary union, without the southern European countries. Which makes you wonder about the point of signing a treaty that everyone in the know agrees cannot be implemented.

This brings us to the heart of the matter; the Maastricht Treaty is a sort of plebiscite on austerity; approval of the treaty will be taken as a mandate for continuing and toughening the austerity policies already in operation throughout Europe. The drastic plans recently announced in Spain and Portugal are related to the demands of "convergence" and foreshadow the catastrophes planned for the continent's workers. For them, a "no" vote is simply a sensible defensive reaction. ★

• This article first appeared in the September 10, 1992 issue of the French revolutionary Marxist weekly *Rouge*.

AS the disastrous consequences of super-free market policies become apparent, voices are being raised in capitalist and social democratic circles demanding state intervention to revive the economy. But what are the real history and real implications of such "neo-Keynesianism"? And where do the interests of working people lie?

The twilight of monetarism

ERNEST MANDEL*

IT WAS the English economist John Maynard Keynes who first developed the theory that a budget deficit could be used to combat economic crisis and unemployment. Workers' organizations in many countries accepted this idea, proposing high levels of spending, in particular on public works, as a way of reviving the economy. The various anti-unemployment plans of the second half of the 1930s were also inspired by this conception.

From a theoretical point of view, raising overall demand (effective disposable purchasing power) in a given country will facilitate a recovery insofar as there is disposable productive capacity (unemployed workers, stocks of raw materials and intermediary products, machines working below capacity). These unused resources are mobilized by the additional purchasing power created by the budget deficit. Only when these reserves are exhausted do you get the fatal onset of inflation.

But there is a snag. In order for the budget deficit not to fuel inflation before full employment is reached, direct taxes must increase in the same proportion as income. However the bourgeoisie prefers to buy state bonds rather than pay taxes, since the former make them money. Furthermore, tax evasion is a universal phenomenon in the bourgeois society of the late 20th century. Thus the budget deficit is almost always accompanied by a growth in the public debt.

6 Servicing this debt eats up a growing part of public spending, so that there is

a tendency for the budget deficit to grow without any corresponding beneficial effects on employment. On the contrary, since the wage-workers pay the bulk of taxes, the growth in the public debt implies a redistribution of national income from the working class to the bourgeoisie.

However, does not the growth in the



income of capitalists stimulate investment and thus employment? This was the argument advanced by supporters of the "supply-side" recovery, who opposed Keynes in the 1930s and who have

been influential since the Reagan/Thatcher era.

In fact there is nothing automatic about this process. Keynes' arguments on this subject are convincing. Capitalists are under no obligation to invest their extra income in production. They may prefer to store the income away or use it for speculation. Even when they invest, this may be in rationalization of production that cuts jobs. This was the dominant form of investment in the 1970s.

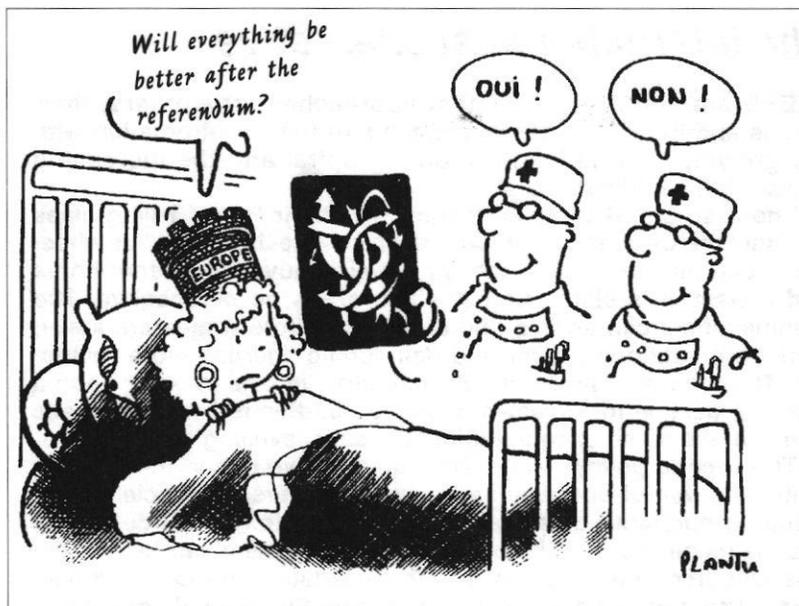
In reality, capitalists do not work "for the general interest". They make choices aimed at maximizing their profits, and this must lead periodically to rises in unemployment and more or less protracted economic crises. During these crises the mass and the rate of profit fall. Then the restoration of profits becomes the absolute priority for the bourgeoisie. An increase in the rate of exploitation of the workforce — the rate of surplus value, according to Marx's formulation — is the key instrument for this. It is no accident that austerity policies are being implemented everywhere. In the last analysis, "monetarist" deflation and Keynesian inflation are two variants of the same orientation.

The historical balance-sheet of the Keynesian policy is, furthermore, clear. The most promising experiment, Roosevelt's New Deal in the United States, ended in failure. Despite the rise in public spending, it ended in the crisis of 1938, when unemployment reached 10 million. It was massive rearmament which reduced mass unemployment.

This confirms Rosa Luxemburg's post-First World War prediction; she saw the arms economy as a "substitute market", that is to say as providing new outlets for the sale of goods and the realization of surplus value. In fact, arms spending served as the motor force of the expansion of the entire economy in the United States after 1948, and this expenditure underpinned the "long wave of expansion" between 1950 and 1970, even if at the price of a budget deficit and permanent inflation.

The other big stimulant for growth has been ballooning credit, that is to say an increase in the indebtedness

* The following article has been translated from the August 28, 1992 issue of *La Brèche*, a Swiss revolutionary Marxist fortnightly.



of big firms and better off households. Even small scale credit to relatively deprived sections of the population increased rapidly after the 1974-75 recession, both in the USA and Europe. In the postwar period the capitalist economy floated to prosperity on a sea of debt. The debt counted in dollars (leaving aside that counted in other currencies) has reached the astronomical sum of some \$10,000 billion, of which the Third World Debt represents a mere 15%.

This debt explosion is another substitute market. It creates additional purchasing power which can counteract the effects of the inherent contradictions of the capitalist system. However the benefits have a time limit; the growing debt fuels inflation and beyond a certain point this begins to hinder rather than aid expansion. This explains the change from the long wave of expansion to that of depression which took place at the end of the 1960s and the start of the 1970s.

There is something bizarre in the way in which neo-liberal dogmatists contrast their "supply-side" policies to those based on creating demand through deficit budgeting. Never, in fact, have budget deficits been higher than under the neo-liberals' champion Ronald Reagan. The same is to a large extent true of the reign of Mrs Thatcher. They implemented record breaking neo-Keynesian programmes while all the time professing quite the opposite faith.

The real debate was not about the size of the budget deficit, but what it was used for. What social classes or major sub-groups of social

classes were to profit, and with what results for society and the economy as a whole?

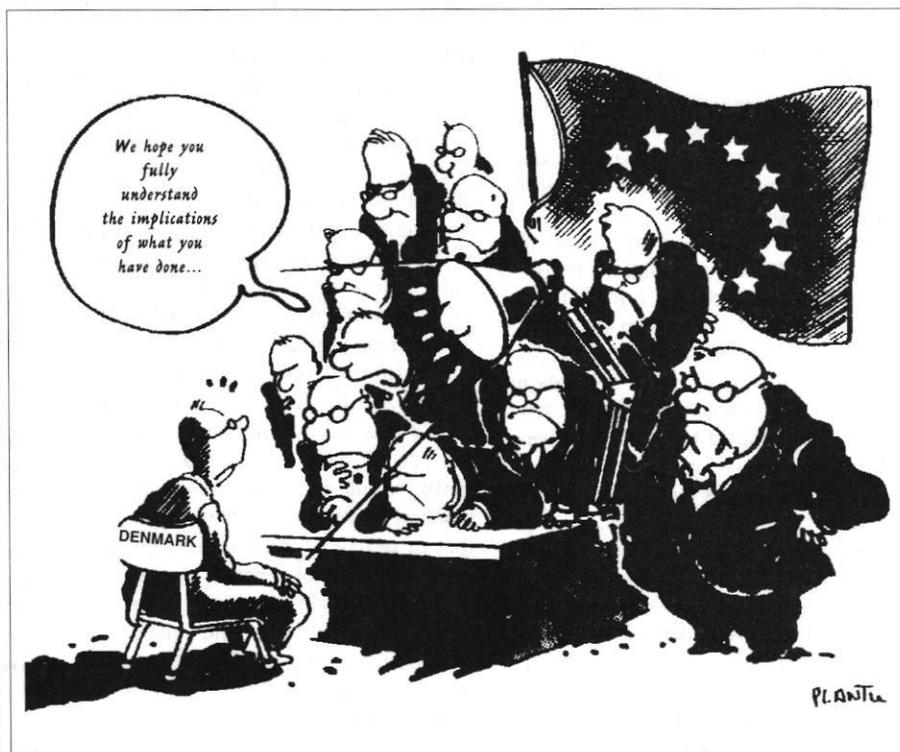
Austerity offensive

From this point of view the facts speak for themselves. Reagan/Thatcher neo-Keynesianism, connected with the so-called monetarist imperatives, has brutally reinforced the austerity offensives everywhere. Social spending and spending on infrastructure have been cut; arms spending has expanded massively in the USA and Britain and to a lesser extent in Japan and Germany.

Subsidies to private enterprise have increased. Unemployment and widening social inequalities have been stimulated. In the last 20 years the number of unemployed in the OECD countries has risen fourfold.

The overall social effects have been even more disastrous. You can learn on any college course on economic development anywhere in the world that the most productive long-term investments are those in education, public health and infrastructure. However the neo-liberal dogmatists overlook this elementary truth when they approach problems from the point of view of an "equilibrium" that must be re-established at any cost. Their favourite targets for cuts are precisely education, health care, social security and infrastructure, with the inevitable harmful effects, including on productivity.

Does this mean that socialists should prefer traditional Keynesianism and variants of the welfare state to the poisonous cocktail of monetarism and neo-Keynesianism currently on offer? If our answer is positive, it must be heavily qualified. Traditional Keynesianism implies various forms for the exercise and division of power within the framework of bourgeois society. This leads to various forms of social contract and "consensus" with those who currently hold economic power, on their terms. This is a purely one-way consensus, and it runs counter to an essential priority: the defence of the immediate interests of the workers and the pursuit of



the objectives of the new social movements. Such a defence requires the maintenance or reconquest of political independence by the working class.

Furthermore, traditional Keynesianism is only the lesser evil compared to a deflationary policy insofar as it leads to a rapid and radical fall in unemployment. However, in present conditions neo-Keynesianism is leading to an increase in unemployment and the marginalization of growing sections of the population. It is doing nothing to stem the realization of the neo-liberal plan for a "dual society", that is to say an institutionalized division of the workforce and the growing degradation of its least secure sector. The depoliticization and despair that this feeds provides a breeding ground for the growth of a "neo-fascist" far right.

Late capitalism, furthermore, is marked by a far greater level of international concentration and centralization than in the past. Multinational or transnational firms are now the main form of organization of big capital. Less than 700 of them control large parts of the world market. Faced with these all-powerful transnationals, the traditional nation state is increasingly less capable of effectively applying a coherent and efficient economic policy.

Decline in state intervention

Of course, multinationals are not the only form of big enterprise. Beside them essentially "national" firms continue to exist as well as public and semi-public enterprises. Thus the economic role of the state has not fallen to zero. Nonetheless the long term tendency is towards a gradual decline in the efficiency of the economic interventionism of the national state. The neo-liberal ideological offensive is to a large extent the product and not the cause of this basic evolution.

Faced with the rise of transnational enterprises, the national state is no longer an adequate economic instrument for the dominant factions of the bourgeoisie. However, the ruling class needs the state for self-defence. It needs a nation state to defend its specific interests — including in the various supranational bodies — against its foreign competitors. It needs the state to absorb economic and social crises. And it needs the state for repression in case of explosive socio-political crises.

Insofar as the national state becomes less useful, the effort is made to substitute supranational institutions for it. However, important political, cultural and ideological obstacles have to be overcome if these latter are to take on

The internationalist alternative

THERE are only two consistent approaches for workers, their unions and the new social movements in their confrontation with the growing internationalization of capital and the increasing power of the multinationals.

The first is that of collaboration with their "own" ruling class against "the Germans", "the Americans", "the Japanese" or whoever. Such an orientation can only fuel chauvinism, xenophobia and racism. It is also a policy which offers no perspective. The multinationals can always find a country where wages are lower, working conditions poorer and democratic liberties more restricted. The road of defence of "our industry" means to enter upon a spiral of decline for incomes, working conditions and democratic rights, in the name of competition. It means levelling down.

The second policy — and the only effective one in the medium term — is that of cooperation between workers and social movements throughout Europe (and beyond) with the aim of defending past gains and raising the wages and conditions of workers in the less favoured countries towards those existing in more fortunate lands. This orientation would also involve Europe-wide proposals on the whole range of social, economic and ecological issues. This would be the only framework broad enough for such proposals to be effective.

It is true that nuances between centre-right and centre-left can be detected in the "European" institutions; these have been seen over the Social Charter. Nor can we be wholly indifferent when it comes to supporting a better against a worse position. However, whatever the nuances, there is unanimity on the need for an austerity policy.

We should not oppose the Maastricht Treaty in the name of giving priority to political action inside the national state. On the contrary, we should support any initiative which fosters awareness of the need for common action and solidarity on a European scale. Nor is this in contradiction with defensive battles at a national level.

An essential moral aspect of such a policy is for the workers and social movements to revive the principle and sentiment of solidarity, well expressed in the motto of American trade unionism: "an injury to one is an injury to all".—E. M. ★

some of the real attributes of a state. This turns out to be more complicated than expected. Thus, European unification remains suspended between a vague confederation of sovereign states and a European federation with some of the characteristics of a state, with a single currency, a central bank, a common industrial and agricultural policy, joint army and police forces and finally a central governmental authority.

The institutions embodied in the Single Act or the Maastricht Treaty reflect this hybrid character. They are pre or semi-state forms, with the real power resting in the hands of the EC's Council of Ministers, that is to say in that of the 12 associated governments. Real surrenders of sovereignty are few.

The Maastricht Agreement requires of the states that they reduce their budget deficits to 3% of Gross Domestic Product (GDP) in the name of monetary stability. Few states will achieve this goal by 1996 or even 1997 or 98. Will

this mean a "Europe of the five"? The mechanism is by no means as well oiled as EC Commission president Jacques Delors pretends.

On top of this there is a time-bomb: the medium term effects of the so-called "budgetary stabilization" on the economic situation and on employment in particular. According to a confidential note from the OECD these will be very bad, a conclusion supported by several studies.

The mere fact that the provisions of the Maastricht Agreement mean a toughening of austerity policies should be enough for the workers' movement and the left to reject them.

However we should not be fooled. Under cover of "budgetary discipline", Maastricht offers nothing more than an excuse for the continuation and toughening of austerity policies that the governments concerned are already implementing. And it is these policies that have to be fought above and beyond the Maastricht Treaty. ★

Workers struggles revive

IN some respects the Polish scene this summer recalled the great social struggles in Poland of the previous decade: occupied factories supplied by discontented peasants, demonstrations, inter-factory strike committees, and so on. The strikes, which began at the end of June in the Upper Silesian coal mines, spread to the huge factories that have traditionally been the centres of Polish worker militancy. While these strikes were not a repeat of those of August 1982 as some commentators have held¹, they did constitute the first serious social warning to the new regime. And the changes on the union and political plane which they began will not fail to have repercussions in the future.

JAN MALEWSKI

“FOR twenty days of work, I earn two million zlotys (about \$150). They don't pay for nothing. I work hard for them. I'm not a communist but I want to earn as much as I did under the old regime. Otherwise I'll stay out on strike until the end. They must understand this.”² In these few words, a striking miner summed up the feelings of many workers. They trusted Solidarnosc and the successive governments that it supported. They believed that only the market economy could assure their well-being. They believed in the promises that were made according to which Poland would enjoy an economic boom as soon as hyperinflation was stopped. But three years later, the gulf between their hopes and reality has led to big disappointments. The political and economic crisis in which Poland finds itself is longer and more serious than they had imagined.³

The results of the social policies of the new regime form the background of the strike wave. At the end of July 1992, there were 2.4 million unemployed workers (13.1% of the economically active population). One quarter of the unemployed lost their last jobs through mass layoffs. Nearly one million unemployed have been without work for over a year, and therefore are no longer eligible for social security.⁴ Real average incomes, which have collapsed since the beginning of the implementation of the market reforms known as the “Balcerowicz plan”, continue to drop.⁵

During the first six months of 1992 real wages in the six main sectors of the eco-

nomy were 4.4% below what they were in the first six months of 1991 and 6.8% in relation to the last six months of 1991. Peasant incomes also collapsed. According to an official study by the central statistics office (GUS), the real income of peasant families was 18% below that of the first semester of December 1991.⁶

Government policies

These results are the direct fruit of the policies implemented over the last three years. The taxation system for public enterprises has led to the paradoxical situation that the taxes paid by these enterprises over the last year amount to 125% of their profits! Contrary to private enterprises which are taxed on their own sales, the state enterprises must pay a “dividend” calculated on the basis of the capital (productive as well as unproductive) of the enterprise and a tax on the raising of wages beyond that of the norm (called *popiwiek*), in which the rate grows in an exponential manner when the norm is exceeded. The result is that 45% of the state enterprises are heavily in debt, a large proportion of this being made up of debts contracted to pay taxes or debts owed directly to the treasury!

Indebtedness also plagues the peasantry. Those who believed the promises that the new government made in 1989-1990 and took out loans to buy agricultural machinery, are today on the verge of bankruptcy. The interest rate, devised in relation to the prevailing rate of inflation, which reached 585% in 1990, is not rene-

gotiable, and has thus reached usurious proportions (the inflation rate for 1992 is not expected to pass 60%). The discontent of the peasantry has given rise to a new radical peasant organization called Samoobrona (Self Defense) which has organized traffic blockages.

Unlike the big strikes of the previous decade which were united by common demands directed at the government in the name of union freedom, the strikes of last summer resemble those of a much earlier period of Polish labour history. The demands are quite diverse and unfocused, and the union movement is scattered, divided and disorientated by the new rules of the economic game.

Background of strikes

Thus, the background of the strikes in the Upper Silesian mining fields was the deterioration of the miners' social situation who had previously been amongst the best paid layers of the working class as well as the still unclear plans to close mines considered non-profitable from the point of view of the government's restructuring plans.

The miners' anger has been fueled by wage cuts amounting to about one half of their salaries over the last few months, which is why their demands have focused on wages. To this can be added a sense of having been betrayed by Solidarnosc in general, and their own colleagues in particular, who once having become ministers seem to have forgotten the demands which brought them to power. On July 10, a local leader of Solidarnosc was thrown out of a mine by striking miners. Soon after, the unions which came out of the old state organizations (the OPZZ and others) and Solidarity '80, took over the leadership of the strike.

A completely different situation has developed in the PZL-WSK aeronautic factory in Mielec where plans to reorganize production have led to waves of layoffs which have been accepted by the

1 “Exactly twelve years ago, we had the same scenario in this country and the same actors. But while the current government authorities were then participating in sit down strikes, they now inhabit posh government offices. And those who now strike and write appeals to their former colleagues are branded violent hordes who are trying to destroy the state” wrote a columnist in the daily Social Democratic organ *Trybuna* on August 12.

2 *Gazeta Wyborcza*, no. 170 of July 21, 1992.

3 See *International Viewpoint* no. 234 September 14, 1992.

4 See *Zycie Gospodarcze*, no. 35 of August 30, 1992 and no. 36 of September 6, 1992 as well as *Nie* no. 37 of September 10, 1992.

5 Named after Leszek Balcerowicz, the vice-minister and minister of finances in the first two governments of the new regime.

6 Incomes are traditionally higher during the second half of the year due to the payment of various end of the year bonuses.

unions who have done nothing to save the factory from bankruptcy. This factory which produced transport planes for the Warsaw Pact has been totally destabilized by the changeover to a system of payments in hard currency for exchanges between the ex-COMECON countries.

In mid-July, when the workers received only a small portion of their wages, a sit down strike was called with the support of the OPZZ and Solidarity unions. After one month on strike, the workers won a small wage hike and work began again, without, however, an agreement being reached concerning the fate of the 4,500-10,000 workers slated to be laid off in December. The government proposes to divide the factory into several joint stock companies and has spoken about creating a tax-free zone.

Demand collapses

A similar situation faces the Ursus tractor factory where the strike that had been called by Solidarnosc and a small union that came out of a split in it, was not supported by the OPZZ. While 70,000 tractors were scheduled to be produced per year, the factory only produced 4,000 because the peasants can no longer afford to buy tractors. The strikers demanded state aid that would allow them to reconvert production as well as a change in the factory's legal status.

Though the strikes in the Lubin copper mines and factories and the FSM automobile factory at Tychy also raised wage demands, the outcome was quite different. Both the KGHM copper combine and the FSM are potentially profitable and are up for privatization. At the former it is directly the governmental policy — the famous *popiwiek* — that is the main obstacle to wage hikes. At FSM where the Italian car firm FIAT is taking control, it is the resistance of the workers to becoming a cheap labour source for FIAT that was the origin of the conflict.

Since July 22, 3,500 workers have been occupying the plant and the director's offices. In the face of FIAT's refusal to negotiate with an "illegal strike", the government gave the go-ahead to FSM to fire the strikers. 400 lay-off notices have been mailed out. The latter have hardened their resolve and have even resorted to a hunger strike which continues as of this writing.

The attitude of the unions in the face of this discontent has been uneven. Though Solidarnosc '80 has supported the strikes, and its militants in Upper Silesia have, to the chagrin of the government, introduced the use of flying pickets to spread the strikes, the national leadership of Solidarnosc which still remains a formidable force in the big factories, has tried to

dampen the strikes by speaking of negotiations, and if that fails of future nationwide actions at some undetermined time.

According to a press report: "Solidarnosc is in a particularly difficult situation. It is limited by its support to the Suchocka government, which was formed as the result of the work of Solidarnosc parliamentary representatives, and it fears losing influence amongst the workers. In general, it is the last to join strikes or does not participate officially."⁷

However, while denouncing the sectoralism of other unions, it has found itself incapable of stopping or controlling strikes. The differences within it, already present before the strikes, have sharpened under their pressure. Today more than ever before, Solidarnosc appears as a transmission belt of the government.

The OPZZ and the other important autonomous industrial unions have attempted to fill the void left by the Solidarnosc leadership, and have used the social climate to step up pressure on the government for wage demands.

Strike committees

An important development was signalled by the strike committees at FSM and KGHM which founded a national inter-union negotiating and strike committee last July 10, in which the OPZZ and Solidarnosc '80 unions have participated as well as the Federation of Miners Unions, the Polish Miners Union, the train drivers' union and the peasant organization Samoobrana. As a result, the various strikes which had up until that point been uncoordinated, took on a coherent form with a common list of demands aimed at the state. Among the 21 demands drawn up by the committee is the demand for the immediate cancellation of the *popiwiek* — the tax that has blocked the implementation of the wage hike agreements.

The other demands reflect the mass discontent about the situation as well as the absence of an alternative project acceptable to all the signatory organizations. This is the case for the demand that "chaotic privatisation which is tantamount to theft by the capitalist and political elites be immediately halted", as well as various demands aiming at a more "statist" and "interventionist" government.

The founding of this committee in spite of the absence of Solidarnosc union forces, was seen by the workers as a means of changing the balance of forces in their favour. New strikes began with the call for a 15-minute protest action by the OPZZ that were, according to the press, followed in half of the country's enterprises. The perspective of a unitary general strike that has been promoted by the OPZZ and the Samoobrana (the two

forces that the press most frequently identifies with the old regime), was adopted.

On August 11, the two forces informed the government of their intentions. But soon after, on August 13, it became clear that the union leaderships were balking at actually leading a general strike. For Solidarnosc '80, unity with forces who had been identified with the "communist devil" clearly posed a problem. The OPZZ wavered out of fear of the potential dynamic of such a move.

In fact, a national general strike must either lead to the fall of the government and to a radical change in the policies followed over the last three years (though the OPZZ does not have an alternative programme), or it will end in a defeat which will weaken those who participated in it. When the hesitations of the union leaderships became apparent, the two lead strikes took contradictory paths: a sell-out in the copper strike at Lubin, and a determination to fight to the finish in the FSM strike. Union unity — incomplete in the first place — did not move forward.

However, the national committee has continued its activity. "What is vital is the capacity to act together and present a united front in negotiations with the government" for "as long as the enterprises are public, a central union confederation is necessary to negotiate with the government", explained OPZZ president Ewa Spychalska.⁸

Faced with this developing union united front, Solidarnosc has lost its privileged position. As a leader of Solidarnosc' "Network" in the big enterprises has put it, "historic differences and apparatus interests must take second place to the higher interests of the workers". This network, which brings together Solidarnosc committees in 260 of the country's enterprises, first tried to convince the union leadership to act but finally decided to call a nationwide two-hour warning strike for September 10 and form a National Strike Committee with its headquarters in the Huta Warszawa steel plant in Warsaw.

Strike call heeded

The committee called on the government to end the wage controls and the dividend system, free enterprises of their debts and guarantee the workers a role in their reconstruction.

The strike call was followed in 60 enterprises and many other commissions showed their support. 5,000 out of 7,000 workers at the Gdansk shipyard where Solidarnosc was born took part in the stri-

⁷ *Gazeta Wyborcza*, no. 173, July 24, 1992.

⁸ Interview in *Gazeta Wyborcza* no. 201 August 27, 1992.

ke. Roman Galezowski, the Solidarnosc leader in the shipyard and a Network leader, who is considered within the latter to be close to president Walesa, explained his fraction's attitude: "When I organize a referendum in the yard and 1,650 people demand radical action and an end to union dues payments to the national leadership which is not doing anything, I have only two options: either to listen to my union members or to the union leadership. If I do the second, I will be kicked out of Solidarnosc".⁹ Other Solidarnosc officials also took their distance from the national leadership, revealing the divided and weakened state of the union.

The government responded by putting pressure on the directors, and avoiding any direct confrontation with the strikes. A statement issued on July 22 reads: "The Council of Ministers cannot be a party in these conflicts ... the government cannot take responsibility for decisions on wages taken by management under the pressure of these strikes. It can on the other hand, draw the legal consequences concerning directors who take irresponsible decisions".¹⁰

At the same time, the team around the labour minister Jacek Kuron prepared an emergency project for a social pact aimed at revitalizing the austerity programme launched in 1989-90. This new version of the same old policy involves maintaining wage controls, speeding up privatization and imposing strict financial limits on the state sector. However the approach has changed. For the past three years, all the variants of the policy have been imposed by the government without negotiations with the workers or unions. Given the weak legitimacy of these governments which are the product of elections with massive abstention rates, this has meant their ever more widespread repudiation. This time the idea is to implicate the workers' representatives in the taking of unpopular decisions at every level.

Thus the *popiwiek* will henceforth be negotiated each quarter by a national tripartite negotiating commission. Formed of representatives of the government, the bosses and the unions, this commission will give legitimacy to wage freezes. Thus unions, or other representatives elected by workers, will have a third of the votes in the commissions.

Basic aim unchanged

Despite this, the aim is still the same as ever. The draft of the pact leaves no room for doubt about this: "One of the most important questions is to find owners for the public enterprises, since an enterprise that does not belong to anybody cannot be efficient. This owner can be a private individual, a joint stock company (for



example formed by the workers) or the public treasury... The main way to find an owner is privatization, and that is why we give it so much space in the pact."¹¹

As bait for the workers, the pact will make leasing by workers' associations in the smaller enterprises (less than 1,000 workers) easier. The only novelties are the proposals concerning debt and changes to the tax system.¹² On the latter issue, it is proposed to abandon the "dividend" mechanism for a mechanism of three-way division of the profits: one for accumulation (this must not be less than one third of the profits), the second for the workers, and the third, a sum equal to the second, for the state.

This scheme, which will not have much impact on workers' incomes, has the advantage of facilitating self-financing by enterprises and putting an end to the automatic worsening of the indebtedness of unprofitable or barely profitable enterprises represented by the dividend.

Dotting the "i's

So that nobody should be in any doubt about the government's intentions, Jacek Kuron dotted the "i's": "We must be aware that in the first place we must change the way our public enterprises are run. Sometimes we hear that such enterprises also exist in highly industrialized countries.

"This is a misunderstanding. Such an [economic] creation (of the recent past in Poland), even when called an autonomous subject, does not exist in a market economy. Here there is a management and a self-management council, but there is nobody representing the interests of the state, of the owner.

"The enterprise must be managed by someone in a style aimed at maximizing profits and development, and only secondarily at paying higher wages. This must

be the aim of the unions. This is the regime we must create. We have given ourselves a mere three months for this. This is the time span we have set for negotiations with the unions".¹³

That is to say, everything is up for discussion apart from the orientation imposed on the country by the new regime over the past three years. This orientation is now to be rounded out by the abolition of the self-management rights won by the workers in 1981, rights which despite many attempts to negate them, have meant that workers have retained a measure of workers' control in the big enterprises.

It is surprising that the element of workers' strength represented by the existence of these self-management councils enjoying wide prerogatives is not being taken into account by the unions in working out their strategies.

Only the Network, and only then inconsistently, stresses the right of workers to oversee the reorganization of the enterprises. The decline since the heyday of Solidarnosc in 1980-81 of worker support for the notion of "taking our fate in our own hands" is shown by the fact that strike committees during the recent strikes were not elected; in general they were formed by appointed union and inter-union committees. This is a big asset for the government as it manoeuvres to find a new legitimacy for a policy whose bankruptcy is already clear. ★

9. Interview in *Gazeta Wyborcza* no. 171 July 22, 1992.

10. Quoted in *Gazeta Wyborcza* no. 171 July 22, 1992.

11. Quoted in *Gazeta Wyborcza* no. 213 September 10, 1992.

12. This involves the authorization of debt negotiation in the public market as well as renegotiating enterprise debts. These latter involve practices borrowed directly from the IMF!

13. Quoted in *Gazeta Wyborcza* no. 213 September 10, 1992..

Yeltsin's first year:

From shock to slump

WHEN RUSSIAN President Boris Yeltsin addressed the Russian public on August 19, the first anniversary of the failed coup d'etat, there was little left of the triumphant attitude of last year's victor. In spite of massive media coverage in the liberal press and Yeltsin's invocation of a "Russia that has not only a great past but a great future"¹ gloom was the dominant note in most comments on the occasion.

One year after the ascent of the Yeltsinites to near absolute power they have little reason for optimism. The IMF-inspired economic shock therapy carried out by acting prime minister Yegor Gaidar is in a dead end while a fierce power struggle is taking place in the pro-capitalist camp. This struggle centres on the intertwined questions of the economic reform strategy and the foreign policy objectives of the "new Russia" particularly in relation to the non-Russian republics of the former Soviet Union, most of whom are now part, with Russia, of the so-called Commonwealth of Independent States (CIS). This article looks at the struggle over economic strategy; a later one will look at the role of Russia within the CIS.

POUL FUNDER LARSEN

THE only substantial promise that Yeltsin was able to make the Russian people at the end of August, apart from the offer of a privatization voucher worth 10,000 roubles (nominally about \$50), was that "the end of this year will be the most difficult period" — at least so far.² Indeed the first eight-months of Gaidar's shock therapy have plunged the Russian economy into a state of unprecedented depression.

According to official figures from the State Committee for Statistics, production fell by 18% in the first half of 1992, but several independent experts give higher estimates. On top of the falls of previous years, there has been a drop in production of as much as 50% since 1989. This fall is not likely to stop since investment fell by 46% in the first six months of 1992.

Inflation is estimated at between 1,600 and 3,000% by the end of the year, while the rouble has collapsed in relation to the dollar. Earlier this year the government was having sweet dreams of a rapid move towards convertibility at a rate of 80 roubles to the dollar, but at the start of September it was 210 to the dollar and likely to deteriorate further. The budget deficit,

which the Gaidar government has several times promised the IMF it will reduce to 5% is likely to reach 20%, as it did in 1991.³

All in all the IMF inspired policy has failed even to reach its so-called financial stabilization targets, while aggravating the crisis of the whole economy. The freeing of prices and the restrictions on money supply, in the framework of a strongly monopolized economy, has accelerated the rapid fall in production. The short term consequences of the total disarray in the economy have had a disastrous impact on agriculture where prices are rising more slowly than in industry, making producers reluctant to sell. With a harvest below expectations, a lack of machinery and bad infrastructure could lead to a severe food crisis in the coming winter.

But even before the winter, Russians have been paying a high price for the "initial phase of reform". Real incomes have been drastically cut: prices for consumer goods have risen 1,170% over the past year with money incomes rising on average by 590%. Meanwhile runaway inflation has wiped out the savings of most ordinary people. Consequently total consumption went down by one quarter in the first six months of 1992

— with people purchasing 25% less milk products and 50% less clothing and shoes. About half the population is now living below the official poverty line. Malnutrition is increasing — a recent poll of young people in St. Petersburg found that 40% were "constantly hungry" while a further 40% said they "often felt hunger".⁴

The drop in real income has affected most groups but at the same time wage differentials have widened sharply with white collar workers in education, the health service or the administration as well as students and pensioners lagging far behind, while some groups of workers (notably the miners) are faring comparatively well.⁵

But even if nominal wages are increasing, the shortage of cash money created by the tight monetary policy means that many workers are not getting their pay at all: "The deficit of money is growing sharply — there is nothing to pay out to people. The situation has been particularly catastrophic in (mining) Kemerovo and (oil-producing) Tyumen. On the first of May unpaid wages and pensions to the population may have been some 70 billion roubles. According to estimates, on the first of July the state may owe people well above 100 billion roubles".⁶

The slashing of public spending has had very serious consequences for education and the health service. Among signs of the deteriorating conditions and the general impoverishment are the rise in infant mortality (up by 9% between January 1991 and 1992), a drastic decline in the birth rate and the re-emergence of epidemic diseases such as typhoid fever not encountered in Russia for decades.

Bankrupt industries

In the first nine months of shock therapy inter-enterprise debt increased from less than 100 billion roubles by early January and 600 billion by April 1 to the current astronomical figure of 3,000 billion (around 40% of GNP). This means that most enterprises have considerable outstanding debts, most of which cannot be paid. *Izvestiya* recently reported that nine out of ten enterprises in the Yekaterinburg region were seriously in debt. Many factories have had to reduce production due to problems with financing and lack of orders, sending their

1. *Izvestiya*, August 20, 1992.

2. *Ibid*, August 24, 1992.

3. *Ibid*, July 20, 1992. For a more comprehensive analysis of the Yeltsin-Gaidar reform see "Shock therapy comes to Russia" by David Mandel, *International Viewpoint*, no. 224, March 16, 1992.

4. *Izvestiya*, July 7, 1992.

5. There are varying estimates of the drop in real income. On August 8 *The Economist* wrote: "real wages so far this year are only 40% of their average in 1991".

6. *Pravda*, June 9, 1992.

Russian political parties

COMMUNIST AND SOCIALIST ORGANIZATIONS

All-Union Committee of Communists: presents itself as the only successor to the old ruling Communist Party of the Soviet Union (CPSU), although no well-known former leader has supported it. On July 4-5, 1992, it held a "29th Congress of the CPSU" in Pushkino in Moscow. All the Communist groups were invited, but most did not show up. The 90 delegates elected a central committee as well as a control commission and adopted an Action Programme. The strength of this organization is unknown.

Russian Communist Workers Party: was founded in November 1991 out of the Communist Initiative and is mainly based on the former party apparatus in Siberia and the Far East. This neo-Stalinist party claims 20,000 members. (Leader General Makashov.)

All-Union Committee Party of Bolsheviks: was formed in November 1991 from different factions of the former CPSU (Unity, the Bolshevik Platform and others). It characterized the August 1991 coup as "stage-managed". It has come out with slogans such as "Motherland and Death", and "Socialism or Death". It is strictly Stalinist and has some 35,000 members. (Leader N. Andreyeva.)

Socialist Workers Party: was formed in October 1991 out of parts of the old apparatus and oppositionists. It considers itself reform Communist. It has some 70,000 members and over 40 deputies. (Leaders: R. Medvedev, I. Rybkin, G. Sklyar and L. Vartarasova.)

Russian Party of Communists: was formed in December 1991 as a reform Communist party (taking the New Economic Policy of the 1920s as its model) and successor to the Marxist Platform. It has some 5,000 members. (Leaders: A. Khrushchev and V. Burdyubov.)

Communist League: was formed out of a section of the former Marxist Platform by A. Prigarin. It has a few hundred members. It favours worker self-management and "all power to the soviets". It also calls for the unification of all Communist organizations.

Party of Labour: was founded on August 29, 1991 as an initiative by the apparatus of the Moscow trade unions (M. Nagaitshv and T. Frolova), a part of the Marxist Platform (A. Buzgalin) and the Socialist Party (B. Kagarlitsky) the Confederation of Anarcho-Syndicalists and Moscow deputies (N. Konchar and V. Kondratov). Its first conference took place in January 1992. The party presents itself as an organization based on the trade unions and defends working class interests. It is in favour of workers' self-management and democratic management of the economy, but also for the rights of independent domestic property owners.

There also a whole series of groupings such as the Association for the Defence of the Rights of Communists, the Commission for the Investigation of the Activities of Mikhail Gorbachev, the Association of Left Patriotic Forces at the University of Moscow and the United Front of the Working People.

The mouthpieces of the conservative Communist forces have been *Pravda* (but no longer), *Sovetskaya Rossiya*, *Glasnost* and *Literaturnaya Rossiya* and the magazines *Nash Sovremenik* and *Molodaya Gvardiya*.

SOCIAL-LIBERAL AND BOURGEOIS PARTIES

Social Democratic Party of the Russian Federation: was formed in May 1990; it is oriented towards classical revisionism and Scandinavian Social Democracy. Most of its 7,000 members are from the scientific intelligentsia. They are involved in almost every bloc building enterprise. (Leaders: B. Orlov, O. Romyantsev.)

Republican Party of the Russian Federation: originated in the CPSU's Democratic Platform. It was founded in November 1990. It has undergone several splits and presents itself as social democratic. Most of its 7,000 members are from the CPSU and the scientific intelligentsia. Together with the social democrats, they have formed a faction which has more than 50 deputies and controls the monthly *Gospodin Narod* (circulation of 100,000) and the weekly *Respublica* (20,000). (Leaders: V. Lysenko, V. Shostakovsky.)

Russian Peasants Party: was formed as an organization of private farmers out of the Movement of Independent Farmers in March 1991. It now

staff on enforced vacations.

One example mentioned by *Izvestiya* is the Kalinin Plant in Yekaterinburg which has been forced to switch to a three-day week and is now paying its 40,000 workers an average of 2,000 roubles a month (below the poverty line).⁷ A large number of factories are effectively bankrupt — according to the Moscow Federation of Trade Unions 90% of the military industrial enterprises in Moscow are in such a state.

However, there have been no large-scale layoffs or major factory closures thus far. In spite of several readings the Supreme Soviet has failed to pass a bankruptcy law, reflecting pressure from enterprise managers and fear that factory closures will trigger off massive social unrest. On June 14 Yeltsin bypassed the Supreme Soviet by issuing a decree making it possible to declare enterprises bankrupt, but it still remains to be seen how and on what scale this will be implemented.

One of the main reasons for the relative social calm, in spite of the drop in living standards is precisely the very low rate of unemployment. There are only a few hundred thousand registered unemployed — less than 1% of the workforce, though many more workers are affected by forced reductions in working hours. But due to the intense struggle in the ruling circles around the question of enterprise closures, mass redundancies seem to have so far been averted, and it is unlikely that the forecast by the International Labour Office (ILO) of 10 million unemployed by the end of this year will come true.

Enterprise closures

With Yeltsin's decree on bankruptcies and the announcement of a sweeping privatization programme it is clear that the issue of enterprise closures and property rights will be to the fore this autumn.⁹ Recently the government has been trying to portray the issuing of share vouchers to every citizen as a miracle solution that will secure both a smooth privatization process and an even distribution of state-owned assets among the population.

In principle this system could offer the workers collective possibilities for taking a share in a given factory, but in practice this is nearly impossible because the authorities are working to discourage it. As Boris Kagarlitsky remarks: "How can one discuss democratic privatization, with the participation of the workers' collective, if you don't pose the questions about how and where these collectives get the means to moderni-

7. *Izvestiya*, August 19 and 20, 1992.

8. *ITAR-TASS*, July 9, 1992.

9. The programme presented in *Izvestiya* on June 27, 1992 for example, aims at privatizing property worth 72 billion roubles in 1992, 350 billion in 1993 and 470 billion in 1994.

ze production, how they receive credits, how stable deliveries can be secured, and what should happen to those who don't work in a factory. Of course, workers can be dragged into this process for various expedient reasons: it creates a collective responsibility for what will happen. Then later, when the enterprise closes or is sold cheaply to a private entrepreneur, the blame will lie with the workers, who allegedly made wrong dispositions with the property".¹⁰

The real conflict looming behind much of the factional scuffle around the Russian government is precisely the question of industrial development and with that the place of Russia in the international division of labour. The policies of the Gaidar government have been particularly beneficial for the speculative layers of entrepreneurs often linked to mafia-style structures in the old apparatus, but have generally been harmful to the state enterprises.

Zealous conformity

Throughout the process of drafting and implementing the first phases of the "stabilization programme" the government has zealously conformed with the demands of the IMF — to the point where Russia appears as the IMF "role model" for the other CIS states. But even the \$24bn promised by the G7 — of which only about one billion has been paid over — is little more than a drop in the ocean. According to economics minister Andrei Nechaev the debt service of Russia will amount to \$22bn in 1992 alone.¹¹ The West has put considerable pressure on Russia to win political and economic concessions in exchange for the financial support — prompting vice-president Alexander Rutskoy to describe Western aid as "free cheese in a mousetrap".

The increasingly undisguised blackmail from the West reached its peak during the Sixth Congress of People's Deputies in April, when US Treasury Secretary Nicholas Brady threatened an end to all economic aid if the Gaidar government, which resigned briefly, was not reinstated.¹²

During and after the People's Congress strong criticism of Gaidar was voiced in the Supreme Soviet, circles of politically influential intellectuals (for example, Yavlinsky and Petrakov) and the corps of enterprise managers. The wave of publicly expressed discontent marked a stepping up of the power battle within the Yeltsin-led coalition. An attack spearheaded by the

10. *Pravda*, May 7, 1992.

11. *Trud*, August 6, 1992.

12. On the question of foreign pressure Gaidar told *The Economist* of April 25: "On balance that is helpful. It could harm us if it is overdone, if the country thinks outsiders want to make economic policy for us".

claims 12,700 members and demands the "restoration of peasant property on the land", aiming to represent the "political, economic and social interests of peasants". Its journal *Russkoye Pole* has a circulation of 50,000. It has seven deputies.

People's Party of Russia: was founded in May 1992 by the investigators Gdlyan and Borodin who had been strongly attacked because of some of the investigations they undertook. It stands for "economic freedom and human rights" and has 6,000 members. It is probably only a transitional formation.

Christian-Democratic Union of Russia: was set up in August 1989 by various dissident groups; it has some 6,000 members, overwhelmingly religious believers from the intelligentsia. Its programme is based on that of its Western counterparts, but it also includes social demands. (Leaders: A. Ogorodnikov, Y. Tverdochlebov.)

Russian Christian Democratic Party: was created in June 1991; it is based on Christian values, promotes people's capitalism and has some 3,000 members. (Leader: A. Chuyev.)

Party of Constitutional Democrats: was formed in May 1990. It has 700 members and considers itself a liberal capitalist party. (Leaders: V. Solotaryov, M. Globachov.)

Constitutional Democratic Party (Party of Popular Freedom): appeared first in June 1991 as the "reformation congress" of the former Cadets, putting forward a neo-conservative economic programme coloured by nationalism. It demands a Russia in its "historic borders". Its 4,000 members are from the intelligentsia, and partly from the CPSU. (Leaders: M. Astafyev, D. Rogoshin, A. Shamin.)

Russian Party of Democratic Change: was formed in September 1991 with the aim of providing the new middle class with a liberal programme. Its 1,800 members are from the intelligentsia and the former party apparatus. (Leaders: A. Braginsky, Y. Gabely, A. Kissilov.)

Islamic Party of Rebirth: was set up in Summer 1990 and exists in all the Islamic regions of the former USSR. It aims to unite the Muslims of all nationalities. It presents Islam as "the only force that can today withstand American-style universalism and its conception of a new world order". It sees Islamicization as "the only chance for Russia to avoid geo-political annihilation". The number of members is unknown, but in some places the party has a mass membership (Tadjikistan). In Russia its main bases are in Tatarstan, North Caucasus, Moscow and Leningrad. Its moderate wing, led by W. Sadar, wants to create the conditions for an Islamic way of life, while another under G. Djemal wants an Islamic Republic.

THE PARTIES OF CAPITAL

The All-Russian Union of the Renewal: is the political wing of the Russian Union of Industrialists and Entrepreneurs, which has formed a union with similar organizations in all the other republics of the former USSR. About 1,700 enterprises have joined, accounting for 60% of the former USSR's industrial production. The party as such was founded in June 1992 and puts itself forward as the "Party of the Managers". It has a massive influence on the government. According to its vice-president V. Shumeiko: "we need a class of owners and all those now directing production should be a part of it". Its model is Japan's Liberal Democratic Party. Its membership is unknown. (Leaders: A. Volsky, A. Vladislavlev, V. Shumeiko.)

Party of Economic Freedom: began its activity in May 1992 on the initiative of K. Dorovoy (head of the Russian Goods and Raw Materials Exchange), drawing its support from the new rich. Its founding congress is planned for October 1992.

Russian Party of Free Labour: was founded in December 1990 as "a party of economic liberalism" and "a party of owners of means of production". Its 3,500 members are mostly from the new bourgeoisie. (Leaders: V. German, I. Korovikov.)

European Liberal Democratic Party: formed in April 1990; with some 6,000 members it sees itself as the party of private property. (Leader: V. Bogachev.)

Civic Union: emerged from a bloc between the Democratic Party of Russia, the All-Russian Party of Renewal and the People's Party of Free Russia. ◀

managers of state enterprises, but involving significant parts of the old ruling nomenklatura (including the military parts) put Gaidar on the defensive.

At the end of May the influential Russian Union of Industrialists and Entrepreneurs, which consists primarily of managers of state enterprises and is led by former top apparatchik Arkady Volsky, founded a new political party called Renewal. A month later the new party went on to form a broader political bloc, the Civic Union. This alliance also includes vice president Alexander Rutskoy, the People's Party of Free Russia (which, rather dubiously, claims 100,000 members), Nikolai Travkin's Democratic Party of Russia (with 50,000 members) and New Generation (*smena*) parliamentary faction.

The Civic Union brings together industrialists (including many from the military-industrial complex), military leaders and high-ranking state officials, who support the Yeltsin presidency, but want a different reform strategy to Yeltsin's. They put emphasis on a strong Russian state — implying a readiness to intervene in the internal affairs of other CIS states — and an economic reform highlighting “the salvation of the nation's industry” through a slower process of liberalization under tight state control.

Cabinet reshuffle

By early summer it was increasingly clear that Gaidar's breakneck liberalization had failed and this was reflected in the cabinet reshuffle carried out in early June. Vladimir Shumeiko, a former enterprise manager and a close ally of Volsky, was appointed first deputy prime minister (on a level with Gaidar) and other Civic Union supporters were incorporated into the cabinet. As the pro-liberal weekly *Kommersant* put it, under the headline “A new phase of reform, the directors take power”: “In fact this new phase is the long forgotten ‘gradual crawling to the market on the basis of a strengthening of the fundamental branches of the economy’ devised by Nikolai Ryzhkov and Valentin Pavlov in 1990-91.”¹³

Meanwhile the industrialists sought new partners to improve their position: on July 8 the Russian Union of Industrialists and Entrepreneurs entered into a formal alliance with the leadership of the Russian Federation of Independent Trade Unions (FNPR). In the framework of a so-called Assembly of Social Partnership they are now jointly publishing the mass-circulation daily *Rabochaya Tribuna*.¹⁴

A further sign of the strengthening of the industrialists — and yet another danger signal to Gaidar — came in July when Volsky issued a joint statement with one of the most prolific and influential new rich entrepreneurs, Konstantin Borovoy. The

statement strongly criticized the government's privatization programme as giving too much power to the state authorities.¹⁵

Even if this alliance — and the one between Volsky and the FNPR — is unlikely to be prolonged, given that they are defending mutually contradictory interests in the privatization process, it does underline the extent to which the alliance around the enterprise managers has seized the political initiative. This key process in Russian politics has been described by Russian socialist Nikolai Preobrazhensky: “our directors are now making their entrance into the political arena — with all their experience, connections and economic power; well-informed; with their new, considerable freedom to do what they want; no longer subject to party tutelage; ever more distinctly organized into their various organizations; and able to count on the support of at least a part of the work collectives. It is they — not the workers movement (except for the miners) who have the best chance to influence real poli-



cy.”¹⁶

Grand plans postponed

Consequently, the government has been backtracking on a series of major policy issues: the grand plans for a swift move towards full convertibility for the rouble have been postponed. The freeing of all energy prices — a move which would precipitate a wave of bankruptcies — announced in the official government memorandum to the IMF in March has been slowed down.

The cornerstones of the first phase of the

shock cure, tight monetary and fiscal control, have also been seriously weakened. Several major outlays of credit to indebted enterprises have been announced both by the government and the central bank under its new, and less monetarist, head, Viktor Geraschenko. In early August, he promised that debts of enterprises to the state worth 1.5 billion roubles would be written off, a move which caused panic among hard line economic liberals.¹⁷

In several interviews Geraschenko has dismissed the IMF-prescribed programme as harmful to the Russian economy and criticized the voucher privatization scheme as “an unserious whim reminiscent of the paper-money game Monopoly”.¹⁸ As the winds have changed even Yeltsin has had to distance himself somewhat from the IMF gospel: “At first the IMF wanted to apply its typical, classical framework to us. But Russia is unique and the reforms are unique. For 74 years Russians didn't know private property, real entrepreneurship and a market economy. Gradually people now find themselves in the market framework, but this is not simple. My warning is: you have to realize that a few months ago I didn't feel any limits to people's confidence in the reforms and the president, but now I do”.¹⁹

The industrialists' offensive

The inherent contradictions within the Yeltsinite bloc and the industrialists' offensive may have temporarily led to the postponement of some of the government's more atrocious plans. However, this does not mean that the Civic Union, now setting the fashion, is anti-capitalist or pro-labour. According to Volsky: “We are not preparing to topple the government, we intend only to help it.”²⁰

The Civic Union is operating within the Yeltsinite framework, in itself a diverse and unstable coalition. In spite of several attempts to found an organization which could play a dominant role in the coalition (a “presidential party” of sorts), this has not happened. In the absence of a “ruling party” Yeltsin's presidency rests on his own wide-ranging powers and personal apparatus.²¹

13. *Kommersant*, June 8, 1992. Ryzhkov and Pavlov were prime ministers under Gorbachev.

14. In spite of the massive onslaught on working people the FNPR leadership has refrained from an open confrontation with Yeltsin to the extent of signing a so-called General Agreement with the government and employers (worked out in a tripartite commission) by late March. The FNPR now admits that the government has violated virtually every single point in the Agreement. Nevertheless it is working on a new one for 1993.

15. *Interfax*, July 2, 1992.

16. “The disarray of social forces and political perspectives for the workers movement” in *Rubikon*, St. Petersburg, spring 1992. Translated in the *Bulletin in Defense of Marxism* no. 99.

17. *Komsomolskaya Pravda*, August 3, 1992.

18. See, for example, *Izvestiya*, August 24 and September 2, 1992.

19. *Izvestiya*, July 15, 1992. Yeltsin also stated: “The IMF has pushed us towards a freezing of wages without a freezing of prices. But we didn't go that far”.

20. *Izvestiya*, August 3, 1992.

21. Neither the loose Democratic Russia alliance nor the Russian Movement for Democratic Reform has managed to transform itself into a “strong presidential party”. Recently Democratic Russia underwent a serious split; some of its founders, including Yuri Afanasyev and leaders of its St. Petersburg branch left it after criticizing the degeneration of the movement into an obedient mouthpiece for the governing circles.

22. *Pravda*, May 7, 1992.

POPULIST AND NATIONALIST PARTIES

People's Party of Free Russia: was founded in August 1991 under the name of the Democratic Party of the Communists of Russia with 7,230 members, assuming its current name two months later. Its 100,000 members (and more than 100 deputies) represent the reform minded wing of the old nomenklatura, which has increasingly taken a populist and nationalist line. "We are a pragmatic and non-doctrinaire party" states its Guidelines. "Our aim is not the setting up of a new society... but the solution of the concrete problems posed by life". (Leaders: Vice-president A. Rutskoy, V. Lipitsky.)

Democratic Party of Russia: was formed in May 1990 with the support of already organized opposition groups — Memorial, independent trade unions, Shield (the organization defending the rights of conscripts). Its 50,000 members are mainly drawn from the technical intelligentsia, many from the arms industry (represented by N. Tolstoy). Their president N. Travkin is a former apparatchik. The party calls for a market economy and wants to restore the unity of the former USSR. The authoritarian leadership style has led to many splits among which the Russian Bourgeois Democratic Party (1,700 members, same programme) which through I. Butov leads the World Congress of Russian Folk. Another is the Liberal Democratic Union of A. Murashov and the chess champion G. Kasparov, who in April 1991 split off a quarter of the party to openly propagate Thatcherism.

Russian Christian Democratic Movement: was constituted in April 1990 and has some 20,000 members (15 deputies), some of whom collaborated with the former system. Today it demands "private property and Christian justice, competition and solidarity, private initiative and a sense of responsibility". They want to revive the traditions of Russian entrepreneurship and demand a strong Russian state with new borders. (Leader: V. Aksyutshitz, V. Polossin, I. Konstantinov.)

National Republican Party of Russia: was created in April 1990, taking as a reference point the thinking of the writer A. Solzhenitsyn. It wants a "Russian Union" of Russia, Ukraine, Belarus and Kazakhstan and the "rights of Russians who live outside their historic homeland to defend themselves, if necessary with arms". They have sent volunteers to South Ossetia (now in Georgia). Their chairman, N. Lysenko, is from the Pamyat movement and promulgates "legal and constitutional authority" and "collaboration with the army and KGB". It has 5,000 members.

Liberal Democratic Party of the USSR: was formed in 1989 with the support of the party apparatus. Its chairman, V. Shirinovsky, worked for the state-sponsored peace movement and helped himself to at least DM 3m. He was a candidate in the recent presidential elections, doing quite well (with 6 million votes — 8% of the total). The party is radical nationalist. The party emblem is notable: a falcon surrounded by a picture of the "old" Russian territories — including Finland, Poland and Alaska.

Russian National Union: was founded as a movement in October 1991 by the nationalist parties and a series of patriotic associations. It is for the family and tradition and sees itself as "an open movement based on state patriotic principles" and, as a "civil and patriotic union of the Russian people" wants to see "the rebirth of Russia in its historic borders".

A controlled market economy would be introduced in a ten-year transitional period. Yeltsin should be overthrown and indicted. At its congress in June 1992 it decided to create a shadow cabinet, whose composition has not been announced. The journal *Dyen* is close to it. (Leaders: S. Baburin, N. Pavlov.)

Russian People's Assembly: is a union of the previously mentioned nationalist parties and movements, formed in February 1992. It is also supported by the Cadets and the Christian Democrats. Its aim is a government of national unity.

The Sobor of the Russian Nation: was founded in February 1992 as a "Movement of Russian National Resistance", with about 1,000 members. It is headed by the former KGB general A. Sterlikov (head of Officers for the Awakening of Russia) and the writer Valentin Rasputin.

Fascists: there are a series of organizations such as Pamyat or Russian National Unity with several thousand members who have formed paramilitary organizations. They have not yet registered as a party.

(Survey compiled by Hans-Jürgen Schulz) ★

This includes presidential representatives in all regions of the country, as well as newly formed "security council" (already dubbed the "new politburo"). Yeltsin's formal power is thus formidable, but it is uncertain to what extent this system actually works, ridden as it is by conflicting interests, rival cliques and corruption.

It is clear that neither the industrialists nor the predominantly conservative People's Congress/Supreme Soviet have any intention of pursuing a line consistently to the benefit of working people. Boris Kagarlitsky's description of the People's Congress hits the nail on the head: "It is not difficult to frighten it and, under the threat of dissolution, force it to carry out any programme of the government — and the People's Congress has already once proved its incompetence, foolishness and lack of ability to withstand manipulation when it handed over the power to Yeltsin and his team."²²

It is vital for the embryonic Russian workers movement to maintain its independence and not subordinate itself to any faction in the apparatus. Nikolai Preobrazhensky makes this point emphatically when speaking about the attempts of enterprise managers to link up with the workers movement: "Generally speaking this classic paternalism ('there are no conflicts between workers and bosses; they are all one big happy family') is actually being advanced to justify a bid for the leadership of the workers movement.

Director initiated strikes

"We must not forget that in our country we have accumulated three years' experience with 'director initiated' strikes, particularly strike calls and pre-strike situations: in the Donbass, Tyumen, on the railroads and in Estonia... However the majority of the factory directors — even those who are concerned about the welfare of the collective as a whole... are at the same time against the independence and self-activity of the labour collectives."²³

It is a sign of the weakness of rank-and-file social organization in Russian society that mobilizations in the streets and in the workplaces have played no direct role in halting Gaidar's programme. There is no doubt about the profound frustration among broad layers of the population. This has been revealed in countless opinion polls — for example in a recent one, people were asked what were the best years for Russians this century: 27% mentioned the Brezhnev years, 20% Tsarism, 8% preferred the Stalin period, 6% that of Khrushchev and only 5% the current period.²⁴ Along with this frus-

23. Nikolai Preobrazhensky, op. cit.

24. *Izvestiya*, July 6, 1992.

25. *Izvestiya*, July 21, 1992.

tration there is also a growing distaste for the whole political scene. A by-election in mid-July in the Dimitrov Region near Moscow saw a voter turnout of less than 30%.²⁵

So far the feeling of gloom, has only rarely been transformed into action. Compared to the spring of 1991 with its protracted miners' strike there was a clear drop in the number of strikes in the first six months of 1992. From January to April there were reports of some 3,000 strikes in Russia causing the loss of more than 1 million working days. In May the number of strikes rose somewhat, primarily due to strikes among health workers and teachers — more than 300,000 people struck in this month.²⁶

But overall, the independent workers movement is only in its infancy. Nikolai Preobrazhensky gave his assessment of this state of affairs: "Our workers movement is not only extremely weak, but poorly organized and without a firm structure. Should there be a social explosion, it could only act as a ramrod, crashing the gates for others, or a rocket launcher, propelling others to great heights. The old trade unions enjoy no confidence by and large; the new ones, with the exception of those in the mining regions, are very weak. There are no serious political organizations expressing the interests of the workers movement nor parties which the masses of workers could consider their own, their reliability to be counted on without fear of betrayal or deception".²⁷

Obviously this doesn't mean that there is no potential for action left in the Russian working class — indeed the ruling layers fear this capacity more than anything else. A fear expressed by among others Arkady Volsky: "What worried me is that in the internal struggle, in the struggle around the president, we do not understand the danger of a social explosion, when people go out on the streets — not under some banner, but by themselves. If the railroad workers or the workers in the energy sector go on strike this is sufficient to paralyze the country".²⁸

The immense challenge for the left wing in the Russian workers movement is to link up with the struggles that will undoubtedly appear around such questions as privatization and plant closures, in order to give them a radical perspective of independence from all factions of the apparatus. ★

26. *Delovoy Mir*, June 6, 1992.

27. Nikolai Preobrazhensky op. cit.

28. *Izvestiya*, August 3, 1992.

Women and the NEP

SINCE taking office after last summer's general elections in India, the minority Congress-I government has

implemented a series of economic reforms as part of its New Economic Policy (NEP). The measures take India further down the path of economic liberalization and deregulation opened up in the 1980s by former Congress Prime Minister Rajiv Gandhi.

As part of its response to the job losses and price rises provoked by the reforms, the Centre of Indian Trade Unions (CITU — union centre of the Communist Party-Marxist) and smaller leftwing unions called a general strike for June 16. The call was heeded by workers in the major urban centres, closing down factories and banks across the country. The government responded with repression, including the pre-emptive arrest of up to 10,000 "potential strikers".

The following article examines the specific impact of the NEP on women. It originally appeared in the July 4 issue of the Bombay-based *Weekend Observer*.

VIBHUTI PATEL

IN response to external bankruptcy, the government has adopted a new economic policy (NEP) that involves reducing public investment, devaluation, slashing of subsidies on food and fertilizers, and cutting the budget for development planning, capital-intensive and hi-tech productive activities.

It also involves cutbacks in government expenditure, increases in banking and insurance charges as well as rail fares. In a nutshell, the policy aims at capital, energy and import intensive growth with the help of devaluation, denationalization, deregulation and deflation. What are its implications for the toiling women?

Sick industries

The NEP has decreed a large number of private and public sector units economically unviable and therefore "sick". This has resulted in millions of job losses. Within a year of the introduction of the NEP disinvestment in public sector units,

closures and retrenchment have rendered 6.6 million jobless, according to the 1991 annual survey of industry. Recruitment in insurance companies, banks and the railways has virtually stopped. There is also massive retrenchment in the textile industry, with women being fired first. Already, 50% of jobs in factories supported by NTC have gone.

According to the 1991 census, women's participation rate (WPR) is 23%. For rural women, WPR is 27% while for urban women it is 10%. There has been a considerable rise in WPR since the 1971 and 1981 censuses.

However, a sectoral profile shows that most women workers in rural areas are in occupations such as weaving, handicrafts, tailoring, forestry, sale of fish, silk and poultry farming. In urban areas, the majority of women workers are either in the construction sector or in the nursing and teaching professions, working either on a contract-basis or self-employed.

In predominantly tribal states such as Sikkim, Arunachal, Nagaland and Mani-



pur, the WPR of women is higher but quality of employment in terms of wages or income and working conditions is deplorable. In all three sectors, women are losing ground in the organized sector.

Subcontracting, home-based production, the family labour system and payment of wages on a piece rate basis are the lot of women. According to the 1991 census, 19% of the total female workforce constitutes unpaid family workers.

Even in the state with the highest literacy, Kerala, only 17% of women are gainfully employed. The new economic policy will only reinforce this trend of informalization of the workforce. As it is, 94% of women workers are in the unorganized sector.

Flexible labour force

The key to the NEP is the notion of the formation of a "flexible labour force". "Efficiency" and "productivity" are its two other concerns. A shift from a stable/organized labour force to "flexible" workforce has meant hiring women on a part-time basis and substituting cheap female labour for better-paid male workers.

This expresses itself in the closure of large units in industrial towns and cities; the work once done by large factories is now being done by tribal and rural girls on a piece-rate basis for ancillaries of the same company. The NEP not only perpetuates but also strengthens pre-existing conditions of inequity between women and men.

In the name of increasing marginal efficiency of financial capital there have been attacks on women's access to credit, extension services and input subsidies. The same concern for efficiency and proper management of public funds, however, is not to be seen when it comes to stock market speculators.

The banks now indicted in the country's biggest financial scam increased their interest rates to the detriment of self-employed women depending on loans. Consequently, they have to either abandon their small businesses or fall prey to private moneylenders charging compound rates of interest.

NEP's attack on credit has affected millions of self-employed poor women. As a result, the burden of debt-repayment of assetless women has increased.

Liberalization of the economy has not quite liberated the working woman. Elimination of 7,000 licences, scrapping of MRTP limits and reductions on customs duties on capital goods have given free grazing ground for foreign capital.

Following economic liberalization several foreign firms, including Union Carbide, have been given the right to fish in

Indian waters. As a result 50,000 fishermen have lost their livelihoods. Food processing industries with foreign collaboration are being established. The result will be a major shift in crop patterns from subsistence production to cash crop production.

This process will affect women's employment in agriculture, as all studies have shown that women are the first to lose their jobs during a shift from subsistence to cash crop production. This has been seen in the "green revolution" areas of Punjab and Haryana.

A major restructuring of the Indian economy is underway. In 1970, India had 60 million economically active women; in 1990 this had risen to 76 million. However, according to UN estimates, the economic activity rate has fallen from 38% to 29% in the same period.

Of the total female workforce, a mere 2% are administrative and managerial workers, 11% are clerks, sales and service workers, 15% are industrial and transport workers and 31% work in agriculture and hunting. These figures show that the NEP has further marginalized women from the agricultural and manufacturing sectors.

True, there will be some increase in the employment of women in the service sector. More women will find work in the informal industrial sectors in electronics, diamond, garments and pharmaceuticals. But here again, there is a disturbing underlying reality. As production is globalized, research and management are controlled by the First World, while strenuous, monotonous, "unskilled" and "semi-skilled" work is being done by Third World women.

Low pay in informal sector

Lamenting this situation, the United Nations Report *The World's Women: 1970-1990* states, "The informal sector is by no means a panacea for women. It is far less secure than formal sector work and it generally pays less than the minimum wage". In other words it is nothing less than disguised colonization of Third World women.

The 1992 budget saw big cuts in funds and resources for development programmes and reductions in subsidies, resulting in sharp rises in the prices of essential products. The deaths of unemployed weavers in Andhra Pradesh has exposed the absurdity of government proclamations about self-sufficiency in food.

Slashing spending on poverty relief and job creation programs has increased poverty. "Market-friendly" policies have led to galloping inflation and, as the UN report states, "the burden of inflation has fallen heavily on women

who are responsible for procuring staple goods for the household".

Cuts in health and education programs will directly affect the already high mortality/morbidity rates among Indian women as well as standards of literacy.

In the 1991 budget, the only item concerning women for which the allocation of funds has increased is "population control". Massive sums have been provided by the USAID to push controversial contraceptives like Norplant/Net-O-En which are banned in the West. Targeting poor women for birth control has been a crucial NEP concern. Poor women are also blamed for causing the environmental crisis by breeding like "cats" and "rats".

Ethics of population control

This raises two crucial issues. Firstly, to what extent can top-down population control programmes that violate the integrity of a women's body be justified? Secondly, to focus narrowly on "population explosion" as the cause of the environmental crisis is to ignore other factors such as industrial toxic waste, chemical fertilizers, nuclear arms or over-consumption by the affluent. In First World countries the environment has continued to deteriorate despite falling birth rates.

We must learn from the experience of countries in Africa and Latin America which undertook structural adjustment programmes in the 1980s. Even the World Bank has declared the 1980-90 decade as the decade of "mal-development" in Africa and Latin America. Nonetheless, it is pushing India down the same path.

What India needs is an alternative economic model which reorients our economy towards the assessed needs of the masses, which promotes production processes which are ecologically sensitive and women-friendly and which ensures sustainable development alongside just distribution. ★



New hope or false dawn?

ALMOST immediately after assuming his new post as prime minister, Israeli Labor Party leader Yitzhak Rabin reopened negotiations with the Arab countries and the Palestinians. After years of foot dragging on the part of the Begin and Shamir governments, this development was welcomed by the western powers. This was not the case however in the occupied territories, where the Palestinians are looking for something more than empty gestures.

MICHEL WARSHAWSKY*

AT THE dawn of his second career as prime minister Yitzhak Rabin finds himself in an enviable position, with several advantages at his disposal. On his right, confusion reigns in the Likud, torn by the struggle of the various contenders for the party leadership. The left, including the formations which are not part of the governing coalition and the extraparliamentary formations, have given him a measure of support which, if not unlimited, will give him a broad margin of manoeuvre for at least several months.

The Americans, followed by the Europeans, have decided to treat him as if one of their own had assumed the functions of the Israeli head of state and have offered \$10bn in credits in exchange for verbal declarations and a few relatively meaningless measures.

Assured for the moment of general support, Rabin can begin a radical turn in Israeli politics, in particular around the question of negotiations with the Arab countries and the Palestinians. Nevertheless, one question remains unclear: does the new government really plan to effect a major change, or will it merely enact a handful of cosmetic changes around a few minor reforms?

In his acceptance speech Rabin insisted that his government would change the order of national priorities. If the building of settlements in the occupied territories was the number one priority for Shamir, the new prime minister sees his primary task as above all tackling the internal problems of Israeli society: housing, employment, integration of the new immigrants, health, education, and so on.

In order to do this, it is vital that Israel obtain bank loans of \$10bn from the United States. And in order to obtain these

credits, Rabin had to respond favorably to president Bush's ultimatum demanding that Israel immediately cease the building of settlements in the occupied territories. Knowing that in an electoral period Bush needed to put an end to the tension between his administration and the Israeli government, Rabin was able to obtain the US credits without having to proclaim a total freeze on the settlements.

Critics neutralized

By distinguishing between political settlements — which will be halted — and settlements built for security reasons, he was able to neutralize his critics on the right in order to keep his hands untied so that he could continue part of Shamir's policies under the cover of "national security problems".

The partial freezing of settlements in the occupied territories is not only a concession to American demands. It is also a political and economic choice that reflects the state of Israeli public opinion which, as has been shown in the last elections and in various polls, demands that the government begin to find answers to the increasingly pressing day to day problems of the big majority of the population, and therefore cease the spending of enormous sums for some tens of thousands of colonists.

The negotiations are the second area where the differences between the Rabin and Shamir government can be seen. For the latter, as he admitted in a recent interview in the daily newspaper *Maariv*, the negotiations were intended to lead to nothing, their sole objective being to buy the necessary time to change the demographic situation in the occupied territories. Things are different with the Labor Party.

In their opinion the occupation is bad for Israel — at least in its current form. Once the option of expelling the population there is excluded, the occupation of the territo-

ries means controlling a population of a million and a half people who have demonstrated during more than fifty months of the *intifada* their refusal to live under Israeli domination. The maintenance of the status quo would involve disastrous consequences: tensions with the international community, absence of national consensus, a feeling of insecurity due to the acts of resistance of the Palestinians, the use of the army for functions far from its "normal" tasks and so on.

End to status quo sought

Unlike the preceding governments, the Laborites want to put an end to the status quo that has lasted for nearly a quarter of a century, during which Israel has not been able to absorb the million and a half Palestinians in the occupied territories, especially as all forms of repression have proved incapable of breaking their resistance.

The autonomy that the Israeli government proposes today is not conceived as a step towards the self-determination of the Palestinian people but, rather, as a means of allowing the Israeli army to leave the West Bank and Gaza strip. For Yitzhak Rabin, the autonomy project is not a concession to the Palestinians, even if they have an interest in presenting it as such. Rather, it reflects the needs of the State of Israel in changing the forms of the occupation.

It is clear that the Palestinians do not view these propositions in this way. They demand that this autonomy be a transitional step towards independence which will involve aspects of a Palestinian power. This is the real meaning of the debate on the role of the autonomy council which is supposed to be elected in several months time. The debate concerns whether or not it will have an administrative or legislative role, as well as the role of its members: 15 as the Israelis want, or 80 as demanded by the Palestinians.

What type of autonomy will the Palestinians live under for the next year? The Rabin model of autonomy, that is a sort of municipal autonomy on a grand scale, or the autonomy which Doctor Nabil Shaath speaks of, which would be a transitional step towards independence and the total withdrawal of Israeli forces?

The answer to this question will be a function of the determination of the Palestinian negotiators, on the condition, of course, that they are not content with merely negotiating but also with maintaining the pressure on the ground, and making life tough for the occupation forces and the colonists.

To give a bit more credibility to the propositions of his government, Rabin took a series of political measures aimed at "creating a new climate" in the occupied territo-

*This article first appeared in the September 3, 1992 issue of the French revolutionary Marxist newspaper, *Rouge*.

Heights of Speculation

SPECULATION has recently been rife about the possibility of a rapprochement between Israel and Syria — Syrian president Hafez al-Assad has spoken of the need to conclude a "peace of the brave" with the Zionist state, while Israeli prime minister Yitzhak Rabin talks of "territorial compromise" around the question of the Golan Heights, conquered by Israel from Syria in 1967.

At first sight, this would seem an unlikely development. It had previously been thought possible that Yitzhak Shamir's Likud government might seek such a settlement with Syria — the area does not form part of the biblical territory of *Eretz Israel*, and the Likud's ideological attachment to it was accordingly not strong. Moreover, the "security value" of the Golan is fairly dubious — in the October 1973 war Israel had to divert vital military forces to protect the tiny handful of settlers then living there.

Rabin's Labor Party initially seemed much less likely to strike a deal. The 12,000 Jewish settlers in the Golan are overwhelmingly Laborite and the last Labor Party convention in December 1991 passed a resolution favouring increased settlement in the area.

Why the change in tone now? The basic Syrian position seems unchanged: a complete Israeli withdrawal from the Golan as a precondition for any peace treaty. The kind of partial withdrawal mooted by Rabin will not satisfy the Syrians, and any final settlement could not ignore the other area where the two states confront each other, directly or through proxies: southern Lebanon. But it does seem that there have been signals of flexibility from the Syrian side, which Rabin is using in the hope of dividing the Arab negotiating teams, threatening the Palestinians with the prospect of complete isolation and preparing his own hardline political base for any eventual settlement.

However, Israel's presentation of a seven page proposal to Syria on September 15 which failed to mention withdrawal from the Golan indicates that there is still a long way to go. In any case, "peace" is the least likely outcome of all this. Israel's 1979 peace treaty with Egypt gave it a free hand to launch its murderous invasion of Lebanon in 1982: the prospect of a similar deal with Syria would be seen by the likes of Rabin as a golden opportunity to isolate and smash the resistance of the Palestinian people in the West Bank and Gaza Strip. — B.G. ★

ries. They included a partial freeze on new settlements but also the freeing of 800 political prisoners, the cancelling of the decision to deport 11 Palestinian leaders and a liberalization of the work permits for Palestinians employed in Israel.

Aside from the cancellation of the deportation orders which has real political significance, the measures announced by Rabin hardly go very far. For example, it has been the Israeli employers who have long demanded work permits for workers working in Israel. The freeing of 800 prisoners is similar to the amounts regularly released by the army during religious holidays, which often only concern prisoners with several weeks left to serve of their sentences. But the most serious point is clearly the continuation of the building in the occupied territories of what Rabin has called "security settlements". According to Amiram Goldblum, spokesperson for Peace Now, the exceptions to the freeze on settlements will allow the introduction during the four year mandate of the Rabin government of more colonists than any of his successors could ever have installed in the occupied territories.

This explains why the Palestinians in these territories have not reacted positively to these measures, which have been welcomed with enthusiasm in the Western press. To show its good faith, the Israeli government must do better, much better, in other words totally freeze the new installations; free all the administrative detainees (there are at least 800 and according to the Israeli authorities they are the true popular leaders) who have never been convicted of anything at all; allow the immediate return to the West Bank and Gaza strip of all those residents and their families who for administrative reasons have been denied the right to live in their land or with their family; respect the right of political association; observe and respect the letter of the fourth Geneva convention.

These are the measures which would prove that the new government has the intention of turning over a new leaf and beginning, even at a slow pace, the withdrawal of Israeli troops from the occupied territories. Unfortunately, nothing seems to indicate that these are the intentions of Rabin and his government. ★

ON February 1, 1992, the cease fire between the two opposing forces came into effect. The members of the National Army for Democracy (the END, armed wing of the FMLN), were grouped in camps spread throughout the country, while the armed forces were shut up in their barracks.

In order to verify compliance with the accords a UN commission, ONUSAL, was set up. It was charged with overseeing three areas: the military aspects (surveillance and verification of the two parties), policing (helping the constitution of the national and civil police) and human rights.

Though the fighting has stopped, the application of the accords has encountered many difficulties. On August 13, 1992 Marrack Goulding, deputy secretary for UN special affairs, traveled to El Salvador to try to overcome the obstacles.

The negotiations touched on several crucial questions which lie at the origins of the armed conflict: the demilitarization of society, the land problem and the distribution of wealth.

Since 1932, and the repression of the peasant insurrection begun by Farabundo Marti, the Salvadoran army has always played the role of the oligarchy's watch dog. The accords aim at ending this by calling for its subordination to a civilian regime as well as an overall restructuring in order to make it serve the needs of territorial defense.

Dissolution of national guard

The legislative assembly thus decreed the dissolution of the national guard and the rural police at the end of June 1992. However about 2,000 of their members were illegally reintegrated into the national police.⁴

This body is now the sole public security body (placed directly under the control of the president of the Republic, Alfredo Cristiani), while the National Civilian Police (PNC) has been set up which is to be composed of 20% former members of the END, 20% men from the national police and 60% new recruits.

However the PNC still has no offices. There are other problems as well. For example, Cristiani has named its leaders without consulting the COPAZ.⁵

The accords also involve a 52% reduction of the members of the army before January 31, 1994. In January 1992, the general staff declared that the armed forces had 63,000 men (a figure inflated by forced recruitment).

According to Ponce Enrile, the commander in chief of the army, 20,700 soldiers should already have been demobilized — particularly conscripts at the end of

Towards war or peace?

ON January 16, 1992 the Farabundo Marti National Liberation Front (FMLN)¹ and the Salvadoran government signed accords under the aegis of the United Nations (UN), which were aimed at ending twelve years of war² and, at least officially, resolving the causes of the crisis within nine months.

On August 2, 1992, the FMLN sent a declaration to a "friendly" group of countries³ and to the UN announcing that 46 of the 56 points of the agreement that should have been applied by that date had not yet been implemented due to opposition from the authorities, the army, and the employers. Does such a situation indicate that hostilities will begin anew?

PAQUITO GOMEZ
RUDIE HASTING

their term and the 6,000 members of the national police.

Also, the ad hoc committee entrusted with investigating the past of soldiers charged with human rights violations has not been able to work because those who are probably guilty have been sent out of the country (as military attaches in consulates, or for study trips).

Officers become economic force

Since the 1930s, and especially in the aftermath of the large amount of money provided by the US to finance the war, the army's superior officers have represented a significant economic force. Several private enterprises (electricity, water, and telephone companies) belong to the colonels.

The officers closely tied to the traditional oligarchy also control the banks, factories and large agricultural properties. This situation cannot be resolved by simple measures of demilitarization; it can only happen through a profound evolution of the balance of forces.

The land question is another stumbling block in the negotiations. In the zones occupied by the FMLN during the war (the departments of Chatelango, Morazan, San Vicente, Cabanas, North Usulután, La Unión), the peasants have occupied the large abandoned properties.

The accords stipulate that those owners who agree will sell their land to the government who will in turn resell them at

a modest price to the current occupants. The purchase of the totality of the land claimed by the FMLN (18% of the country's territory) would cost about \$460 million.

But until now the government has only released \$15m dollars for this purpose. It has even made a proposal to the FMLN that they work together to obtain donations or loans from the international community.

These loans will aggravate the country's debt. As for donations, they are not in general given without strings attached: some countries in the European Community (EC) have already made demands concerning the organization of agricultural production.

US aid restricted

Aid from the US is clearly reserved for individual farming plans, and therefore is not available to communities and peasant cooperatives. The EC's plans currently follow the same pattern. \$62mn has already been granted by the EC to support the land bank and rural development in the department of Usulután.

In addition to the problem of financing, there are other important problems like the absence of land registers, falsified or non-existent property deeds, the large debt of the landed proprietors who have not paid their land taxes during the war years, and so on.

It therefore seems unlikely that the land question can be resolved in nine months.

Also, the minister of agriculture dragged his feet before providing the land commission with the means at his disposal. Finally, on July 27, representatives of the FMLN and of the government began the verification process of the land in litigation, under the arbitration of the UNSAL.

According to an inventory carried out on a national level, 45 out of 116 owners of more than 10 hectares of land refused to sell, while 71 planned to do so.

The latter are subjected to contradictory pressures: on one hand, the government encourages them to not sell, so that it can itself be responsible for the redistribution of land, which would augment its prestige and allow it to control the process.

On the other hand, they know that the peasants who currently occupy the land and the FMLN will probably not allow their land to be taken away.

Likewise, article 205 of the constitution, introduced as part of the agrarian reform of Duarte's Christian Democratic government in 1984, limits the size of land holdings to 254 hectares. This clause should have been applied no later than May 1, 1992. But 300 land holdings still exceed that limit.

Ambiguity of negotiations

The ambiguity of the land negotiations arises from the fact that the government in fact has no intention of "leaving" 18% of the land in the hands of the FMLN. This also explains the haziness that characterizes the means of reselling and credit.

For the moment, neither the 20% of the demobilized FMLN fighters, nor even those of the army, have received land, although the government was involved in the transfer of 175 state properties to former soldiers in order to facilitate their return to civilian life.

In the August 11, 1992 issue of *Diario Latino* former members of the national guard and the rural police complained of having received neither indemnities nor professional training.

An organization of demobilized handicapped veterans of the armed forces has already organized a demonstration to

1. The FMLN is composed of 5 parties: the People's Revolutionary Army (ERP, which emerged from a radicalized Christian base movement); the Popular Forces of Liberation (FPL, which split from the CP in the 1960s); the Armed Forces of Liberation (FAL); the National Resistance (RN, a split from the ERP); the Revolutionary Party of Central American Workers (PRTC).

2. See IV 222, February 17, 1992.

3. The "friendly" countries during the negotiations process were Mexico, the Spanish state and Colombia.

4. Most of the figures given are taken from *Diario Latino*, July and August 1992.

5. The COPAZ comprises representatives from the government, the FMLN and the parliamentary parties.

demand land and credit. During the first semester of 1992, only 30% of the workers obtained loans. In the absence of these loans, land redistribution cannot be carried out.

The other big obstacle to implementing the accords is the attitude of the businessmen tied to the industrial sector. Organized in the National Association of Private Enterprise (ANEP), they refuse to participate in the forum on economic and social concentration which is charged with drawing up a new economic development model in El Salvador that would represent a more equitable distribution of the nation's wealth.

The implementation of this plan in the context of the peace accords goes against the grain of the neo-liberal policies of the Cristiani government, supported by the ANEP.

For the moment, a coalition of six union federations, the government, small and medium enterprises and the FMLN are participating in the forum.⁶ The refusal of the employers to participate prevents this body from functioning properly.

General strike called

In an attempt to force the ANEP to participate in the forum the unions issued a call for a general strike on July 13 and 14 which also demanded that the proposed sales tax of 10% be rescinded and that wages be increased.

But the strike was only a mixed success. Over 150,000 public sector workers struck but transport workers and private sector workers failed to do so.

The government has justified the sales tax as vital for the reconstruction of the country. But it is in fact a direct function of its neo-liberal policies. This indirect tax will hit the entire population hard, especially the poorer layers for whom income taxes were lowered by 34% in the first quarter of 1992.

The price of many basic goods rose at the end of July. The Consumer Defense Committee has noted that 70% of the Salvadoran population lives under conditions of extreme poverty.

It has urged that sugar, oil, eggs and flour be excluded from the sales tax — a request that has been ignored by the government. The Permanent Committee for a National Peace Debate (CPDN), which involves 73 organizations,⁷ also asked Cristiani to veto the law on the sales tax, again without success.

The introduction of this tax demonstrates the fragility of the peace process and the limitations of the different institutions set up to monitor it — the COPAZ, CPDN, the Forum, and others.

The same is true of another element of the Plan of National Reconstruction

(PRN), which is supposed to equitably distribute international aid to those who need it the most — the poor peasants who have suffered from the war.

In the various zones under FMLN control, Committees of National Reconstruction (CRN) are to be established with municipal councils, community representatives, FMLN members, governmental leaders, non-governmental Salvadoran organizations and peasant associations.⁸ They are to elaborate various proposals concerning basic infrastructures such as roads, electricity, waterways, health centers, schools and so on.

Where the municipal governments are in the hands of the Christian Democrats, the committees have for the most part been set up and the first *cabildos abiertos* (open assemblies) held. On the other hand, it is very difficult to have the accords respected in the areas where ARENA controls the municipal government.

The CRN represent for the FMLN above all a means of institutionalizing its presence and influence, consolidating the bases won during the war and allowing the civilian population in the war zones to participate in communal life in preparation for the next elections.

However the national reconstruction plan does not include the zones where the conflict was the heaviest, which includes many poor regions, in particular the slums that have been swollen by the war and rural exodus.

Far right hinders negotiations

The delays in applying the accords underline the contradictions within the government, the army and the employers. The most reactionary sectors have tried to hinder the negotiations.

They have not accepted the military stalemate and do not in any way want to give up their prerogatives, in spite of US pressure to contain the Central American conflagration in the interests of the big American market.⁹

These stalling tactics take their toll. The FMLN is forced to assign many cadres to the successive negotiations of the treaty, which has the result of reducing the political propaganda work it can do in the rank and file in the regions where it has little influence. The FMLN leaders are aware of this.

Faced with such a situation, the FMLN nevertheless has an important asset: its army. On June 30 in compliance with the accords, 20% of the END was to be demobilized. On July 31, 1992 a second contingent representing 20% of the fighters were to hand in their arms.

But this never happened due to a conflict arising from the lack of a plan to

reintegrate into civilian life the first batch of demobilized fighters. The END is the FMLN's bargaining chip in the negotiations. It would be utopian to think that the FMLN will allow itself to be disarmed without adequate safeguards after 12 years of war in which it has not been militarily defeated.

In fact, certain far right sectors have stated that as soon as the FMLN is totally disarmed they will carry out a general massacre to wipe out the "reds". Since the summer of 1992 death squad activity has increased. On June 2 the offices of the Associated Press (AP) and the Inter Press Service (IPS) in El Salvador were fire bombed. In early June, the Salvadoran press agency (SALPRESS) was the victim of a similar attack.

In mid-July a leader of the Salvador Workers Union Federation (FENASTRAS) was kidnapped, tortured and then assassinated, bringing to 16 the number of such incidents since mid-January. On July 31, another FENASTRAS leader was killed while a member of the human rights commission (created by the accords) was injured by a bullet.

On August 3, a unionist of the Workers Association of the Ministry of Public Works (ATMOP) was murdered. On August 7, the leader of the Reconstruction Committee of the southeast zone, commander Tomas Martinez Ramos, was shot by three men.

On August 10, the house of a commander of the Popular Forces of Liberation (FPL) in Santa Ana was broken into and many documents stolen. Several days later, the offices of the Federation of Agricultural Production Cooperatives (FEDECOPADES) was raided.

Every day members of unions and political organizations receive threatening letters. Many of these militants are medium level cadres who for the moment have escaped assassination attempts.

This psychological pressure is obviously aimed at frightening Salvadorans who are

6. National Union of Workers and Peasants (UNOC, Christian Democratic); National Union of Salvadoran Workers (UNTS, close to the FMLN); Confederation of Salvadoran Workers (CTS, rightist); General Confederation of Workers (CGT, social Christian); Democratic Alliance of Peasants (ADC, peasant organization close to the FMLN); General Association of Public and Municipal Employees (AGEPYM). Each of these confederations includes numerous branches.

7. The CPDN includes the churches, the social movement, the small enterprises, the Central American University (UCA) and the University of Salvador (UES).

8. Each party in the FMLN has formed its own non-governmental organization. They work principally in the areas of education, health and development.

9. See IV 223, March 2, 1992.

10. This legalization has been rejected on the basis of a number of legal arguments. The ARENA group in the assembly opposed it, arguing that, according to the constitution, an armed organization cannot be declared a political organization.

ready to work with the FMLN. Coupled with the delay in sanctioning the Front as a political party, it impedes the organization of propaganda work.¹⁰

Resumption of armed struggle unlikely

In spite of these provocations, which are inspired by conservative forces probably tied to the army, a relaunching of armed hostilities is unlikely for the moment. The FMLN appears to be convinced that armed struggle must now give way to political and social struggle, with an eye to the 1994 general elections.

It is very probable that we will see a renegotiation of the timetable for implementing the accords after October 31 and a prolongation of the cease-fire. The ONUSAL will probably remain in the country after that date. FMLN leaders figure that the process will last around two or three years.

The Front has no illusions as to its appeal today. The western part of the country, which was largely spared during the armed conflict, has been swamped by government propaganda and is much less open to FMLN influence. ARENA on the other hand has enjoyed new legitimacy in the eyes of many after it signed the peace accords.

The presence since last May of the FMLN's two principal radio stations — Radio Farabundo Martí of the FPL and Radio Venceremos of the People's Revolutionary Army (ERP), which beforehand had only broadcast several hours a day under difficult conditions, should help the FMLN.

But these means of communication remain modest compared to the many private and governmental radio and television stations. Furthermore, with the exception of *Diario Latino*, taken over by the workers in cooperative form since 1990, the press is entirely under the control of the government and private capital.

Although certain sectors of the intelligentsia (high school and university students and professors, lawyers and so on) are close to the FMLN, a part of the middle classes who have benefitted from the colossal US aid given during the war years are not ready to give support to the "subversives".

Faced with such a situation, the FMLN has given priority to reinforcing its influence in its "bastions" for the municipal elections. But it also intends to work in other parts of the country during the campaign for the legislative elections.

As far as the presidential election is concerned, certain observers think that the FMLN could overtake the Christian Democrats in the first round but still

emerge behind ARENA. The CD, discredited by the previous president, Duarte, lost even more influence as it was not present at the negotiating table.

In any case, the FMLN and the CD plan on concluding an agreement for the second round. In this electoral battle, the Front should be able to count on the Democratic Convergence (DC) and on the Union for National Democracy (UDN), former legal branch of the Salvadoran Communist Party.¹¹

For its part, ARENA is counting on a victory in the first round thanks to an alliance with Solidaridad, a new party based on evangelist sects that enjoys a large audience.¹²

But a thoroughgoing electoral reform is needed before 1994. There have never been "clean" elections in El Salvador, and the electoral registers have only 600,000 names out of a population of more than 6 million people.

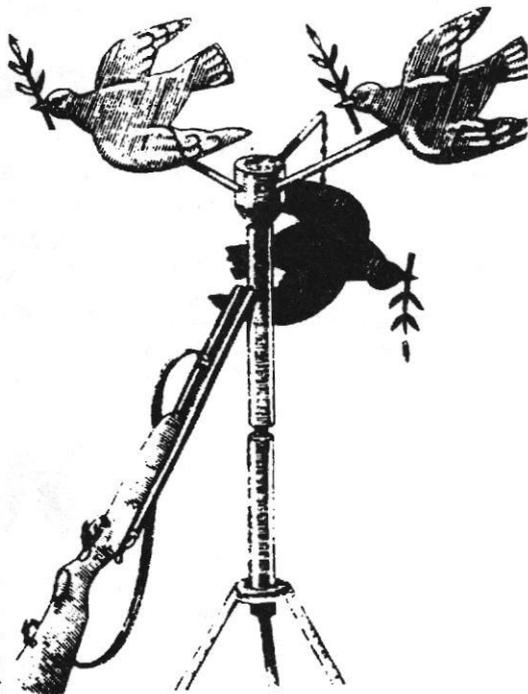
Likewise, 90% of the inhabitants in the zones controlled by the FMLN have neither identity papers nor voting cards, which is also the case of many exiles who came back to the country at the end of the 1980s.

Issuing identity papers to the entire population would require large funds and above all a real will on the part of the government. FMLN representatives have already demanded that the elections take place under the surveillance of international bodies. With its strategy of conquering a number of municipal governments, the FMLN hopes to create alternative economic poles of development in these zones which will serve as an example for the rest of the population.

Self-sufficiency prioritized

The economic projects that have been put forward in this framework, although hazy, seem to prioritize food self-sufficiency, involving the development of agro-industry and profitable projects (fishing, fish-breeding, conservatories, and so on); but such projects pose many problems, particularly in a overpopulated country like El Salvador (249 inhabitants per square kilometer), without primary resources and with a ravaged environment (forests destroyed by extensive agriculture, war, the exhaustion of the soil, lack of water and so on).

In such a situation, the FMLN has prioritized forms of collective organization (production and service cooperatives) which have already been set up in com-



munities of returned exiles, even if it is true that the opening permitted by the cease fire has unleashed tendencies towards turning inwards towards the family hearth and the abandonment of collective structures.

The Front supports reconstruction aid that allows communities to collectively purchase land that they occupy, including instances where the peasants decide to work their land individually. This solution will prevent a rapid reconcentration of land by the large land owners due to the credit squeeze.

The setting up of these different models of social development is marked by the different characteristics of the parties that make up the FMLN.

For one member of the central committee of the Central American Revolutionary Workers Party (PRTC), the existence of different components of the FMLN, which could seem to be a weakness, in fact reflects the opposite: "this has allowed the FMLN to wage the war in different ways and it will now help it bring about peace with the same diversity. This is a strong point".

The FMLN holds that it is neither more

11. The Democratic Convergence, whose principal leader is the Social Democrat Ruben Zamora (leader of the Social Christian Popular Movement) obtained 12.6% of the votes in the legislative elections of March 1991.

12. As elsewhere in Central and Latin America, the evangelist sects are currently growing in El Salvador, with the blessing of the United States, which sees them as a good means of countering the "subversive" ideology of the liberation theologians.

nor less divided than it was during the armed conflict. As before, each experiment in "its" zones with its own development projects — which is certainly a source of richness, but will not help in elaborating an alternative national project.

But during negotiations with the government, the Front will speak with only one voice, which will be defined by intense internal discussions.

The unified leadership of the front however, has decided that during the propaganda campaigns in the regions where it is barely present, its militants will present themselves as members of the FMLN and not of this or that party.

However, in the field there have been attempts at raiding between the different currents. This was seen in Usulután where communities tied to the FMLN current dominant in the zone opened negotiations with municipal governments without consulting other communities that were linked to other FMLN currents.

There has also been competition over obtaining loans from international organisms and governments. These funds are then distributed to the communities on the basis of the political positions of each community.

Cleavages at all levels

These cleavages are found at all levels of political and social life including women's organizations, student, agricultural and industrial unions, and so on.

In the July 22, issue of *Diario Latino*, commander Leonel Gonzalez claimed that at a meeting of 176 members of the FPL central committee, it was decided that the five organizations of the FMLN should dissolve and "build a sole structure for the 1994 electoral campaign" in order to win a maximum number of votes.

This perspective, which would transform the Front into one sole party with various currents within it, was immediately contested by the other forces who held that in the current situation such a development is not on the order of the day. The five parties who make up the FMLN are currently preparing their respective congresses and documents.

Despite these divisions, the FMLN is today more than a simple political party; it represents an undeniably strong economic and social force.

In spite of a regional and international context which is hardly favorable to revolutionaries, the choices made up until now by the FMLN and the level of social mobilization leave the situation open. After a war resulting in a "draw", the ball is in the camp of the mass movement. ★

Fujimori's propaganda coup

AS the economic situation in Peru worsens following the April coup carried out by President Fujimori, the arrest of the Maoist Sendero Luminoso guerrilla movement leader Abimael Gúzman Renoso is a major propaganda boost for his government.

ROLAND WOOD

While one of the reasons given for the coup was the need for a free hand to take on Sendero¹, the arrest is probably the first — and certainly the most important — tangible result there has been.

In a television broadcast on September 13 Fujimori described Gúzman as a "devilish genius" who had amassed a huge personal fortune from the drugs traffic.

There is indeed clear evidence that Sendero levies taxes upon the *narcotraficantes* in the areas where they have some control, but their general involvement in the drugs traffic is really quite small in comparison with the military and a whole host of individual politicians, past and present.

The hypocrisy involved here will not go unnoticed and there can be little doubt that Fujimori knows that this is not the main issue. Of far more importance is the psychological effect that Gúzman's arrest, alongside eight other Central Committee members, will have on Sendero as a whole.

Solid events

In a recent statement Gúzman, under his more favoured pen name of Presidente Gonzalos, said that "the masses must be taught with solid events, so that ideas are bludgeoned into them".

The arrest of Gúzman is one "solid event" which Sendero is unlikely to have foreseen. It is far too early to say whether they will be paralyzed or galvanized. It is a question of whether their strengths or their weaknesses come to the fore now that Gúzman is no longer at their head.

Sendero has thrived in the post-coup environment of tension and violence. Increasing numbers — not just the poor

but some leftist intellectuals — saw them as the only effective form of opposition. With the subsequent rise in repression, Sendero were better placed than any other organization to respond.

In contrast, the mass Peasant Confederation (CCP) and the General Confederation of Peruvian Workers (CGTP) who were forced underground following attacks on their headquarters by the military, have nowhere near the same experience as Sendero in clandestine operations. The same point could be made for much of the Peruvian left.

Having increased their presence in the towns and cities, particularly in Lima, Sendero now believe they are on the threshold of the "strategic offensive for taking power".

This, they claim, corresponds with the fifth and final stage through which the Peruvian revolution must pass. In a document published in 1984 Sendero described this stage as full-scale civil war in which the people's army will move in from the countryside to surround the cities. There will be an urban insurrection to complement the noose drawn around the cities from the countryside.

Pol Potist activities

Initially, Sendero's violence was directed at corrupt elements in the countryside, families that had often ruthlessly dominated whole communities for centuries. This won them support. But as Sendero activities increased, many in the Peruvian left began to characterize them not so much as Maoist but as Pol Potist. The reason? Sendero began to attack opponents on the left as much as the right.

They have been responsible for the "execution" of important and respected community, trade union and peasant leaders.

One of their most recent victims was Maria Elena Moyano, a popular leader of the women's movement in the Villa El Salvador slum, in the outskirts of Lima. Not satisfied with having shot her, Sende-

1. Independent analysts estimate that overlapping membership of the Communist Party of Peru and the Popular Guerilla Army (EGP), which makes up Sendero, is about 5,000. The highest figure estimated for the organization's immediate periphery is 100,000. *Financial Times*, September 14, 1992.

ro blew her body apart with dynamite.

This is the kind of "solid event" with which Abimael Gúzman would prefer to "bludgeon" the masses. Indeed, human rights groups believe that, with the escalation in Lima of their often indiscriminate bombing campaign, Sendero is now responsible for most deaths.

In the meantime, the economic situation continues to deteriorate. In Lima, 80% of the workforce is said to eke out a living in the "informal sector", street peddling goods from small, unsafe workshops, or touting dollars from street corners.

The existence of this informal sector is nothing new but it now contributes over 40% of the Gross Domestic Product (GDP), while the traders themselves are lucky to make much more than \$2 a day.

President Alberto Fujimori's two-year old austerity programme has increased the numbers in "critical poverty" by another seven million, bringing the total to more than half the country's 23 million population.

The signs of a country in decline

In Lima's city centre rubbish piles up. Days without electricity, owing to drought affecting hydro-electric plants, add to the sense of a city and a country in decline.

A worsening economic crisis has been accompanied by years of increasing militarization, beginning under former President Alan Garcia.

Like other Latin American countries during the period of so-called "democratic opening" in the early 1980s, the military retained significant influence in the state apparatus.

The Fujimori government's links with the military, and in particular with the army, have been one of the pillars of its immediate stability.

Fujimori merely took this relationship one step further — the coup earlier this year — as a way of re-assuring the International Monetary Fund (IMF) and the World Bank that their neo-liberal diktats would be applied.

Over half the country is now, nominally, under some form of military control or administration. Nominally, because in many areas the state's writ has simply ceased to run.

One explanation for this state of affairs



has been put forward by a human rights organization, the Andean Commission of Jurists. A spokesperson recently described the military as largely incompetent — leading, in the first instance, to the death of many innocent victims.

Attempts to stabilize the situation have had little effect. Fujimori has formally announced that elections to a new "democratic constitutional congress" will take place on November 22nd. This announcement follows a pledge to the Organization of American States (OAS) in May.

The proposed congress is to have a mandate — due to last until the end of Fujimori's term in July 1995 — to write a new constitution and oversee government decisions.

Veneer for continued dictatorship

But it is unclear how many of Peru's opposition parties are willing to take part in the elections. The congress will have only 80 members, a third the size of the pre-coup parliament. It is increasingly being seen as a veneer for continued dictatorship. The aim is to have sanctions lifted and external aid restored without having to make any real political changes.

The announcement of elections came a day after Fujimori said he would modify his economic policy by injecting \$300m of accumulated government savings into

public works and bad debt relief for banks.

The IMF has been honest enough to point out that this will do little to ease the effects of the recession. In fact, the IMF has even gone so far as to say that Fujimori's government went too far, too soon.

Squeezed between the violence of the military and Sendero are the poor and the democratic workers' and peasants' organizations.

Their immediate response has been one of self-defence, but the form and role this takes can be quite varied.

What has been critical in every instance is their independence from both the military and Sendero, and the creation of genuine structures of democracy and accountability.

In areas where the CGTP and the CCP have still been able to function, they have been central to the emergence of defence committees or "survival organizations", which have often taken over functions that would have been carried out by the state, in particular the distribution of basic food stuffs.

In the countryside, *rondas campesinas* (peasant committees) have caused some controversy. Even Fujimori has claimed he supports them; but, as many have asked, which *rondas* does he mean?

Armed self-defence

In many areas the *rondas*, often first established in the 1970s, constitute a form of armed self-defence for the masses working under the leadership of local democratic popular organizations. Links are slowly being forged between these *rondas* and the committees in the towns.

But in other areas the military have been organizing peasants' groups of the same name under the pretext of fighting Sendero. The reality, however, is that unless the new *rondas* establish their independence from the military they are merely used as pawns, invariably attacking all those who are opposed to the government's policy.

It is the democratic self-defence organizations that deserve and need our solidarity. Despite a real decline in struggles they have a potential to become centres of an alternative popular power — a third force that in the future will be better placed to assert itself in a chaotic Peru. ★

Greek socialists oppose warmongering

THE embattled New Democracy government in Greece has attempted to stifle popular anger over continuing attacks on living standards and rights by seizing on the issue of Macedonia.

The former Yugoslav republic of Macedonia has declared its independence, and some extreme nationalist currents there have laid claim to Greek Macedonia, including the country's second largest city Salonika. The Greek ruling New Democracy Party has been whipping up nationalist hysteria against the alleged threat to Greece's integrity presented by the new government in Skopje; attempts to protest against this campaign have met with repression (see *IV* no. 229, May 25, 1992).

One point of dispute between Athens and Skopje has been the use of the name Macedonia by the latter, which the Greek side insists implies claims on Greek territory. Support for the Greek view has come from the European Community, which has refused to recognize the Skopje government.

We print below extracts from a resolution giving the position of the Greek revolutionary Marxist organization, the OKDE (Spartakos), which has been active in the anti-nationalist campaign, on the Macedonian question.

DOCUMENT

GREEK imperialism has decided to strangle — culturally, economically, politically and later perhaps militarily — a whole population, that of Slavic Macedonia. For this purpose, which is one of a classic imperialist type, it has not only enjoyed the solidarity of the other EC states but has succeeded in winning the support of much of the Greek population, with the help of the big reformist parties, PASOK (social democratic) and the KKE (the Communist Party).

We are confronted with a form of racism that wants to reserve privileged rights for the "Greeks" at the expense of the "Slavs" and others and which suppresses the democratic rights of the national minorities in Greece. In the course of the advance of the nationalist steam-roller even the most elementary democratic rights get crushed.

Furthermore Greek military involvement either alone or as part of an imperialist alliance cannot be excluded. The most crucial problem for the Greek workers is how to fight the chauvinism which is being systematically cultivated by the big reformist organizations. Regardless of

nuances, all of these share the same "Stalino-Menshevik" view that the nation is a suprahistoric entity equipped with rights that have to be imposed on living human beings. They disregard the nationalism of oppressed peoples as creations of "imperialist instigation"; this police philosophy leads them today to support Serb and Greek great nationalism.

Their various proposals — both in terms of supporting Greek nationalist aspirations and in demanding a UN conference on the Balkans, ignore existing populations and leaves the way free for their political suppression on national grounds. Most directly affected by this orientation are minority nationalities inside Greece (Slavs, Turks, Pomaks and so on).

Despite these parties' declarations about human rights — which we have to use to further the anti-nationalist cause — they accept and take part in the hysteria which identifies every "member of a different race", "stranger" or "heretic" as an agent of the "enemies of Hellenism".

Greek imperialism is seeking to forbid the people of Slavic Macedonia from deciding independently what they want to be and do. It has therefore declared ideologi-

cal war on independent Macedonia, a war which is expanding from political declarations (non-recognition) to economic embargos, and perhaps ultimately to military intervention. In this war, Greek imperialism must be defeated. Otherwise it will remain a permanent danger with the Greek population itself as a constant target....

Right to self-determination

Just like any other nation, the Slavic Macedonians have the right to self-determination, state independence and their exercise of this right must be supported unconditionally, above all in the neighbouring countries, including Greece. The historical discussion about the "nationality" of the ancient Macedonians is absolutely irrelevant from this point of view. What is at stake is the possibility of human beings and of populations to freely decide for themselves, and neither states, in particular the Greek state, nor historians have the right to deny their independence.

Greek nationalism, like all aggressive nationalisms, presents its imperialist intentions as defence against external threat. It insists on a Greek copyright on the word "Macedonia" and considers its use by non-Greeks as a threat. Such an approach can only reinforce the political positions of both Greek and Macedonian Slav ultra-nationalists — expressed for example in the "war of the maps" [showing respective territorial claims]... To the ideology of expansionist "liberation" we must oppose the principle of free self-determination. It is up to the Macedonian Slavs to choose their own name and the duty of the Greek workers movement to demand that the Greek government recognizes at once and unconditionally the Republic of Macedonia.

Revolutionary Marxists must defend the rights of minorities in their own country. The Greek state increasingly violates these rights. It denies certain citizens — for example, the Turkish minority — their nationality and tries obstinately to forbid the Slavs in Greek Macedonia from using their mother tongue, claiming that their language is non-existent. Greek political parties are called on to state that "there are no Macedonian Slavs in Greece", but only "people with two languages" and repeat the allegation that there are no Turks, only "Muslims"...

Right to difference

The arrogance of the Greek ruling class, who are imposing terms and identities on other peoples and using their political and economic advantages (economic embargo, EC membership) as means of coercion to this end is based on a conception of the

Greek state which wants to impose "unity" and annihilate difference. The Greek workers and socialist movements have to declare openly and struggle stubbornly for the following:

a) Cultural and human rights for all this country's citizens. These include freedom of language, religion and nationality.

b) Self-determination for all the peoples of the Greek state; this means the destruction of the Greek apartheid which divides citizens into different categories.

c) The breaking-up of imposed national integration and the acceptance of difference as a source of cultural wealth.

d) The free unification of the Balkan peoples in a socialist, polyglot and multinational confederation as an integral part of a Europe of the working people. ★

Sri Lanka

NSSP leaders arrested

EIGHT members of the Nava Sama Samaja party (NSSP — Sri Lankan section of the Fourth International), including its general secretary Vickramabahu Karunaratne ("Bahu") were arrested on July 1, 1992 while taking part in a Jana Gosha ("people's noise") campaign to oppose government policies and demand new elections. Before the arrests the demonstration was violently dispersed by police who were particularly vicious towards women taking part on behalf of disappeared people — presumed taken by the authorities.

According to a Reuters report quoted by the Island (Colombo — July 2, 1992), "thousands of Sri Lankans lit firecrackers, blew horns and banged pots in a lunch-time anti-government protest organized by the opposition.

"Police armed with machine guns, batons and tear-gas stood by as demonstrators... called for the overthrow of President Ranasinghe Premadasa and his ruling United National Party government."

The eight NSSP members are charged with leading illegal demonstrations and violating Emergency Regulations. They are currently out on bail; their case is to be heard on November 19. ★

A strike wave with a political edge

IN RECENT weeks Greece has seen a wave of mass protests against the policies of the rightwing New Democracy government.

**NICOS SIMEONIDES
September 15, 1992**

AFTER the coming to power of the rightwing New Democracy Party in April 1990, Greek workers have faced a huge attack; while inflation has been rising at an annual rate of 17%, wages have been frozen; more than 10,000 public sector employees sacked; state companies privatized or closed; sharply rising unemployment; and restrictions on union rights. Several times, demonstrations have been broken up by police.

The same two years have seen a number of struggles by the mass organizations against the right's policies, but all have failed to halt their progress. Nonetheless, there remains a widespread mood of opposition expressed through renewed struggles and the hope for a new government which will reverse current policies.

The general discontent was revealed by the results of a recent by-election in Athens where the New Democracy and the Communist Party did not run candidates and called for an abstention or spoiled ballot; the social democratic PASOK party, however, did stand, describing the poll as a referendum on government austerity measures and raised its vote from 280,000 to 400,000.

Since then everybody has been predicting crushing defeat for the New Democracy government at the next elections (scheduled for April 1994) and a PASOK victory.

In July the government announced 1,400 redundancies in the Athens public bus company and the firm's 8,000 workers launched an all-out strike. The government responded by closing the company down. Since then there has been no bus service in Athens; people are travelling in military trucks and buses driven by soldiers. The 8,000 sacked workers, who are organized in a PASOK-led union, have been coming into the streets every day to demonstrate against their layoff.

The CGT union called a demonstration in support of the bus workers which was a big success, bringing out tens of thousands in August. The same month, the government announced a social security law, raising the retirement age and cutting pensions. This provoked a big strike wave headed by the electricity company, the banks, and posts and

telecommunications, which have been on strike for several weeks.

The CGT called a 24-hour general strike for September 3, a 48-hour strike for September 9 and 10 and another for September 16 and 17. The turnout has been very high in the public sector and adequate in the private sector. The union organized demonstration on September 10 brought out more than 100,000 people, who shouted "Down with the New Democracy".

The struggle is highly politicized, with even the more moderate unions raising the question of a new government. Even the bosses have taken fright, with the Alliance of Industrialists calling on the government to make a deal with the unions, while leading officials of the New Democracy Party have been calling for a more subtle economic policy. However Prime Minister Mitsotakis has rejected such ideas, with the support of the European Community.

What is saving the government for the moment is the attitude of the opposition parties who first refused to give this struggle a political perspective, and, now that such a perspective has been raised from below, are trying to bring the movement to an end as soon as possible. PASOK's solution is that it should take over government and is demanding early elections to that end. However it is remaining coy about what measures it would take once in power.

United front rejected

The Communist Party (KKE) and the Left Alliance (Synaspismos) which it dominates are against raising the demand for the downfall of the government, against early elections and claim that PASOK and the New Democracy are the same. In general they reject any united front against the government.

It is possible that the present strike wave will die down, but the situation in Greece will remain tense. The population has had enough of this government and its policies and there will be further struggles. The 8,000 sacked bus workers are continuing their protests, and enjoy broad public sympathy according to opinion polls.

Furthermore big internal pressure is building up on the PASOK leadership for a more dynamic policy. Party members and supporters are asking "why don't we topple this government?"

The government has suffered considerable damage in recent months but is hoping that the storm will pass. Even if it does, it will soon face another. ★

Markets go mad

THE explosion of the European Monetary System reflects economic tensions that run far deeper than doubts about the outcome of the French referendum on the Maastricht Treaty on European Union on September 20. These tensions will persist whatever the short-term impact of that vote.

COLIN MEADE

THE immediate cause of the excitement was a continued and apparently unstoppable fall in the value of the American dollar, sliding against the German deutschmark since the middle of July.

The reason for the dollar's weakness has been the willingness of the US Federal Reserve to take measures to combat enduring recession. According to the *Financial Times* of August 24, 1992: "In the US the consensus is that US monetary policy should be dictated by the needs of the domestic economy". This approach is felt to contrast sharply to the strong money policy pursued in Germany.

Events took a dramatic turn on Friday September 4, when the US central bank cut interest rates in response to news of an increase in unemployment.

The impact in Europe was devastating. The Exchange Rate Mechanism (ERM) of the European Monetary System (EMS) requires that the value of the various European Community currencies remain in a closely defined ratio to one another (via the mysterious European Currency Unit — the ECU).

This means that any currency that starts to fall compared to another must be defended by any means necessary. In the concrete instance this meant that as the deutschmark rose, the other currencies had to try to keep up; for weaker economies this implied drastic interest rate rises and expensive attempts to support their currencies — implying further deflation on top of an already severe recession and/or even bigger public debt.

Under pressure the Germans cut their interest rates on Monday September 14, but by such a tiny amount — much less than predicted — that it only served to underline the Bundesbank's determination to maintain a strong mark. This was the death knell of the ERM in its present form.

The Italian lira was devalued by 7% the same day and a few days later the British pound was taken temporarily out of the ERM as an alternative to further interest rate rises. The Spanish, Portuguese and Irish currencies are also in trouble.

Some of the most spectacular events so far have come in Scandinavia. The countries of this region (apart from Denmark) are not part of the EC, but they hope to join and are therefore attempting to manage their currencies as if they were part of the ERM. Finland, hard hit by the loss of Soviet markets, decided to bail out and on September

9 let its currency fall against the German mark.

The next day neighbouring Sweden, whose welfare state traditions make it highly suspect in the eyes of "the markets", raised one of its key interest rates to 75% (!) as "a strong signal that no one can doubt our commitment to defend a fixed exchange rate" (*FT*, September 10, 1992). However this was not enough, and the same rate was raised further to 500% (!) on September 16.

That's the story so far (September 17).

Insane rationality

Financial experts and politicians view these developments as being about "strong" and "weak" currencies resting on stronger and weaker "real economies". Thus "the markets" are seen to be passing judgement on the performance of economies by buying and selling currencies — a reasonable activity.

However, unenlightened souls suffering the effects of prolonged recession may find the workings of the system as a whole somewhat perverse. Against a background of crippling worldwide recession in the "real economy", "the markets" are to be found rewarding economies pursuing recessionary policies and punishing attempts to stimulate the economy.

Furthermore, there is a strong dose of panic at work behind current market movements. Looming over the financial turmoil is the shadow of the colossal debt. The Swedish interest rate hikes have taken place against the background of a crisis of the Swedish banking system. Similar financial black holes can appear anytime anywhere — as we have seen, for example, with the American Savings and Loans or the bankruptcy of British newspaper magnate Robert Maxwell.

To stave off impending disaster, market players — the very same Maxwells, Swedish banks or Savings and Loans — are compelled to engage in more and more frenzied speculation, seeking short term paper advantages that can cover over widening cracks in their balance sheets. ★

International Viewpoint needs YOU

AS we announced before the summer break, financial constraints are forcing us to review the price and frequency of our publications.

In response to appeals made this past summer, we have received donations from across Europe and North America. Our hope is that — as people settle into another political year — further responses will come in.

Accordingly, we are renewing the call for contributions, and remind you that no donation — and no effort to promote the magazine — is too small.

Here are some ideas of how you can help us:

- Firstly, by taking an active part in our drive to increase circulation. If each current subscriber could find another our objective of financial stability could easily be met.

We are renewing our special offer of a three-month subscription for only \$11/£6/60FF. We are confident that the calibre of the magazine will convince those who take advantage of this offer to renew at the end of their three months.

- Secondly, you can support the fund drive by donating directly to the fund we have established to safeguard the future of our publications.

Cheques should be sent to IV, 2 rue Richard Lenoir, 93108 Montreuil, France, but please indicate that you are contributing to the fund drive. For postal and bank transfers, please see details on page 2.

Our thanks go out to the following people for their response to the fund drive: Stuart R. (GB), Liam M. (GB), Berta L. (USA), Alan J. (USA), Edmond K. (USA), Ingo S. (FRG), Martin B. (Austria), Peter T. (USA), Paul N. & Edith S. (USA), Jacques B. (France), Anon. (USA), Ray D. (USA), Adam S. (USA), Vancouver SC (Canada), R.O. (GB), Thomas H. (USA), Rita S. (USA), Ray D. (USA). ★