57/1997 ISSN 0141-7746 £4.00 $7.00

Labour Focus on Eastern Europe

THE ALBANIAN UPRISING

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a review of European affairs 57

LFEE 1977 - 1997

ISSN 0141-7746
a review of European affairs

Labour Focus on Eastern Europe

Labour Focus on Eastern Europe is published three times yearly. First published in 1977, it is an independent journal that deals with European politics: international relations, political currents, social-political conflicts, and the political and economic aspects of European (East-West) integration in the post-Cold War era. It has a particular interest in the process of social and political transformation that is taking place in Central and Eastern Europe and pays particular attention to the political currents and organisations of the labour movement in these countries.

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Number 57 **Summer 1997**

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James Pettifer

The Albanian Upheaval: Kleptocracy and the Post-Communist State

The hubris of the Berisha regime

The widespread chaos and disorder in Albania in the spring of 1997 following the collapse of the pyramid banking schemes has brought international concern that this small Balkan country could prove to be a model for other transitional societies and their governments in Eastern Europe which are failing to satisfy popular expectations of Western capitalist society. This fear has been expressed in particular relation to Russia, which has many of the same features of transitional society, such as mass impoverishment, some nostalgia for Communism, a dissatisfied and possibly rebellious military, a popular culture where the use of weapons is common, and a very small, very rich elite whose business practices have been heavily influenced by mafia operations. This society has been described by Solzhenitsyn and others as a 'kleptocracy', the Greek term meaning 'government by bandits'.

High hopes for Albania have been followed by disappointment, both for Albanians and international sympathisers of the Berisha regime. Albania had been seen by many right-wing and mainstream commentators in the West as a model for post-Communist economic development, with a strong pro-market government, high growth rates, accelerating foreign investment and a satisfactory orientation towards NATO and European Union policy on Balkan political issues. It was in

particular seen as the diametric opposite of its neighbour, Serbia, which was none of those things. [1]

The International Monetary Fund, the European Bank for Reconstruction and Development and the World Bank had been very supportive to the Berisha government, the latter in particular. This project has now collapsed in disaster, with the state incapable of exercising the most basic functions, most of southern Albanian under the control of local 'salvation committees', after the armed rising of March 1997, and the north and Tirana under the control of pro-Berisha armed groups. Albania has become the second Balkan country, after Bosnia, to fall under international military control, with the advent of the Italian-led humanitarian intervention force in April 1997. It is unclear what real power the Socialist government elected in May will have to change this.

The mass seizure of weapons from army stores, usually the Albanian-model copy of the Kalashnikov AK-47 assault rifle (although there are many heavier weapons in circulation), coupled with the easy availability of large quantities of ammunition from Albania's own plants, has led to the creation of an armed population, on a scale that has not been seen in the Balkans or elsewhere in Europe since the World War II period, even in the wars of ex-Yugoslavia.[2] The nearest comparable situation may well be in the late Ottoman Empire, and the mass armed popular risings of the Balkan peoples against the Porte, such as the Illinden Rising in Macedonia in 1903. [3]

The background to the current crisis is well known. After a long period of anarchy and political turmoil as Communism collapsed, between 1989 and 1992, the government of Dr Sali Berisha was elected in the spring of that year and produced apparent stability. His strong anti-Communist rhetoric led to large financial, moral, and political support from the West (the US, Germany and Britain, in particular) although there was little real investment.[4] The United States, as well as the neo-Habsburg, predominantly Catholic block of Germany, Austria, Slovenia, Croatia and Hungary, supported Albania against British- and French-supported Serbia. Dr Berisha, in turn, tried to underwrite his dominant political position with a new constitution in 1994, but was rejected overwhelmingly by the people in November of that year. It seems clear that Albanians feared it would provide the framework for a

very authoritarian 'presidential' state, with little real role for political opposition or judicial independence. Politics remained in crisis until an attempted resolution in the election of May 1996, won by Berisha's governing Democratic Party. The election was judged to be very corrupt by the vast majority of international observers present, including the OSCE delegation. The election was marked by violent attacks on opposition activists, particularly on members of the Socialist party, a monopoly of television by the governing party, coercion of independent journalists and media institutions, and government party custody of ballot boxes after the elections. [5]

At the same time, pyramid banking schemes had been growing very rapidly, offering very high rates of interest, which soaked up the greater part of emigré remittances and people's savings in general. Remittances, mostly from Italy and Greece, may make up as much as a third of Albanian GDP. There are strong grounds for believing that many of the operators of these pyramid schemes had close links with Dr Berisha's party.[6] There was general concern that the collapse of these schemes might be imminent in autumn 1996, and the IMF issued warnings to the government in October 1996. It seems, however, they were not made with sufficient vigour, and the sychophantic and uncritical relationship officials of the international financial organisations had developed with the Berisha apparatus did not assist them. Market capitalist society in Albania was seen to have 'no limits'. This, of course, was not the case. As Marx once remarked, some businessmen only discover the law of gravity when the ceiling falls in.

The collapse of the first pyramid schemes began in December 1996, and rapidly accelerated after Christmas, bringing widespread social tension and street disorder. A major revolt against the government began in the southern cities of Vlore and Sarande, followed by armed rebellion in mid-March 1997 throughout southern Albania. A key date was 10 March, when the southern regional centre of Gjirokastra went over to the rebellion, after which it spread rapidly northwards in the next few days. All political authority of the Berisha government was destroyed in the South in this process and, after international intervention designed to prevent a nascent north-south civil war, a 'government of national unity' under Socialist Mr Bashkim Fino was installed, with the task of organising democratic elections under

international supervision. After a complex and difficult negotiation process designed to produce multi-party agreement on a new electoral law, elections are due to be held in June 1997. At the time of writing, much of the country is still under the control of various armed groups, and a modicum of public order is maintained in the cities only by a heavy paramilitary presence. The conditions that could lead to full scale civil war still prevail. It is not clear whether the elections will result in effective or stable government

The March rising and the kleptocracy

In the quality press there have been many speculative assertions about the nature of the uprising and the degree to which it developed as a result of conscious political planning and organisation, and the degree to which it was a spontaneous and inchoate movement of protest against the loss of assets in the pyramid banks, and against the increasingly undemocratic character of the Berisha regime. This is an important issue, in trying to establish whether the social and political breakdown in Albania might be a model for what could happen elsewhere.

The following observations are fairly exclusively based on my own experiences in the south, in March 1997, and in Gjirokastra and Tepelena, which were at the heart of the rebellion at the time, and later in Korca in May 1997.[7] Major factors in the situation were -

1) There was widespread and long-standing dissatisfaction with many aspects of the Berisha government, both on a range of practical issues and because it was dominated by northern Gheg Albanians. (Those living south of the Shkumbini river are called Tosks, and speak a different dialect of the language). Under Communism, southern Tosks had always been well represented in the government and had often dominated it. The years 1992-96 had seen a steady advance in the control of the local state, the security apparatus in particular, by Berisha place-men, usually from north-east Albania.

2) The economy of the south had become increasingly dependent on remittances from emigré workers in Greece, and links with Greece were in any case strong due to the presence of at least 40,000 ethnic Greeks in southern Albania.[8] Many southern Albanians had become accustomed to the higher standard of living and a functioning modern industrial society in Greece, and had become increasingly impatient with what

they saw as the lack of economic and social progress under the Berisha government.

3) Although this factor was probably exaggerated considerably by the Berisha government in their portrayal of the uprising, some residual elements from the old Communist security apparatus and its functionaries remained in the south. Under Communism, these coercive state organs had been filled almost exclusively by southerners. Informal networks certainly remained in some places.[9] Some of these people had gone into exile in Greece and Italy after 1992 and may have interacted with the Mafia and organised crime in general prior to the rising. But there has been no concrete evidence produced to support allegations made in pro-Berisha circles that a planned pro-Communist conspiracy lay behind the rising.

4) Under Communism, senior echelons in the army had been dominated by southerners. Many of these men had been made redundant in the US-supervised military reforms between 1992 and 1995 and were often unemployed and highly dissatisfied with the end of their careers. Promotion prospects for younger talented southern officers were poor under the Berisha regime, even if they could keep their jobs, as northerner Ghegs were strongly favoured in the military. This produced a pool of potential leaders of the rising at local level, with military training and experience and knowledge of the current disposition of stored weapons in the localities. This was augmented by the fact that Albania's arms factories are in the south, near Berat, and were a target for the rebellious soldiers.

At the heart of the movement was a split among the military, particularly in the key day of the revolt, 9-10 March, when Gjirokastra changed sides and went over to the anti-Berisha opposition. This city had been attempting to maintain a precarious neutrality in the second week in March but, when Berisha Special Forces in helicopters arrived in the town to secure the arms store, local leaders in the army and in the police and security apparatus mutinied. The revolt began with the leader of the local police organising an attack on his own police station, against pro-Berisha elements from the security police (SHIK).

When the weapons held in the police station were seized and distributed to the population, resistance to the pro-Berisha forces arriving in helicopters was possible, and the town fell to the rebellion

very easily. The main arms store was then stormed and opened and very large quantities of weapons were distributed to the population. The government forces retreated northwards to their bases.

This sequence of events corresponds very closely to the partisan model of popular resistance established in the Second World War. The partisan tradition is very strong in the south, and the way the rebellion spread north up the mountain valleys after the fall of Gjirokastra followed very closely events in 1943-44.

5) As elsewhere in the Balkans, organised crime had been growing as a major force in the country after the end of Communism. In the south, particularly on the Adriatic coast, a particularly favourable environment existed for its development, with Albania lying on a direct route for heroin imports from Turkey to Europe, the proximity of the coast of southern Italy with many Mafia-dominated towns, and the ease with which large-scale cannabis plantations can be concealed in southern Albania. The city of Vlora had been affected by lawlessness for a long time. In this environment, many supporters of the Berisha regime became involved with organised crime and became highly unpopular locally, where people saw a steady criminalisation of society developing. This criminalisation very seriously affected the working class, the old, the poor and minorities, therefore augmenting mass support for the unrest.

The exact nature of Albanian organised crime will need careful analysis in the future, if policies are to be devised that will assist the de-Mafiaisation of society. It appears that one of the major defects of Western policy towards the Berisha regime was in the near-total incapacity of most governments to see how destabilising to society it had become, even though there are notorious examples of 'gangster states'- as President Clinton has called Colombia - in existence elsewhere in the world. The link between free-market fundamentalism and the establishment of ideal conditions for kleptocratic rule, with the abdication of the state from many areas of Albanian life, is very strong. In this sense the rising is merely an extension of trends that had already existed strongly in Albanian society. It also illustrates a major crisis in one aspect of free-market ideology as it has developed towards Eastern Europe. In Russia, for instance, the 'Mafia' seems to have been accepted by the West as a permanent feature of society, and has not inhibited continued large-scale economic support for the Yeltsin government.

6) This criminalisation led to some of the classic features of a kleptocratic society, with the end of any taxation of normal business activity and the collapse of what remained of most education, health and other public provision.[10]

7) The development of the mafia had been greatly assisted by the United Nations sanctions against Serbia during the ex-Yugoslav war. The social structure of normal economic activity has been seriously damaged a long way away from the areas on the Balkan peninsular where actual fighting has been taking place, but very little of the international aid and reconstruction funds have been allocated outside Bosnia (where Western liberal concern has been focused by the media).

As a result, an enormous and little understood sense of historic grievance against the West, the United States in particular, - as the main architect of Dayton - has spread across the southern Balkans. This is linked to the massive growth of popular protest against social and economic conditions and against existing regimes that spread across the region in the winter of 1996-7. The West is widely seen to have cheated these countries. All feel they have made considerable efforts to enforce sanctions (even if some, like Romania, did not) but have received little or no real compensation for the economic losses involved.

The lessons of the Albanian rising and the future

Although it is very unclear what will happen in Albania, a number of preliminary observations can perhaps be made about the situation.

1) The rising has illustrated that there are limits to what the poorer and dissatisfied sections of society will take in Eastern Europe, in terms of a reversion to authoritarian rule linked to ultra-free market economics. It seems that it is possible for very traditional mass protests to occur that can challenge accepted notions of an 'inevitable' market process of development.

2) The links between organised crime and the Albanian population mean that the process of revolt is itself anarchic, destructive and violent, far beyond what is required to defeat local political opposition. There is a strong 'Luddite' element - witness the total destruction of all computer shops in Tirana as an example, in the early stages of the March rising there. In that sense, the Albanian events have more in common with peasant revolts under the Ottoman Empire than any traditional Marxist

industrially based movements linked to 'class'. This is likely to be the case if similar revolts occur elsewhere in Eastern Europe, as the combination of de-industrialisation, post-Communism, emigration and the technological revolution destroys much of the old industrial working class. Faith in 'technocratic development' based on the progress of industry has disappeared in whole sections of society. Many Muscovites, for instance, although living as urban workers, actually survive in their families only by cultivating small plots of land. Peasant values and attitudes are thus reasserting themselves throughout society. In the Balkans, whole societies have reverted to small-scale agriculture, with the collapse of whole segments of a viable industrial society, as in much of Bosnia, former Yugoslav Macedonia (FYROM), parts of Bulgaria, Serbia and throughout Albania.

3) In this world, debates of interest to Western left-wing ideologists on issues such as post-modernism have little place or relevance. The whole liberal/left Europeanist agenda has little meaning in the Balkans, and probably in many places elsewhere in Eastern Europe. An example of this is perhaps the difficulties the Bosnian war caused this constituency of Western opinion.

4) The most fundamental lesson from the Albanian events is the need for a return to political economy. Whatever model of transition in Eastern Europe is adhered to, it is clear that in pre-1997 Albania there was a complete divorce between politics and economics in the way this society was seen in the West, coupled with a large dose of the politics of public relations around President Berisha himself.

5) It should also be clear that building up over-powerful Presidencies is no short cut to development or 'stability'. There is no alternative to the struggle to build up democratic institutions based on popular consent in the region, but socialists in the West should recognise that many of the assumptions about social and economic development they have may appear totally irrelevant in Eastern Europe. This is the case both with the modernist, personalist agenda('political correctness'), and the old left programme based on class.

Changes in the economy and mode of production, coupled with the strong revival of religion everywhere in Eastern Europe, are bringing back highly conservative modes of small-scale collective social and family life, and a revival of ideologies that were thought to have been

superseded long ago. With them comes a return of primitive, direct-action, populist methods of struggle. ●

Notes

1 See most literature produced by the World Bank and International Monetary Fund on Albania between 1992 and 1996 for examples of the special pleading applied

2 See *The Complete Kalishnikov Family of Assault Rifles* by Duncan Long (Boulder, Colorado, 1988) for a good technical analysis of the Albanian version of this weapon.

3 For information on this subject, see *Macedonia - Its races and their future*, by H. M. Brailsford (London, 1906).

4 For background on US support and policies, and a general analysis of the nature of the Berisha regime, see *Albania - from Anarchy to a Balkan Identity*, by James Pettifer and Miranda Vickers (C. Hurst and Co, London, 1997).

5 See article by James Pettifer in *The World Today*, Chatham House RIIA, London, June 1996.

6 See *The Wall Street Journal Europe*, 28 January, 1997

7 See *The Times*, 10 March 1997

8 There is a detailed analysis of the situation of the Greek Minority in the Minority Rights Group report, *The Southern Balkans* (London 1995).

9 See article in *The Times* by James Pettifer, 3 March 1997

10 See article by James Pettifer in *The World Today*, Chatham House RIIA, London January 1997

Michel Chossudovsky

The Albanian Crisis

The Western media has distorted the Albanian protest movement which erupted in February 1997 following the collapse of the "ponzi" pyramid schemes. The financial scam surrounding the "get-rich-quick schemes" was narrowly depicted by the global media as the sole source of social upheaval. An image of spontaneous street rioting was conveyed, spotlighting the misdeeds of armed gangs and the looting of State property. While the citizens' groups opposed to former President Berisha were branded as common criminals, the Western media failed to mention the links of the Albanian State to Italy's crime syndicates. Political dissent by civilians including the formation of the "salvation committees" was depicted as sabotaging the "transition" to a "free market" society... In the words of Italy's foreign minister, the revolt is being led by "delinquent bands incited by far left activists".

In the southern city of Vlore, the headquarters of the Police and military were taken over in February by the salvation committees. From Vlore, the insurrection spread to other cities in southern Albania. Students, workers and farmers joined in. The Albanian Armed Forces and Police had become largely inoperative; not only soldiers but officers spontaneously joined the citizens' movement demanding the resignation of President Berisha: "in southern Albania, the army has gone over to the side of the people" (*La Vanguardia*, Barcelona, 10 March 1997).

The commander of the military base of Pasha Limani in the Vlore region joined the insurrection and integrated the Vlore Defence committee together with members of his garrison. In the rebel strongholds of Delvine and Sarande, "the situation [had grown] rapidly out of control as it became apparent that President Berisha's men did not have the support of their police..." (*The Times*, London, 10 March 1997).

Western powers were concerned that the insurrection may get out of hand. US military advisers were rushed to Tirana; a high tech predator drone aerial surveillance system was set up at Gjader airfield close to Tirana with the capability of monitoring the insurgency in Southern Albania. In February 1997, the Commander of the Joint Chiefs of Staff General Shalikashvili visited US Air Force personnel stationed in Albania. Not a word was mentioned in the international press concerning Shalikashvili's meetings with government officials and Albania's military establishment...

In March a "Government of National Reconciliation" under a Socialist care-taker Prime Minister was installed under Western advice. With President Berisha discredited in the eyes of the people, both Europe and America were eager to develop new political alliances with the leadership of the Socialist Party. The latter had committed itself to the adoption of "sound macro-economic policies" under the guidance of the Bretton Woods institutions. The interim government's first task was to appease the rebellion in the South while laying the groundwork for the disarmament of the salvation committees.

Leaders of the Socialist Party (former Communists) held discussions in March with Western governments and the United Nations concerning the dispatch of a so-called Multinational Protection Force (MPF)... In April following a UN Security council resolution, the MPF largely composed of Italian and Greek troops landed on the beaches of the Adriatic coast. Its mandate was "to protect the shipments of humanitarian aid"... However, rather than ensuring the delivery of emergency supplies, the first concrete action of the MPF was to provide support to the government's ailing Police and Military.

The "hidden agenda" behind the Multinational Protection Force was to bolster the Albanian Military and Police forces with a view to effectively disarming the civilian population and quelling the rebellion. In the words of the Italian MPF General Girolamo Giglio: "We will help in increasing the efficacy of the police forces, by offering specialised means

and professional assistance" (ATA Dispatch, 21 April 1997). The Council of Europe Parliamentary Assembly provided its rubber stamp to the MPF's de facto mandate by formally condemning the local level "salvation committees" and demanding their disarmament (ATA Dispatch, 26 April 1997).

The West's objectives were clear: disarm civilians and ensure the installation of a "democratically elected" successor regime which would continue to uphold the "free market" reforms initiated under President Berisha in 1992... Elections were held on the 29th of June leading to a landslide victory by the Socialist Party. In August following the installation of a new President, the last of 7,000 troops of the Multinational Protection Force were withdrawn. Greek and Italian military advisors remained in the country to assist the new authorities in "rebuilding the country's shattered armed forces" (*Jane's Defence Weekly*, Vol 28 No 7, 20 August 1997).

Historical background of the crisis

Following the demise of the Communist State in 1991, Western capitalism had come to symbolise for many Albanians, the end of an era as well as the uncertain promise of a better life. In a cruel irony, production and earnings had plummeted under the brunt of the free market reforms inflicted by donors and creditors. Since 1991, the national economy had been thoroughly revamped under the supervision of the Bretton Woods institutions. With most of the State owned enterprises spearheaded into liquidation, unemployment and poverty had become rampant.

President Ramiz Alia, Enver Hoxha's chosen successor, had already initiated an overture to Western capitalism. Diplomatic relations had been restored with Bonn in 1987, leading to expanded trade with the European Community. In 1990, at its Ninth Plenum, the Albanian Workers' Party (AWP) adopted an economic reform programme which encouraged foreign investment and provided greater autonomy to managers of State owned enterprises. These reforms also allowed for the accumulation of private wealth by members of the Communist nomenklatura. In April 1990, Prime Minister Adil Carcani announced confidently that Albania was eager to participate in the Conference on European Co-operation and Security opening the door to the establishment of close ties with Western defence institutions including NATO.

President Ramiz Alia was re-elected by a multi-party parliament in

May 1991. The defunct Albanian Workers Party was re-baptised and a coalition government between the new "Socialists" and the opposition Democratic Party was formed. Also in 1991, full diplomatic relations with Washington were restored, Secretary of State James Baker visited Tirana and Albania requested full membership in the Bretton Woods institutions.

Meanwhile, amidst the chaos of hyperinflation and street riots which preceded the 1992 elections, German, Italian and American business interests had carefully positioned themselves, forging political alliances as well as "joint ventures" with the former Communist establishment. The opposition Democratic Party (in principle committed to Western style democracy) was led by Sali Berisha, a former Secretary of the Communist Party and a member of Enver Hoxha's inner circle. Berisha's election campaign had been generously funded by the West.

The IMF-World Bank sponsored reforms

Western capital was anxious to secure a firm grip over the reins of macro-economic policy. The IMF-World Bank sponsored reforms were set in motion immediately after the electoral victory of the Democrats and the inauguration of President Sali Berisha in May 1992... Economic borders were torn down, Albanian industry and agriculture were "opened up"... Adopted in several stages, the ill-fated IMF sponsored reforms reached their inevitable climax in late 1996 with the ruin of the industrial sector and the near disintegration of the banking system. The fraudulent "pyramid" investment funds which had mushroomed under the Berisha regime had closed their doors. The faded promises of the "free market" had evaporated, millions of dollars of life-long savings had been squandered, the money had been siphoned out of the country. One third of the population was defrauded, with many people selling their houses and land.

Some 1.5 billion dollars had been deposited in the "ponzi" schemes with remittances from Albanian workers in Greece and Italy representing a sizeable portion of total deposits. Yet the amounts of money which had transited in and out of the investment funds was significantly larger. The Puglian Sacra Corona Unita and the Neapolitan Camorra mafias had used the pyramids to launder vast amounts of dirty money, part of which was reinvested in the acquisition of State property and land under Tirana's privatisation programme. The ponzi schemes were also used by Italy's crime syndicates as a point of transit, - i.e. to re-route dirty money towards

safe offshore banking havens in Western Europe.

These shady investment funds were an integral part of the economic reforms inflicted by Western creditors. The application of "strong economic medicine" under the guidance of the Washington based Bretton Woods institutions had contributed to wrecking the banking system and precipitating the collapse of the Albanian economy. Since their inception in 1991-92, the free market reforms had also generated an environment which fostered the progress of illicit trade (noticeably in narcotics and arms sales) as well as the criminalisation of State institutions.

Controlled by the ruling Democratic Party, Albania's largest financial "pyramid" VEFA Holdings had been set up by the Guegue "families" of Northern Albania with the support of Western banking interests. VEFA is now under investigation in Italy for its ties to the Mafia which allegedly used VEFA to launder large amounts of dirty money (Andrew Gumbel, "The Gangster Regime We Fund", *The Independent*, 14 February 1997).

The pyramids not only financed the campaign of the Democratic Party ahead of the June 1996 elections, they were also used by Party officials to swiftly transfer money out of the country. (Geopolitical Drug Watch, Albania, "More than a Bankruptcy, the Theft of a Century", *The Geopolitical Drug Dispatch*, No. 66, April 1977, p. 1).

> Several of the multi-million-dollar schemes lent their support to the ruling Democratic Party in last year's [1996] parliamentary and local elections. (...) To date, no country has investigated the link between governments and the schemes, and critics point to a dearth of fraud-related legislation. (*Christian Science Monitor*, 13 February 1997).

"Foundation fever" was also used to bolster Berisha's euphoric 1996 re-election bid. Widely accused of poll-rigging, the Democratic Party had branded the logos of the pyramids in last year's campaign posters. Echoing the get-rich-quick frenzy of the ponzi schemes, the Berisha regime had promised: "with us everybody wins"...

An "economic success story"

The alleged links of the Democratic Party to organised crime were known to Western governments and intelligence agencies, yet President Sali Berisha had been commended by Washington for his efforts toward establishing a multiparty democracy "with legal guarantees of human rights". Echoing the US State Department, the Bretton Woods institutions (which had overseen the deregulation of the banking system), had touted Albania as a "economic success story": "Albania's performance on macroeconomic policy and structural reforms has been remarkably good since 1992" (World Bank Public Information Department, 5 December 1995). World Bank Director for Central Europe and Asia, Mr. Jean Michel Severino, on visit to Tirana in the autumn of 1996, had praised Berisha for the country's "fast growth and generally positive results"; the economy "has bounced back quicker than in other [transition] countries"... A few months later, the scam surrounding the fraudulent "pyramids" and their alleged links to organised crime were unveiled.

> In all the euphoria about double-digit growth rates, few bothered to notice that the revenue was almost all coming from criminal activity or artificial sources, such as foreign aid and remittances sent home by Albanians working abroad. (Andrew Gumbel, "The Gangster Regime We Fund", *The Independent*, 14 February 1997).

In February 1997, Prime Minister Alekxander Meksi grimly admitted in a statement to Parliament, that the country was on "the brink of macroeconomic chaos, (...) a real economic catastrophe (...) even worse than in 1992," following the initial injection of IMF "shock treatment". (*Albanian Daily News*, 28 February 1997). President Berisha had himself re-appointed by Parliament; a state of emergency was in force which

> gave police power to shoot stone-throwers on sight. The main opposition newspaper was set afire, apparently by the secret police, less than 12 hours after the introduction of draconian press censorship laws (Jane Perlez, "Albanian Tightens Grip, Cracks Down on Protests", *New York Times*, 4 March 1997).

Prime Minister Meksi was sacked in early March 1997, the Commander in chief of the Armed Forces General Sheme Kosova was put under house arrest and replaced by General Adam Copani. The latter - who over the years had established close personal ties to NATO headquarters - was responsible for co-ordinating with Western governments, the activities of the military-humanitarian operation ordered by the UN Security Council...

The economy had come to a standstill, poverty was rampant, the Albanian State was in total disarray leading to mass protest and civil unrest. Yet the West's endorsement of the Berisha regime remained impervious...

The bankruptcy programme

The pyramid scam was the consequence of economic and financial deregulation.[1] Under the IMF-World Bank sponsored reforms initiated since the outset of the Berisha regime in 1992, most of the large public enterprises had been earmarked for liquidation or forced bankruptcy leading to mass unemployment. Under the World Bank programme, budgetary support for the State Owned Enterprises (SOEs) would be slashed while "clearly identifying which enterprises are to be allowed access to public resources and under which conditions"(World Bank, Public Information Department, 5 December 1995). This mechanism contributed to rendering inoperative a large part of the nation's productive assets. Moreover, credit to State enterprises had been frozen with a view to speeding up the bankruptcy process.

A bankruptcy law was enacted (modelled on that imposed on Yugoslavia in 1989); the World Bank had demanded that:

> restructuring efforts include splitting of SOEs [state owned enterprises] to make them more manageable (...) and prepare them for privatisation. The state-owned medium-sized and large

> enterprises including public utilities, would be privatised through the mass privatisation program (MPP), (...), for which vouchers are being distributed to the citizens. (World Bank, Public Information Department, 5 December 1995).

The most profitable State enterprises were initially transferred to holding companies controlled by members of the former nomenklatura. State assets within the portfolio of these holding companies were to be auctioned off to foreign capital according to a calendar agreed upon with the Bretton Woods institutions.

The privatisation programme had led virtually overnight to the development of a property owning class firmly committed to the tenets of neoliberalism. In Northern Albania, this class was associated with the Guegue "families" linked to Berisha's Democratic Party. The Northern tribal clans or "fares" in control of State macro-economic policy had also developed links with Italy's crime syndicates (*Geopolitical Drug Watch*, No 66, p. 4.).

In turn, this rapid accumulation of private wealth had led to the spurt of luxury housing and imports (including large numbers of shiny Mercedes cars)... The import of cars has been boosted by the influx of dirty money... Moreover, the gush of hard currency loans granted by multilateral creditors has also contributed to fuelling the imports of luxury goods. Imports had almost doubled from 1989 to 1995. Exports on the other hand had dwindled exacerbating the country's balance of payments crisis. (United Nations Economic Commission for Europe (UNECE), *Economic Survey of Europe 1996*, Geneva, 1996, p 188-189).

Financial deregulation

1. In mid-1992, a 12 month Stand-By Arrangement with the International Monetary Fund (IMF) was concluded; a three-year arrangement under the Enhanced Structural Adjustment Facility (ESAF) of the IMF began in July 1993; balance of payments and emergency support from EU/G24 were also granted alongside sectoral adjustment loans and import credits from the World Bank. The stabilization program consisted of: "fiscal consolidation, tight monetary policy and structural reform (pricing, exchange and trade system liberalization, banking reform and privatization)". See World Bank Public Information Department, *Albania-Enterprise and Financial Sector Adjustment Credit*, Washington, May 17, 1994.

The Albanian Parliament had passed a banking law in 1992 allowing for the creation (with little or no restrictions) of "foundations" and "holding companies" involved in commercial banking activities. The World Bank had insisted on

> an appropriate framework for creating new [small and medium-sized] private banks and encouraging informal money lenders and non-bank financial intermediaries to enter the formal financial intermediation circuit...(World Bank, Public Information Department, 5 December 1995).

The "pyramids" had thereby become an integral part of the untamed banking environment proposed by the Bretton Woods institutions. The various funds and "foundations" were to operate freely alongside the State banks composed of the National Commercial Bank, the Rural Commercial Bank and the Savings Bank. The law, while spurting the expansion of private financial intermediaries, nonetheless retained certain "supervisory functions" for the Central Bank authorities. Art. 28 of the law provided for the establishment of a Reserve Fund at the Central Bank with a view to "safeguarding the interests of depositors". (See F. Münzel, "IMF Experts Partially Responsible for Albanian Unrest", Kosova Information Office, Stockholm, 13 March 1997).

The provisions of Article 28 were later incorporated into a special article on banks and financial institutions contained in the World Bank sponsored Draft Law on Bankruptcy presented to Parliament in late 1994. This article provided for the establishment of a "deposit insurance fund" under the supervision of the Central Bank.

While the law was being debated in the legislature, the IMF advisory team at the Central Bank intervened and demanded that this clause be scrapped because it was "at this time inconsistent with Fund staff advice". (No other reason was given.) Also, the IMF experts advised, normal bankruptcy procedure should not be applied to banks because that would have meant that the creditors of an insolvent bank could ask that bank to stop operations. This was inadvisable, an IMF expert claimed, because "in Albania, which has so few banks, this is perhaps a matter solely for the bank regulatory authorities" - and that meant the Central Bank.(ibid)

In turn, the foreign consultant who had drafted the Bankruptcy

Law (on behalf of the government with support from the World Bank) had advised the authorities that the removal of the deposit insurance clause from the draft law might result in: “small creditors’ rallies in front of closed banks, waving red flags and posters accusing National Bank officials of conspiracy with Western capital, or the Mafia, to exploit and destroy the people”. The IMF experts did not listen. On their advice, the deposit insurance scheme and the full application of insolvency law to banks were scrapped. (ibid)

Despite this forewarning, the IMF’s decision (over-ruling both the government and the World Bank) was to be formally embodied in the draft of a new banking law presented to Parliament in February 1996 “at a time when the danger represented by fraudulent banking enterprises should have been evident to everybody...”(ibid). The new banking law also scrapped the three tier banking system contained in the 1992 Law:

> It [the 1996 draft law] was written in an Albanian so awful that the poor deputies can hardly have understood it; that may have been the reason why they passed it, certainly very much impressed by its arcane technicality. It evidently was a verbatim translation from an English original, so one may safely assume that this, again, was the work of those IMF experts at the Central Bank everybody believed in - just as, at that same time, nearly everybody believed in those pyramids.(ibid)

The IMF team at the Albanian Central Bank had:

> thwarted pending legislation for the safety of depositors (...) The IMF team at the Albanian Central Bank did not use its influence to make the Central Bank carry out its supervisory duties and stop the pyramids in time - perhaps because the IMF experts believed that Albania needed all the banks it could get, honest or fraudulent (ibid).

And it was only when the financial scam had reached its climax in late 1996, that the IMF retreated from its initial position and “asked President Berisha to act. At that time it was far too late, any sort of soft landing was impossible” (ibid).

In parallel with these developments, the World Bank (which was busy overseeing the enterprise restructuring and privatisation programme) had demanded in 1995 the adoption of legislation which would transform the state-owned banks into holding companies. (The two-tiered banking system had been scrapped earlier in 1992, opening the way for the outright sale of Albania's major banks to foreign capital.) This transformation had been included in the "conditionalities" of the World Bank Enterprise and Financial Sector Adjustment Credit (EFSAC).

The World Bank had carefully mapped out the process of industrial destruction by demanding a freeze of budget support to hundreds of SOEs targeted for liquidation. It had also required the authorities to set aside large amounts of money to prop up SOEs which had been earmarked for privatisation. Thus prior to putting the National Commercial Bank, the Rural Commercial Bank and the Savings Bank on the auction block, the government (following World Bank advice) was required to "help restore the banks' balance sheets by assuming their non-performing loan portfolio. 'This will be done so that they can be really sound banks and be turned into shareholding companies, which will then be sold'". (*Albanian Times*)

Making the SOEs (including State owned public utilities) "more attractive" to potential foreign investors had predictably contributed to fuelling the country's external debt. This "strengthening of SOEs in preparation for privatisation" was being financed from the gush of fresh money granted by multilateral and bilateral creditors. Ironically, the Albanian State was "funding its own indebtedness" (by providing financial support to SOEs earmarked for sale to Western interests and creditors)...

Moreover, part of the foreign exchange proceeds generated by the influx of overseas remittances and dirty money into the "foundations" was also being used to prop up the State's debt-stricken enterprises, ultimately to the benefit of foreign buyers who were acquiring State property at rock bottom prices.

In 1996, the Tirana stock exchange was set up with a view to "speeding up the privatization programme". In the true spirit of Anglo-Saxon liberalism, only ten players (carefully selected by the regime) would be licensed to operate and "compete" in the exchange. (*Albanian Times*, Vol. 2, No. 18, May 1996).

The scramble for state property

As the banking system crumbled and the country edged towards disaster, foreign investors (including Italy's crime syndicates) scrambled to take over the most profitable State assets. In February 1997, Anglo-Adriatic, Albania's first voucher privatisation fund, was busy negotiating deals with foreign investors in areas ranging from breweries to cement and pharmaceuticals. The Privatisation Ministry, hastily set up in response to Western demands after the rigged June 1996 elections, reaffirmed the government's determination "to conclude this undertaking to privatise the economy and to do it soundly, steadily and legally. We are determined to go on."(ibid):

> At midday on March 10, on the third floor of the Albanian Finance Ministry, an auction is due to take place for the sale of a 70 per cent stake in the Elbasan cement plant for cash. A day later, a 70 per cent stake is due to be sold in the associated limestone quarry.... (Kevin Done, *Financial Times*, 19 February 1997).

The World Bank had also recommended that all public utilities including water distribution, electricity and infrastructure be placed in private hands... In turn, civil unrest had served to further depress the book-value of State assets to the benefit of foreign buyers:

> "This is the Wild East", says one Western investor in Tirana. "There is going to be trouble for some time, but that also offers opportunities. We are pressing on regardless." (ibid).

Selling off strategic industries

Despite mounting protest from the trade-unions, the government had established (in agreement with Western financial institutions) a precise calendar for the sale of its strategic holdings in key industries including oil, copper and chrome. These sales had been scheduled for early 1997... With a modest investment of 3.5 million dollars, Preussag AG, the German mining group, was to acquire an 80 percent stake in the chrome industry, giving it control over the largest reserves of chrome ore in Europe.

The stakes in the 1996 elections were high for both America and

Germany. The Adenauer Foundation had been lobbying in the background on behalf of German economic interests. Berisha's former Minister of Defence Safet Zoulali (alleged to have been involved in the illegal oil and narcotics trade) was the architect of the agreement with Preussag against the competing bid of the US led consortium of Macalloy Inc. in association with Rio Tinto Zimbabwe (RTZ).

Several Western oil companies including Occidental, Shell and British Petroleum had their eyes riveted on Albania's abundant and unexplored oil-deposits in the regions of Durres, Patos, and Tirana. Occidental was also drilling off-shore on Albania's coastline on the Adriatic.

A "favourable mining law" set up under Western advice in 1994 had enticed several Western mining companies into Mirdita, Albania's main copper producing area. But Western investors were also gawking Albania's gold, zinc, nickel and platinum reserves in the Kukes, Kacinari and Radomira areas. A spokesman for a major Western mining company had been inspired by the fact that "Albania [was] stable politically, unlike some of its Balkan neighbours". (*Albanian Times*, Vol. 2, No. 19, 1996). In 1996, the government established regulations for the privatisation of the entire mining industry.

Under the agreements signed with the Bretton Woods institutions, the Albanian government was in a straightjacket. It was not permitted to mobilise its own productive resources through fiscal and monetary policy. Precise ceilings were imposed on all categories of expenditure. In other words, the State was no longer permitted to build public infrastructure, roads or hospitals without the assent of its creditors, - i.e. the latter not only become the "brokers" of all major public investment projects, they also decide in the context of the "Public Investment Programme" (PIP, established under the guidance of the World Bank) on what type of public infrastructure is best suited to Albania.

The grey economy

Alongside the demise of the state-owned corporations, more than 60,000 small scale "informal" enterprises had mushroomed overnight. According to the World Bank, this was clear evidence of a buoyant free enterprise economy: "the decline of the state sector was compensated by the rapid growth of private, small-scale, often informal, activities in retail trade, handicrafts, small-scale construction, and services" (World Bank, Public

Information Department, 5 December 1995). Yet upon closer scrutiny of official data, it appears that some 73 percent of total employment (237,000 workers) in this incipient private sector was composed of "newly created enterprises [which] have only one employee" (*Albanian Times*, Vol. I, No. 8 December 1995).

An expansive "grey economy" had unfolded: most of these so-called "enterprises" were "survival activities" (rather than bona fide productive units) for those who had lost their jobs in the public sector. (World Bank Public Information Department, 5 December 1995). In turn, this "embryonic" market capitalism was supported by the Albanian Development Fund (ADF), a "social safety net" set up in 1992 by the World Bank, the European Union and a number of bilateral donors with a view to "helping the development of rural and urban areas by creating new jobs". ADF was also to provide support "with small credits and advice to the unemployed and economically disadvantaged people helping them start their own business". (*Albanian Times*, Vol 2, No. 19, 1995). As in the case of VEFA Holdings, the ADF was managed by appointees of the Democratic Party...

Albania had also become a new cheap labour frontier, competing with numerous low wage locations in the Third World: some 500 enterprises and joint ventures (some of them with suspected mafia connections) were involved in cheap labour assembly in the garment and footwear industries, largely for export back to Italy and Greece. Legislation had also been approved in 1996 to create "free economic areas" offering foreign investors among other advantages, a seven-year tax holiday. (*Albania Times*, Vol 2, No 7, February 1996).

Rural Collapse

The crisis had brutally impoverished Albania's rural population; food self-sufficiency had been destroyed; wheat production for sale in the domestic market had tumbled from 650,000 tons in 1988 (a level sufficient to feed Albania's entire population) to an estimated 305,000 tons in 1996. Local wheat production had declined by 26 percent in 1996 (FAO Release, 8 October 1996).

The dumping of surplus agricultural commodities alongside the disintegration of rural credit, had contributed to steering Albania's agriculture into bankruptcy. The United States was supplying the local

market with grain surpluses imported under the 1991 Food for Progress Act. Government trading companies had also entered into shady deals through Swiss and Greek commodity brokers involving large shipments of imported wheat.

Moreover, a large chunk of Western financial support was granted in the form of food aid. Dumped on the domestic market, "US Food for Progress" not only contributed to demobilising domestic agriculture, it also contributed to the enrichment of a new merchant class in control of the sale of commodity surpluses on the domestic market.

Locally produced food staples had been replaced by imports. In turn retail food prices had skyrocketed. In the 1980s, Albania was importing less than 50,000 tons of grain (World Bank, *World Development Report 1992*); in 1996 grain imports were (according to FAO estimates) in excess of 600,000 tons of which 400,000 tons were wheat.

By 1996, more than 60 per cent of the food industry was in the hands of foreign capital (*Albanian Times*, Vol 2. No. 15). Agro-processing for export to the European Union had developed largely to the detriment of the local market. The World Bank was providing low interest loans, seeds and fertilisers solely in support of non-traditional export crops. According to one observer, neither credit nor seeds were available to produce grain staples obliging farmers to "shift away from wheat and corn into higher value added products like fruits, vegetables, and pork".(*Albanian Times*, Vol 1, No. 2, 1995). What goes unmentioned, however, is that one of the "high value crops" for the export market is the illicit production of marijuana... Moreover, Italian intelligence sources have confirmed the establishment of coca plantations in mountainous areas on the border with Greece. "The Sicilian Mafia, with the support of Colombians, is believed to have set up the plantations"... (Helena Smith, *The Guardian*, March 25, 1997).

The FAO describes the situation with regard to grain production as follows:

> [wheat] plantings are estimated to have dropped to only some 127 000 hectares, well below the average 150 000 hectares sown from 1991 to 1995. This reduction was mainly as a result of farmers opting for other crops offering better returns relative to wheat. Yields are also estimated to have dropped further below the previous year's

> already reduced level. As in the past few years, yield potential was already limited by farmers' limited access to inputs such as fertiliser, crop protection chemicals, and new seeds (farmers have simply been keeping part of the previous season's crop to plant in the next year which has led to a degeneration of the quality of the seed)...(FAO Release, October 8, 1996)

Moreover, the production of traditional seeds (reproduced in local nurseries) had been destroyed; farmers now depend largely on seed varieties distributed by international agro-business, yet the prices of commercial seeds has skyrocketed. In a cruel irony, the market for imported seeds and farm inputs had been totally paralysed. According to a spokesman of the Ministry of Agriculture:

> Some 35,000 tonnes of wheat are needed this year [1996] as seed, which is a great amount and may be ensured through import only. But not a kilogram of seed has been imported until now from private businessmen and the state enterprises (*Albanian Observer*, Vol 2, No 1).

This manipulation of the market for seeds and farm inputs had heightened Albania's dependence on imported grain to the benefit of Western agro-business and the Guegue "families" involved in the grain trade.

The dumping of EU and US grain surpluses on domestic markets had led to the impoverishment of local producers. Fifty percent of the labour force in farming now earns a mere $165 per annum. According to the United Nations Development Programme (*Albania Human Development Report*) average income per peasant household in 1995 was a meagre $20.40 a month with farms in mountainous areas earning $13.30 dollars per month. Several hundred thousand people have flocked out of the rural areas; Tirana's population has almost doubled since 1990. A sprawling slum area has developed at Kanza, on the north-western edge of Tirana...

Macro-economic chaos

From 1989 to 1992, Albania's industrial output had declined by 64.8 per cent and its by GDP by 41.2 per cent (United Nations Economic Commission

for Europe (UNECE), *Economic Survey of Europe 1996*, Geneva, 1996, p. 184). Recorded GDP later shot up by 7.4 per cent in 1994, 13.4 per cent in 1995 and 10 per cent in 1996 (ibid, 1996 figure is an estimate). Yet, these "positive results" hailed by the Bretton Woods institutions had occurred against a background of industrial decline spurted by the World Bank sponsored bankruptcy programme. In 1995, industrial output stood at 27.2 per cent of its 1989 level, ie. a decline of more than 70 per cent (ibid, p. 185).

Despite the impressive turn-around in recorded GDP, living standards, output and employment continued to tumble. While domestic prices had skyrocketed, monthly earnings had fallen to abysmally low levels. Real wages stood at an average of $1.50 a day (less than 50 dollars a month) in 1990 declining by 57.1 per cent from 1990 to 1992 (*Statistical Yearbook of Albania*, 1991, p. 131). This collapse in real earnings continued unabated after 1992. According to recent data, conscripts in the Armed forces are paid 2 dollars a month, old age pensions are between 10 and 34 dollars a month. The highest salaries for professional labour were of the order of $100 a month (1996). With the devaluation of the lek in late 1996, real earnings collapsed further (almost overnight) by 33 per cent...

The outbreak of endemic diseases

Widespread poverty had led to the resurgence of infectious diseases. There was an outbreak of cholera in 1995. A polio epidemic spread in 1996 from the Northwestern region to Tirana and the rest of the country. (WHO, *Press Release* WHO/59, 18 September 1996; *Albanian Times*, Vol 2, No. 40). According to the United Nations, average life expectancy was 72.2 years in the period prior to the adoption of the market reforms; adult literacy was of the order of 85 percent (See UNDP, *Report on Human Development 1992*).

The economic reforms had also precipitated the disintegration of health and educational services. The World Bank was assisting the government in slashing social sector budgets through a system of cost recovery. Teachers and health workers were laid off, health spending was squeezed through the adoption of "new pricing policies and payment mechanisms for outpatient services, hospital services and drugs" devised by the World Bank. (World Bank Public Information Department, *Albania - Health Financing and Restructuring Project*, Washington, January 1994). In collaboration with the World Bank, the Phare program of the European

Union had granted support to the privatisation of health care.

Criminalisation of the state

An expansive underground economy had unfolded. A triangular trade in oil, arms and narcotics had developed largely as a result of the embargo imposed by the international community on Serbia and Montenegro and the blockade enforced by Greece against Macedonia. In turn, the collapse of industry and agriculture had created a vacuum in the economic system which boosted the further expansion of illicit trade. The latter had become a "leading sector", an important source of foreign exchange and a fertile ground for the criminal mafias.

The influx of overseas remittances from some 300,000 Albanian workers in Greece and Italy had increased (according to official figures) threefold from 1992 to 1996. The actual influx including unrecorded inflows of dirty money was much larger. Several reports confirm that the pyramid schemes had been used extensively to launder the proceeds of organised crime as well as channel dirty money towards the acquisition of State assets:

> A Tirana banker, who declined to be named, told Reuters that the last major shipment of dirty money arrived at the start of 1997, with the Mafia paying $1.5 million to a fund which laundered $20 million. He is quoted as saying that: "The dirty money is plunged into the pyramids and clean money sent out under the guise of bogus import deals," adding that "it is easy to watch the money clear the system." (Fabian Schmidt, *Is There A Link Between The Albanian Government And Organized Crime?*, OMRI, 17 February 1997, Vol 1, No. 553).

The Italian mafias were involved in drug-trafficking, cigarette-smuggling and prostitution:

> Pier Luigi Vigna, Italy's chief anti-Mafia prosecutor, confirmed a report by a small business association that Italian-organised crime groups had sunk money into the schemes to raise start-up capital for new ventures. He noted that Albania had become a significant producer of marijuana and was dabbling in the cultivation of coca,

> the raw material for cocaine. (Andrew Gumbel, *The Independent*, February 14, 1997, p. 15).

Local politicians were said to "benefit from the ambient disorder, they even seem to bank on it which hardly encourages efforts towards the modernisation and restructuring of Albania" (*Geopolitical Drug Watch*, No. 35, September 1994, p. 3). According to one press report (based on classified intelligence sources), senior members of the government, including cabinet members and members of the secret police, SHIK, are alleged to be involved in drugs trafficking and illegal arms trading:

> (...) The allegations are very serious. Drugs, arms, contraband cigarettes all are believed to have been handled by a company run openly by Albania's ruling Democratic Party, Shqiponja (...). In the course of 1996, Defence Minister Safet Zhulali [was alleged] to have used his office to facilitate the transport of arms, oil and contraband cigarettes. (...) Drugs barons from Kosovo, the Albanian-dominated region controlled by Serbia, operate in Albania with impunity, and much of the transportation of heroin and other drugs across Albania, from Macedonia and Greece en route to Italy, is believed to be organised by Shik, the state security police (...). Intelligence agents are convinced the chain of command in the rackets goes all the way to the top and have had no hesitation in naming ministers in their reports. (Andrew Gumbel, ibid.).

Amidst massive protests against the government handling of the pyramid schemes', Safet Zhulali had fled the country to Italy by boat...

"Guns and ammo for Greater Albania":

The trade in narcotics and weapons was allowed to prosper despite the presence since 1993 of more than 800 American troops at the Albanian-Macedonian border with a mandate to enforce the embargo. The West had turned a blind eye. The revenues from oil and narcotics were used to finance the purchase of arms (often in terms of direct barter): "Deliveries of oil to Macedonia (skirting the Greek embargo [in 1993-4] can be used to cover heroin, as do deliveries of kalashnikov rifles to Albanian 'brothers' in Kosovo". (*Geopolitical Drug Watch*, No. 35, 1994, p. 3).

These extensive deliveries of weapons were tacitly accepted by the Western powers on geopolitical grounds; both Washington and Bonn had favoured the idea of "a Greater Albania" encompassing Albania, Kosovo and parts of Macedonia. (*Geopolitical Drug Watch*, No 32, June 1994, p. 4). Not surprisingly, there was a "deafening silence" of the international media regarding the Kosovo arms-drugs trade: "the trafficking [of drugs and arms] is basically being judged on its geo-strategic implications (...) In Kosovo, drugs and weapons trafficking is fuelling geopolitical hopes and fears" (ibid)

In turn the financial proceeds of the trade in drugs and arms were recycled towards other illicit activities (and vice versa) including a vast prostitution racket between Albania and Italy. Albanian criminal groups operating in Milan, "have become so powerful running prostitution rackets that they have even taken over the Calabrians in strength and influence." (*The Guardian*, 25 March 1997). Dirty money originating from payments from the mafias for the dispatch of Albanian women to Italy have also been deposited in the pyramid funds... According to the Albanian Helsinki Committee, up to one third of Italy's prostitutes are Albanians. (Ismije Beshiri and Fabian Schmidt, OMRI, 14 August 1996). Other estimates place the number of Albanian prostitutes in Italy at 4000-7000.

Organised crime invests in legal business

Legal and illegal activities had become inextricably intertwined. The evidence suggests that the involvement of Italy's crime syndicates in Albania was not limited to the mafias' traditional money spinners (drugs, prostitution, arms smuggling, etc.). Organised crime was also suspected to have invested in a number of legal economic activities including the garment industry, tourism and the services economy. According to *The Geopolitical Drug Watch* (No. 66, April 1997, p. 3)

> the pyramid cooperatives of southern Albania mostly invested in medium sized Italian firms, establishing joint ventures, some of which are being investigated by the Italian authorities.

Conversely, there is evidence that Albanian criminal groups have invested in land and real estate in Italy.

The four main pyramids were Sudja, Populli, Xhaferri and VEFA

Holdings. The latter, upheld by the West "as a model of post-communist free enterprise", is the country's largest pyramid investment fund, closely controlled by the Democratic Party. VEFA, which continues to play a key role in the World Bank sponsored privatisation programme, owns a large number of former State owned enterprises including supermarkets, import-export, transportation and manufacturing companies. The supermarket run by VEFA is partly owned by the Italian Aldes supermarket chain.

VEFA is currently under investigation in Italy for its ties to the mafia. VEFA has been advised by the Naples based accounting firm Cecere and Caputo, which is alleged to have connections to the mafia. The brother of the (deceased) founder of the accounting firm, Gennaro Cecere, was arrested in early 1997 on mafia associated charges. (Daniel J. Wakin, Associated Press Dispatch, 19 February 1997). A consultant for the firm, Gianni Capizzi, led a seven-member team in February 1997 with the mandate to restructure VEFA Holdings and give a hand to its chairman, Vehbi Alimucaj, a former army supplies manager "who has no training in economics". Alimucaj is alleged to be involved in the illegal trading of arms:

> Capizzi said by telephone that he had no reason to believe that VEFA operated in an illegal way (...) the brother had no connection with the firm, (...) Nicola Caputo, the other principal in the Italian firm, has met Alimucaj several times while on business in Albania, Capizzi said.(ibid).

Recycling dirty money towards western creditors

International creditors, anxious to collect interest payments on Tirana's mounting external debt, had their eyes riveted on the expansive foreign exchange proceeds of this illegal trade. As Albania fell deeper in debt and legal industries and agriculture collapsed, income from illicit trade and overseas remittances became the only available source of essential foreign exchange, and creditors and the Tirana government alike shared a vested financial interest in the uninterrupted flow of lucrative contraband.

The gush of remittances and dirty money into the country was being transformed into domestic currency (lek) and funnelled into the pyramid funds (as well as into the acquisition of State assets and land

under the privatisation programme).

In turn, the hard currency proceeds were being funnelled from the inter-bank market towards the Treasury. In conformity with its agreements with the Bretton Woods institutions, the government would eventually be obligated to use these hard currency reserves to pay the interest and arrears on Albania's external debt. In fact, a large part of the foreign exchange influx (including money of criminal origin) will eventually be used to meet the demands of Tirana's external creditors leading to a corresponding outflow of resources. Albania's outstanding obligations (including interest arrears) to commercial banks, amounting to some US$644 million, had been converted in 1995 into "collateral bonds" and "non-recourse par bonds". (Source: World Bank, Public Information Department, June 1996). According to one report, the creditors had a vested interest in keeping the pyramids afloat as long as possible:

> The IMF waited until October 1996 to raise the alarm. For four years, international institutions, American and European lenders and the foreign ministries of Western countries had been content to back the activities of the Albanian political class, which is an offshoot of the "fares", a name given the extended family clans without which nothing can be done in Albania (*Geopolitical Drug Watch*, No 66, p. 2).

Western finance capital had relied on Berisha's Democratic Party which in turn was alleged to be associated with Italy's crime syndicates. In turn, the Bretton Woods institutions, responsible for advising the government, had insisted on the total deregulation of the banking system. No impediments were to be placed on the development of the pyramids, no restrictions on the movement of money... The conventional wisdom would no doubt argue that this influx of hot and dirty money was helping the country "improve its balance of payments".

In other words, the West had not only tolerated, during the government of President Berisha, a financial environment in which criminals and smugglers were allowed to prosper; the "free market" system had also laid the foundations for the criminalisation of the State apparatus. The evidence suggests that "strong economic medicine" imposed by external

creditors contributed to the progress of an extensive criminal economy which feeds on poverty and economic dislocation.

What prospects under the socialists?

The political protest movement did not identify the role played by international financial institutions and Western business interests in triggering the collapse of the Albanian economy. The people's movement was largely directed against a corrupt political regime. The Democrats were discredited because society had been impoverished. In the eyes of the people, the Berisha government was to blame.

The West's stake in Albania remains unscathed, because Western interference is not the prime object of political protest. Moreover, the West has been able to enforce its free market reforms on the Berisha government while at the same time laying the groundwork for Berisha's downfall. By simultaneously co-opting the Socialist opposition, Western business interest were able to sidetrack political dissent while ensuring the installation of a successor regime.

In other words, the West has ensured the replacement of an unpopular government, whose legitimacy is challenged, by a freshly elected "Socialist" regime formed from the ranks of the opposition. Successive governments bear the sole brunt of social discontent while shielding the interests of creditors and MNCs. Needless to say, this change of regime does not require a shift in the direction of macro-economic policy. On the contrary, it enables the Bretton Woods institutions to negotiate with the new authorities a fresh wave of economic measures.

Under the arrangement reached with Socialist Party leaders at the Rome Conference on 31 July 1997, a residual contingent of Italian troops will remain in Albania. In the words of Franz Vranitzky, mediator for Albania from the Organisation for Security and Co-operation in Europe (OSCE), at the close of the Conference: "We will continue to fill the framework with substance with regard to the reconstruction of the Albanian police force, of the army, of commerce, of financial systems and of the constitution".(Press Conference)

On the economic front, the Bretton Woods institutions will ensure that the Socialists continue to apply "sound macro-economic policies". In the words of Vranitzky: "the International Monetary Fund (IMF) and the World Bank would send teams to Tirana in August [1997] to help with

economic programmes, including setting up banking systems and advising on how to deal effectively with pyramid schemes". (ibid.)

Prime Minister Fatos Nano stated triumphantly at the close of the Rome Conference: "Our (government) programme has not only received a (parliamentary) vote of confidence but today it has received a vote of confidence from the international community."

The July 1997 Rome Agreement safeguards the West's strategic and economic interests in Albania; it transforms a country into a territory, it serves as a bulwark blocking a united resistance of the Albanian people against the plunder of their homeland by foreign capital. ●

Peter Truscott MEP

Russia First: A New School of Thought in Russia

Evolving from traditional themes running through Russian history, a new school of thought has arrived in Russia which has come to dominate the political agenda in Russia today. It is a more powerful force than any other, coming to influence all the major parties and political blocs in the Russian Federation, including the president, prime minister, the foreign ministry and the entire presidential administration. The new school of thought can be encapsulated in two words: 'Russia First'.

Russia First does not exist independently of other schools of thought, and has for example influenced the Westerniser (*zapadniki*) and Slavophile schools, which for almost three hundred years looked to the West and Russia's Slav roots respectively to define the country's identity and political direction. Russia's attempt to emulate the West's economic might and military prowess began under Peter the Great (1762-96) in the eighteenth century, and continued in fits and starts under a succession of Tsars and Commissars.

However, Russia First has now become the dominant school of thought in the Russian Federation, appealing across the political spectrum , winning support from liberal democrats, communists and nationalists, and has become a bi-partisan tenet of belief in Yeltsin's

Russia. Russia First can be defined as a school of thought in which the structural and intellectual attachment to Western political and economic values and models is being reversed, in favour of a more balanced view encompassing Russia's traditional and historical interests.

There are two closely interlinked strands to this school of thought. First, in foreign policy terms Russia has re-prioritised its foreign policy goals to project a more assertive image in areas of historical and traditional interest, where it calculates it can exert the most influence. These areas include the Orthodox west (ie the Balkans), the south-eastern Islamic world, China, India and the Middle East, and the 'near abroad' (ie the independent former Soviet republics).

Second, Russia has abandoned the wholesale 'copying' of Western economic and democratic models, in favour of a more selective 'pick and mix' policy that better matches the evolution of Russia's hybrid political models, as they have developed in the 1990s. These hybrid models are based more closely on Russian perceptions of the country's needs and historic traditions. Hence the evolution of a tsarist model of presidency under Boris Yeltsin, and a weak Duma, with more in common with pre-Soviet Russia than the French presidential system to which it bears a passing resemblance.

Yet Russia First refers to more than the re-emergence of traditional nationalism or even anti-Westernism, which have reappeared time and again in Russian history. Rather, Russia First represents a Russian attempt to find uniquely Russian solutions to the country's domestic and foreign policy conundrums. It seeks to answer Russia's centuries-old 'geo-political predicament', which led to Russia's marginalisation on the fringes of the European continent, and a conflict between its 'European' and 'Asiatic' identities. The communist period, under which the Russia Empire became superficially subsumed into the Soviet Union, merely obfuscated Russia's crisis of identity and concepts of Russian citizenship. A 'Soviet' identity was never successfully grafted onto Russian society, let alone the semi-subject nations of the USSR.

By implication, Russia First acknowledges that Russia is a Eurasian entity, not merely European. Reaching from the Baltic to the Pacific and embracing over 126 distinct nationalities, this is not a particularly startling claim. Khabarovsk is much closer to Beijing than

Yeltsin and Chernomyrdin

Warsaw or Berlin, and nearer to Hong Kong than Moscow. Boris Yeltsin's 1996 presidential election manifesto was even more explicit on the issue of Russia's identity, stating: "Russia- a Eurasian state, which with its resources and unique geo-political situation is going to become one of the largest centres of economic development and political influence." The honeymoon with the West under Gorbachev and in Yeltsin's early days had been relatively short. Questioned in 1992, rocked by 1994 , Russia's love affair with the West and all it stood for was dead following the election of the 'red-brown' Duma in December 1995. After the 1995 victory of the communists and nationalists, and the defeat of the Westernisers and the pro-Government political blocs, the ascendancy of Russia First was complete. From that point on, as Yeltsin borrowed the opposition's clothes to ensure victory in the 1996 summer presidential election, Russia began to pursue its interests in an increasingly assertive fashion, taking the ideas and assistance it needed from the West, but evolving its own democratic and economic models.

The argument that Russia First represents a new school of thought is a controversial claim. It might also be advanced that Russia First is instead a political process or reaction to an unpopular experiment in Westernisation: the economic reforms launched by Prime Minister Yegor Gaidar from 1992-93. To some extent it might be too early to judge,

but it is certainly true that any political movement requires a body of thought to bring it to life, guide its principles and explain its existence. The argument at the core of Russia First is that the West has assumed that Russia, emerging from the Soviet period, would develop a political and economic system based on Europe and the United States. While this may have been tried at the beginning of Yeltsin's era, it is not the case today. The Duma Elections of 1993 and 1995, and Yeltsin's victory in the presidential election of 1996 show unequivocally that this will not happen. The Western model of democracy and a market economy has been decisively rejected by the Russian people. Their politicians, aware of the changing political environment, have adapted their policies to fit the changed political atmosphere. President Yeltsin dramatically changed direction to ensure re-election.

The result has been the advent of Russia First and a new approach to relations with the West. Russia has adopted a selective approach, absorbing certain Western ideas and values (including technological and commercial skills) while evolving a peculiarly Russian model of democracy and market-orientated economy. Nor can this be brushed aside as a return to the past, as the Soviet model has been decisively rejected, along with fully-fledged capitalism or pure tsarist absolutism. It can also be argued that American and European states have consistently pursued their own US, Britain or Russia First strategies. The difference with Russia is that the country developed the Russia First school of thought in reaction to expectations that the country ignore its own interests and copy democratic and economic models which suited the West. Russia First represents a rejection of that strategy, and a desire to pursue national interests and policies even where these clash with the West. This rejection of Western values, and the assertion of national interests in the teeth of opposition from the West has the support of the entire Russian political elite and the wider electorate. Certainly, when it came to Russia First, President Yeltsin followed where voters led him.

In a sense, Russia First is a normal evolution of Russian statehood. Gennady Zyuganov, the leader of Russia's Communist Party, asserts the country's "equal right to follow our own path in accordance with our own traditions and conditions". In any event, Russia First heralds Russia's attempt to come to terms with life in the post-Soviet age, an

age where Moscow has lost an empire and its superpower status, but is determined to be treated as a 'Great Power'.

Russia First and foreign policy

For Russia, relations with the West are not as important as they once were. In the early days of Yeltsin's presidency, Russia's relationship with the West dominated foreign and domestic policy. By the end of 1992, questions were already being raised about the wisdom of Russia's overtly pro-Western foreign policy, first by Yeltsin and then by former Foreign Minister Andrei Kozyrev. The honeymoon following the collapse of the Soviet Union had been brief. In foreign policy terms, this could be seen in the distinct development of a Russia First strategy, both in terms of Russian relations with the West and its 'near abroad'. Increasingly, Russia was putting its own national interests before its desire to curry favour with the West. This was brutally displayed in the case of the conflict in Chechnya between 1994-96, where Russia pursued its policy of Russia First in the face of mild disapprobation from the West. It was difficult for the West to portray Russia as a paradigm of democracy and the market economy when it was blithely bombing thousands of its own citizens, many of them ethnic Russians unable to escape Grozny.

While the West had some understanding of Russia's position in Chechnya, in terms of its claim to be defending its territorial integrity, the West (especially the US) was less understanding about Moscow's dealings with Iran, China and international arms sales. Russia increasingly looked away from Europe to seek new markets for its military-industrial complex, facing catastrophic decline after the collapse of the command economy and loss of captive customers in Central and Eastern Europe. Russia clashed with the United States over the sale of nuclear reactors to Iran, and its burgeoning arms sales to China, Syria, India, in the Middle East and to the Third World. Although below their peak of the 1980s, Russian arms sales had picked up by the mid- 1990s. By 1996 Russia became the world's largest arms exporter to the developing world, selling $6 billion worth of arms to developing countries (with China the largest customer). By developing a closer trade and political partnership with China, and playing the 'China card', both countries hoped to counter-balance an increasingly unipolar world

dominated by Washington. Meanwhile, Russia was ruthlessly excluded from Central and East European markets by US and European arms manufacturers, against the background of the impending NATO enlargement. Despite offering Hungary 30 state-of-the-art combat aircraft for a third of the price offered by western suppliers, Russia soon realised the East Europeans would in future buy arms from their future NATO partners.

On NATO enlargement, Moscow was and remains opposed in principle to the expansion of the Atlantic Alliance. From Russia's point of view, NATO was a military alliance designed to counter the perceived military threat from the Soviet Union. After the end of the Cold War, Russia hoped that NATO might be replaced by the Organisation for Security and Co-operation in Europe (OSCE) as the continent's security architecture for the twenty-first century. As it became apparent that NATO would not wither away, Russian opposition to NATO enlargement grew. However, opposition to enlargement was always strongest among the political elite, particularly the communist and nationalist members of the Russian Duma. This was for several reasons. First, there was the potential threat to Russia's security, especially if the Baltic States and other former Soviet republics were included. Second, there was the sense that Russia was being politically marginalised as a 'Great Power' in Europe. Third, in addition to the painful loss of superpower status, Russia faced the loss of captive arms markets in Easter Europe (noted above). It was only when it was clear that NATO enlargement was unstoppable, that President Yeltsin and Foreign Minister Yevgeny Primakov switched tactics and negotiated a 'special relationship' with NATO through the Founding Act signed in Paris last spring. This set up a permanent Joint Russia- NATO Council, giving the Russian Federation a consultative voice in the Atlantic Alliance. Moscow calculated that it was better to have some future influence over NATO than none at all.

Although Russia had failed to stop NATO enlargement, it could take solace from slowing down the process (the Madrid Summit only agreeing to admit Hungary, Poland and the Czech Republic), and developing a 'special relationship' with the Alliance. In Moscow's eyes, NATO had recognised Russia's return to 'Great Power' status, even it was no longer regarded as a world superpower. Yet Russia still

draws the line at the Baltic States joining NATO, which would bring the Alliance to within 85 miles of St Petersburg. Anyone who thinks Russia would accept this with equanimity is forgetting history, and the 26 million Russians killed defending the motherland (including 500,000 who starved to death in the siege of Leningrad).

Russia First produced a shift in Moscow's priorities from the West to the south and east. In the early period of Yeltsin's presidency, Moscow tended to neglect its 'near abroad'. The near abroad became increasingly important to Russia, as its overtly pro-Western phase under Yeltsin faded. Moscow used the mechanism of the Commonwealth of Independent States (CIS) to exert pressure on its neighbours in the near abroad, in an attempt to create a type of 'European Union', establishing a zone of political, economic and military integration, with Russia taking the lead. While the CIS does not function entirely effectively, Russia increasingly used its economic and military muscle to divide and rule in the former republics of the Soviet Union. This strategy was particularly marked in the Transcaucasian countries and Central Asia, where Russian and Western interests increasingly collide over oil prospects around the Caspian Sea. Indeed, the conflict in Chechnya was heavily influenced by the competing routes for oil (and to a lesser extent gas) pipelines from the Caspian to markets in the West, via Russia, Azerbaijan, Georgia, Kazakhstan, Turkmenistan, Turkey and Iran. As an indication of the strategic struggle underway, the United States recently indicated it had lifted objections to a gas pipeline passing through Iran, on the grounds that it would weaken Russian influence in Central Asia. Isolating pariah states plays second fiddle to strategic geo-political interests.

Clashes of interest with the West have again been seen in Bosnia. In September 1995, Moscow accused NATO of attempted "genocide" when it bombed the Bosnian Serbs. NATO's operation to arrest Bosnian Serbs war criminals this summer was roundly condemned as a "cowboy raids" by the Russian authorities. Again, Moscow's response can be attributed to the ascendancy of Russia First, with demands that Russia be treated as a 'Great Power', especially in sensitive areas like the Balkans, where Moscow has historical and cultural links with the Slavic Serbs.

While the West remains important for Russia, it is now a political

fact of life that there were greater priorities for the Kremlin than approval from Washington or Bonn. In the current political climate in Russia, and with the general disenchantment with the values espoused by the West, Moscow is seeking to rebuild an Empire, not directly through conquest, but by re-asserting its influence which collapsed with the Soviet Union.

Russia First and the economy

Former Prime Minister Yegor Gaidar's economic 'shock therapy' between 1992-93 attempted to establish a Western-style market economy. Gaidar's programme, which sought to bring about a swift transition from a command to a open market economy , was a disastrous failure. Two-thirds of Russia's population has experienced a decrease in their real standard of living since the break-up of the Soviet Union, while only about one in ten benefited (the 'New Russians'). Hyper-inflation, massive underemployment, wage and pension arrears heaped on the misery. Life expectancy dropped from 71 to 57 for men, while infant mortality and the incidence of once-eradicated diseases like diphtheria rocketed. These economic circumstances, combined with a rising crime epidemic (with the mafia controlling up to 40 per cent of GDP), led to a political backlash in the Duma elections of 1993 and 1995, resulting in the 'red-brown' alliance dominating the lower house of parliament.

In domestic policy terms, Russia First has meant giving preferential treatment to Kremlin insiders, the old nomenklatura and the new Russian entrepreneurial class (the 'New Russians'). This is reflected in the privatisation process which has enriched Russian insiders, share flotations which have been restricted for foreign investors, and an opaque legal structure which makes it well-nigh impossible to enforce share-ownership rights and commercial contracts. Needless to say, this strategy is designed to protect massive vested interests, many linked to the Kremlin and favoured insiders.

On the economic front, Boris Nemtsov, Deputy Prime Minister in charge of monopolies, made it clear that his reforms have a Russian flavour. In May 1997, Nemtsov said strict limits would always be placed on foreign ownership of Russia's biggest company, Gazprom, adding: "To lose control over Gazprom means to lose sovereignty over Russia".

The gas giant had no intention of opening itself up to foreign influence, let alone control. Similarly, sales of shares in oil company Lukoil and several other smaller oil companies have been heavily restrictive. Foreign companies have been barred from taking part in a forthcoming sale of shares in six state owned oil companies, due to raise over £500 million. Gazprom, formerly headed by Prime Minister Victor Chernomyrdin, has two separate share prices for the domestic and foreign markets.

Even the privatisation of Svyazinvest, the telecoms holding company, was geared to encourage a domestic take-over, bring forth just two bids from competing Russian financial-industrial conglomerates. The success of Vladimir Potanin, head of Oneximbank and former Deputy Prime Minister, in acquiring stakes in both Svyazinvest and the Norilsk Nickel mining group, led to a major falling out of former business allies. Vladimir Gusinsky, head of the Most media Group, and Boris Berezovsky, deputy head of the national security council and former head of the Logovaz empire, had challenged Potanin for control of both the mining concern and the telecoms company. All three businessmen had given considerable financial backing to finance Yeltsin's re-election in 1996. Gusinsky and Berezovsky were incensed that Potanin's bank organised the auction of Norilsk Nickel (the largest nickel smelter in the world), selling the company to itself at half the estimated value. Both these privatisations indicate the incestuous nature of a corrupt oligarchy, now squabbling amongst itself for the rich pickings available in Yeltsin's Russia. However, a Russia First strategy ensures that the rich pickings are only available to Russians, and well-connected ones at that.

Neither Boris Nemtsov or Deputy Prime Minister Anatoly Chubais, the architect of Russia's privatisation drive, show any signs of moving away from an economic system which rewards favoured Russians and excludes foreign investors from open competition.

The experience of the American tobacco giant Philip Morris was salutary. Initially trying to organise its own distribution of cigarettes in St Petersburg, Philip Morris opened kiosks in the city to sell packs of Marlboros direct to the public. One after another, night after night, the Russian mafia blew up Philip Morris's kiosks. The project was abandoned. Domestic alcohol and cigarette distribution was another

no-go area for foreign enterprises.

Conclusion

Russia First has come to dominate Russian foreign and domestic policy, affecting Moscow's relations with the West and influencing the country's hybrid democratic and economic models. Disaffection with Western values can be seen not only in the shifts in policy, but in less subtle ways, from attempts to impose AIDS tests on foreigners, excluding religions not 'home-grown' from operating in Russia, and the drafting of the equivalent of the Tourbon laws to restrict western-language advertising. Those who see Russia moving closer to Western societal models will be cruelly disappointed. It is true that Russia is anxious to be accepted as a member of the world community, joining the Council of Europe, and desiring to join the World Trade Organisation, and become a full member of the G7 group of industrial nations. However, this is seen as a way of ensuring Russian prosperity and world standing, rather than a desire to emulate western institutions, and playing the game by their rules. Both Yeltsin's and Chernomyrdin's totally unrealistic statements on wanting to join the European Union show a desire for inclusion, and recognition of Russia's political and economic status. On a visit to Brussels in July 1997, Chernomyrdin bitterly complained at EU anti-dumping action, which declared Russia as a "non-market economy". Russia wants to be included, but on its own terms.

Russian people undoubtedly relish their opportunity to vote and travel freely. The system may not be perfect, but at least today the Russian people can elect their tsar. Business and cultural exchanges, together with foreign travel and tourism have opened the country up as never before. There is undoubtedly better, if wary, understanding between West and East. Whatever the result of Russia's next presidential election, one thing is certain. Russia First, which played a dominant role in the Duma elections of 1995 and the presidential election of 1996 is here to stay. Any future presidential candidate will need to adopt a Russia First strategy to win the next election, as Russia continues to evolve its Eurasian identity into the next millennium. ●

Tadeusz Kowalik

August - A Bourgeois Epigone Revolution

[The following text, by veteran left-wing Polish economist, Tadeusz Kowalik, provides a useful background to the impending parliamentary elections in Poland. At the time of writing, the motley collection of rightist parties gathered around Solidarity in Solidarity Electoral Action (AWS) is leading the governing Democratic Left Alliance coalition by 26% to 22% in the polls and a change of government seems on the cards.

It is appropriate to reflect, therefore, on the tragic consequences of the political weakness of the Solidarity movement, which, having found its erstwhile liberal associates fiercely anti-working class in office, has exchanged them for even more questionable political allies. No amount of industrial militancy can substitute for political ideas, a lesson that the left would do well to assimilate everywhere. Kowalik's piece is also a useful reminder of the radical dimension of the Polish workers' movement, which continues to display great vitality and militancy. If, as Kowalik indicates, the Round Table Agreement was a far cry from the Balcerowicz Plan, then this Agreement was itself a pale shadow of the radical democratic Self Managing Republic programme adopted by Solidarity in 1981.] **David Holland**

The tragi-comedy of 1980-82

The assertion that the workers played the key role in the bourgeois revolutions of continental Europe is a banal historical truth. Thus, without being particularly revelatory, Oskar Lange wrote on this subject:

> When, after the war in all the countries of central Europe, in Germany, Austria, Hungary, Poland, the remains of the ancien regime collapsed and, on the wreckage of the Hohenzollern, Habsburg and Romanov monarchies, bourgeois democratic republics were created, it was the workers' movement which was the creator of these republics.

> Since the workers' movement did not have the strength to endow the newly created republics with a proletarian class character, it was unable to avoid the republics it had created becoming bourgeois states. This created...the tragi-comic situation in which workers' parties created republics which were in their sociological content bourgeois states." (*The Crisis of Socialism*, 1931)

This tragi-comic situation (for many Solidarity activists and advisers to the 1980 strikers, myself included, the comic aspect was difficult to perceive) was repeated in almost classic form in Poland in 1980-82. The greatest, most massive workers' movement in Europe carried out a social revolution from which emerged one of the most unjust social systems that history has known on this continent this century. Here we are not concerned - at least not first and foremost - with the inevitable tendency for the class employed in heavy industry in the 'socialist mammoths' to lose out, because the modern industrial structure, to which we aspire, is entirely different.

Such assertions are part of the new ideology of legitimation. Have workers employed in the private sector not lost out, when they are very often denied the most elementary workers' rights, including the right to join a trade union? And what about nurses and teachers? Certainly, both in material terms and surprisingly in terms of prestige, these categories of people have lost much as the price of gaining freedom. This is a great prize. But for other social groups such an assertion of freedom has little significance. The shaken foundations of material welfare make it impossible for them to benefit from it.

"Unfortunately we have won!" said Lech Walesa on the night of 4 June, certainly not realising how much he was in fact saying in his exclamation! At that time he was still a worker and a trade union leader. The new social system above all meant the institutionalisation of very high and stable unemployment, a several fold increase in poverty and "a real revolution in incomes" (the term is Czeslaw Bywalc's).

Already we have outstripped many west European countries in terms of inequality of incomes. In a period of cyclical up-turn, unemployment may fall a little and because of this the number of marginalised people is to some extent falling. All these three features will however remain with us as constitutive features of the new order (at least until further major changes). In these conditions, the liberals' beloved

slogan of equality of opportunity becomes a fiction for a significant part of the population.

Opportunity beckoned in the new system for economists and lawyers. Once again we cite the incomparable statesman Nikifor : "We wanted to create a state of law and created a state of lawyers!" or "a plus with a minus sign!" A minus for some and a plus for others.

The epigone revolution was not necessary

I define this as an epigone revolution in two senses. Firstly, the revolution in Central Europe, which Lange was writing about, was lost by the workers' parties in a political sense. But not in a social sense. They achieved the first breakthroughs in the employment legislation of these countries. Polish workers won the eight hour day and many other rights. Some said the workers had been bought off in the face of the revolution knocking on the door.

In Poland today a wild capitalism of a nineteenth century character has emerged. The temporary alliance of the workers with the intelligentsia, which was entrusted with programmatic matters, the highly important support of the Church, together with international financial organisations, made possible the peaceful transformation of a workers' revolution into a bourgeois one. The spectacular collapse of the Communists promoted a disgust with everything which recalled the shadows of socialism. The proud worker-revolutionaries were reduced to "hands" once again. It was most symbolic that only Jacek Kuron from the new political elite publicly confessed that the great defeat of the workers gave him sleepless nights. He was the only one to puncture the complacency of this elite at the big celebration for (part of) the Freedom Union (UW) (speech at the anniversary meeting for the Polish August on 25 August 1996).

But this was an epigone's revolution in another sense. This type of bourgeois revolution has already become increasingly a relic of the past. In many countries modern private market economies have been established without the primitive accumulation of capital on the American, English, or even German model. On the one hand, this makes possible the association of (equity) capital; on the other, the fact that these new revolutions took place in countries in which big industry (often too big) already existed meant that the accumulation of the proverbial first million through speculation, theft, or fraud was not necessary to assist the transition

from manufacture to industrial production. For the same reason, the impoverishment of some to increase the capital of others was entirely unnecessary.

I write these words ten years after the death of Edward Lipinski, so it may not be recalled that this thinker perceived the new rules of capitalist modernisation eighty years ago. He wrote that:

> The Archimedes point on which the growth of our economy rests is not the activity of Carlyle type heroes of industry, or the individual abilities of particular entrepreneurs. We live in an epoch when it is not the efforts of genius individuals, but collective social toil and the organised work of the masses which determines social progress. (...) Today in the societies of the West the centre of gravity for the development of economic forces is dependent upon the activity of economic associations and the conscious action of the state (...) The bourgeoisie in Poland cannot realise these tasks in the way that in its time the bourgeoisie did in England, Germany and America." (E. Lipinski *Problemy, pytania, watpliwosci. Z warsztatu ekonomisty,* Warsaw 1981, pp 592-593)

The breaking of the social contract

So a revolution dependent on mass unemployment, impoverishment and glaring inequality was at least not a necessary condition of further modernisation. Owing to current circumstances, this has however become the reality. But it could be otherwise. Another programme for development existed in Poland - that of the Round Table. This projected not only the restoration of equilibrium to the economy by the liberalisation of prices (admittedly with too high a scale of indexation of wages), but also a "new economic order." On the one hand, this was to rest on the strengthening of workers' participation and, on the other, on a "free formation of the structure of ownership" (*The Round Table Agreement*, Warsaw 1989, p.24). This was a trade-off designed as a constitutional guarantee. It was proposed to endow the projected Fund of National Property with powers to "dispose of state property (including the sale of statutorily defined tasks)."

Sale and rent, not only of flats, land and shops, but also of factories and shares, treated as a significant source for covering budget deficits! It

was even postulated that a stock market would be created no later than 1991! This was therefore a very radical programme by the standards of previous reforms of the system, but it was not shock therapy. These same principles, albeit in a more general form, appeared in the electoral programme of the Citizens' Committees. The privatisation of state firms was later given more emphasis, at least in the tempo subsequently set by the National Investment Funds. It is not therefore true, as Piotr Jasinski suggests, that privatisation was "virtually absent" from the Round Table Agreement (Piotr Jasinski, in *Z powrotem do kapitalizmu. Problemy przeksztalcen systemowych wlasnosciowych*, Warsaw 1994, p.120). This is not isolated (dis)information. It has become accepted recently that the documents referred to should be condemned for their deficiencies, or alternatively they have been presented as yet one more attempt to perfect the old system. A reminder is needed that the contrary was the case. At the time, this was not an agreement aiming to give a dramatic advantage to speculative entrepreneurship. Indeed the principle of equal rights for different forms of ownership was upheld. The radical reform which was projected did not specify exactly how the "new economic order" was to be constituted. Nothing however was put forward which would have been in contradiction with - let us say - the Nordic-Austrian model.

It could not in any case have been otherwise, if the reform rested on the basis that the new system was to be constructed in close co-operation with the trade unions. It was to have rested on a social contract of the type which August 1980 affords such a fine example. The breach of the freshly concluded social contract, proclaimed in September 1989, providing for a move towards a private market economy, supposedly rested on tested models, which would avoid the dangers of experimentation. However the methods adopted represented a huge experiment, recalling in many respects the post-war move towards a centrally planned economy.

The troublesome question arises as to why the workers of Solidarity, the OPZZ [trade union federation stemming from the pre-Solidarity official trade unions], and the departing but still influential forces of the old governing elite, agreed to this move. This is a matter requiring wider consideration. The retreat by Solidarity is the easiest to explain. Emerging from underground, preoccupied by organisational matters, weakened by the exodus of the intelligentsia, it believed that this time the revolution had been victorious, because power was being exercised by people it trusted.

It still had confidence in Walesa, who however, was in such haste to support the new government, that he accepted the Balcerowicz programme without acquainting himself with its contents, and without any negotiation before its publication.

In a friendly embrace for the second time

Solidarity experienced not only a huge exodus of its intellectuals, who were drawn away by the prospect of power and money. It experienced something significantly worse. A large, perhaps preponderant part of its former advisers and activists went into an opposing anti-working class ideological camp, misrepresenting the history of Solidarity and even slandering it. The most insidious effect was the widespread presentation of the mass movement of 1980-81 as exclusively oriented to anti-communism, civil rights and national independence. The working class character of its demands and the social content of the movement were systematically passed over in silence. (An American political scientist, studying changes in Poland over a twenty year period, has remarked: "the word worker disappeared almost completely from the political vocabulary.") Sometimes maybe this is "only" unintended bias. What is worse, perhaps, is that a persistently repeated myth of a "Second Solidarity" is being created; it is simply presented as an irresponsible, populist opponent of market reforms. At the same time, if the scale of the attack on labour is taken into account, the restraint shown in terms of collective action is quite amazing. The supposedly "uncontrolled", "socialist" and according to some writers even "Bolshevik" pretensions have still resulted in a position in which workers earn significantly less than they used to before the recession.

This is a level which many of today's liberals criticise as being shockingly low. And we should note that the level of national income has now been fully restored - but anyone who calls for wage levels to be restored to their former level is accused of making unrealistic claims, inimical to the reforms and the market economy.

Take for example Leslaw Maleszki, writing in *Gazeta Wyborcza* under the title "The Second Solidarity in the Third Republic" (1.9.96), regarding the removal of Solidarity's protective umbrella from the government in 1991 and the mass workers' protests against the then economic policy:

> The paths of the union and of supporters of reform have parted company. At the same time the populist views of enemies of the reform process have strengthened." Earlier he cites with approval the charge made against the union that its strategy rests entirely on "raising wages and reducing hours of work." Not a word about the appearance of mass unemployment or the precipitate fall in real wages by at least a third, or the increase several times over in poverty, or the massive speculation, corruption, sudden appearance of huge fortunes...

Fortunately, this is not the only opinion of the withdrawn protective umbrella. Jacek Kuron gave a contrary view. In his opinion:

> The catastrophe of Solidarity took place because the government which had emerged from it, instead of leading a mass movement for reform, acted over people's heads. It carried out a statist-technocratic programme over people's heads, which pushed the majority towards ultra-left attitudes, which were the more radical because of the painful costs associated with the collapse of communism.

For him it is clear that, in the years 1989-93, what took place was - and I quote : "the destruction of the Solidarity movement by the government and administration." In retrospect, unfortunately, Kuron appreciated, as he himself recalls, that Solidarity was a reform movement, which could have been a great source of support for reform, only it opted for other reforms. It had them, it thought, in the form of guaranteed agreements.

I hope that Kuron's words, which I quote above, will survive all efforts to mystify history. I cannot however quote them without drawing attention to the subject of the functioning of the mass media. Kuron is almost a staff journalist for *Gazeta Wyborcza*. The paper often quotes the off-the-cuff, unprepared and unorganised opinions of this politician. "A Republic for Everyone", however, was not published or even reported. Kuron's friends did not like this text and for that reason it was not published in the paper, which has a circulation of almost a million. He placed it in *Zycie Gospodarcze*, which has a circulation a dozen or so times smaller. Such is our freedom of speech, an unprecedentedly subtle process of

control.

Kuron's text became still more inconvenient, because every party, apart from the SLD [Democratic Left Alliance] and perhaps the UP [Union of Labour], seeks support from Solidarity. They see in it, in fact, the only organised force capable of opposing the present coalition. The Freedom Union is also trying to curry favour with the newly extreme and politicised union. But this party in particular has a very difficult task in re-establishing its Solidarity credentials. A Kuron type of self-criticism would condemn it, if not to some kind of atonement, at the very least to a long public debate on the need for a fundamental programmatic reorientation. Kuron indeed demanded precisely this, without success, in 1994-95. But now it is too late, time presses and the elections are hard at hand. UW has therefore adopted a tactic of indicating that what its predecessor organisations, UD and KLD [Democratic Union and Congress of Liberal Democrats] did was nothing other than the realisation of the ethos and ethics of Solidarity.

Thus the chief speaker at the UW anniversary meeting, held under the title "The Polish August", responded to a question as to the ethic of Solidarity, not with definitions but with individuals: "Lech Walesa was the leader of a revolution, which achieved its ends without bloodshed: the spirit of Solidarity took the place of class struggle. Tadeusz Mazowiecki built the democratic institutions of a law-bound state and at the same time linked the Solidarity movement with personal Christian values (...) Leszek Balcerowicz combined the Solidarity Utopia with Anglo-Saxon political economy (Jozef Tischner, "Solidarity - a Retrospective View", *Gazeta Wyborcza*, 26.8.96).

I do not wish to be misunderstood. Given certain assumptions, it is a basic premise that the Solidarity vision of a new order was nothing more than a utopia. It can also be taken (again, I stress, on the basis of certain assumptions) that we were destined to shock-change. Even now this view holds. To assert however that the Balcerowicz programme was a successful blend of the Solidarity utopia with Anglo-Saxon economics, is to undertake a heroic enterprise in gross conflict with the facts. Is this not a sad example of the historian's art ? This is all the more so when the man responsible has deservedly acquired great moral authority.

The Freedom Union however treats Solidarity as its foe. Almost as much as the SLD. It is however falling into the embrace of the most right wing parties, regardless of the fact that the origins and ideology of some

of them is very anti-trade union. In almost all countries trade unions have political support in left-wing or centre-left parties. Solidarity paid a high price and was radically weakened by its first political umbrella. It had then at least the justification that it did not foresee such a radical change in the views of its advisors and activists. But now everything is clear. In spite of this, it is once more extending its umbrella over parties and programmes, in comparison with which even the right wing of UW is pink. It may be suffocated or greatly weakened by its latest friendly embrace.●

Translated by **David Holland**. Originally published in *Nowe Zycie*, 15 Sept 1996.

Vassilis Fouskas

The European Strategy of the Italian Left

The historical context

The foreign policy of the Italian Communist Party (PCI) does not seem to follow the pattern of indifference and arrogance which characterised other European parties during most of the Cold War period.[1] At least since the mid-1960s, the PCI has showed a profound awareness of European issues and was rather pro-European. Italian Communists saw European developments as an irreversible process with which the left should keep pace. The fact that Europe was a capitalist formation being shaped under the aegis of big capital was put in second place. As early as 1963, Giorgio Amendola, a leading moderate figure of PCI after the Second World war, argued:

> Inevitably the EEC accelerates the processes of centralisation and capitalist concentration and sweeps away positions which are working on excessively high unit costs. But all this requires a working class which develops a "European" struggle, in full agreement with the working forces of the other EEC countries against the monopolistic concentration which controls the executive organs of the EEC[2].

Much earlier, the leader of the PCI, Palmiro Togliatti had written a lead article in Rinascita under the title "federalismo Europeo?". Togliatti held that "if a 'European federation' really wants to be something serious, it should become, more or less, a new State, unique and multinational".[3]

The politics of Eurocommunism represented a further advance in the party's European strategy.[4] Straddling the two positions of the left, the Social Democratic, expressed by Labour and Socialist parties in Western Europe on the one hand, and the Stalinist line of Moscow on the other, the PCI and its highly acclaimed leader in the 1970s, Enrico Berlinguer, defended the view that a "third way to socialism", going beyond the two blocs, was feasible; that the natural locus of the party's projection should be on Europe as a whole. Berlinguer, like Willy Brandt, went so far as to speak of a "European and world administration".[5]

This pro-European, Eurocommunist strategy was, at the same time,

seen as anti-capitalist. From the 1970s up until the mid-1980s, the PCI, in the main, put forward the idea of a people's Europe, guided by a new popular alliance under the hegemony of the European working classes. Europe should thus be designed for the needs of her own people, not for the interests of big monopolies and obscure capitalist powers[6].

A deep process of political and ideological revisionism started after the death of Berlinguer. The PCI began to reconsider its own strategic conceptions in a broader context. Let us list its most crucial parameters:

- Crisis of Bretton Woods system (1971), first and second oil-shocks (1973, 1979);
- fiscal crisis of the state as well as high inflationary trends;
- the deepening of the European integration process under the new directives of Jacques Delors;
- the neo-liberal policies of Margaret Thatcher and Ronald Reagan, making headway everywhere, were creating a new set of international constraints;
- the crisis of the trade union movement due chiefly to the introduction of new flexible production models and advanced technology (post-fordism, flexiblespecialisation, part-time contracts);
- breakdown of party membership and ageing membership as well as severe electoral defeats from 1977 to 1989;
- crisis of mass parties and mass politics in general.

Attempts were made to link the political crisis of the PCI with the above national and international developments in order to shape a left-wing Communist alternative based on the concept of socialisation of politics and on new social movements.[7] Nevertheless, the line that prevailed was quite different.

The thrust of the PCI's argument under the new leadership of Achille Occhetto was twofold: first, the nation-state is no longer able to administer sufficiently aggregate demand management; second, the party should recognise politically this constraint and revise its strategy. Let us examine the way in which these two points were embodied in the party's response to the Italian crisis.

Under the influence of German social-democracy, the neo-revisionist[8] group of the PCI argued that the key issue concerning both national and European developments was no longer the hegemony of the working class and its allies over the capitalist mode of production, but the

administrative incapacity of the ruling political classes to provide an adequate institutional framework guiding the integration and modernisation processes. As the PCI programme for the 1989 European election states:

> The point at issue, therefore, is that the left and the PCI should govern Italy's Europeanisation, since these are the only real reformist forces capable of renewing the state and getting rid of that perverse compromise created by the Christian Democratic Party and its governing allies in recent years (..). In fact, the present ruling block constitutes a real obstacle to the new phase of modernity.[9]

It is clear that PCI's neo-revisionist discourse came about well before the official announcement of its total transformation (it was to be made a few days after the fall of the Berlin Wall in November 1989). When Occhetto asked the party to change its name and establish a new identity through an opening up to the *sinistra sommersa* (submerged Left) and other forces, the anti-capitalist wing headed by the former secretary Alessadro Natta and Pietro Ingrao, reacted fiercely. Embarking on the conception of *orizzonte comunista della storia* (Communist horizon of history) employed by the philosopher Cesare Luporini, this tendency attempted to revise the Communist project by interpreting contemporary changes from a critical anti-capitalist point of view, hence the eventual name of the tendency - *Rifondazione Comunista*. Thus, the PCI split in 1991, with the neo-revisionist tendency giving birth to the Democratic Party of the Left (PDS), while the neo-Communist current founded the Party of Communist Refoundation.

The aim of this essay is to examine the post-1989 European strategies of both the PDS and Rifondazione by focusing, in particular, on their respective proposals concerning the recent question of EU enlargement.

Collapse of the First Republic and the strategy of the left

The year the Maastricht Treaty was signed, the Italian left was split and the First Italian Republic on the verge of collapse. The 1992 national election marked the beginning of the end of the old political class. Involved in a series of financial scandals and embezzlements, neither the Christian Democrats (DC) of Giulio Andreotti and Arnaldo Forlani nor the Socialists of Bettino Craxi managed to survive. Minor parties such as the Republicans and the Social Democrats followed suit. In essence, all the parties which

had dominated the government of the country for 50 years disappeared. *Tangentopoli*'s (Kickback City) judges and the *mani pulite* (clean hands) operation swept away the ruling elites. What was left from the old system represented a fragmented body of Catholic factions and *partitini* (small parties). The collapse of the First Republic was prompted by the separatist Northern League of Umberto Bossi, which claimed the independence of the North against the corrupt bureaucracy of Rome, and the referendum movement of Mario Segni, which campaigned for the abolition of the proportional electoral system. In fact, what the old PCI had not managed to do since 1943 proved to be possible in less than two years (1992-1994).

By 1992, Italy's public debt had soared to the record level of 120 per cent of GDP; the tax collecting apparatus was inefficient; inflationary trends had still to be curbed. Also, unemployment reached 25 per cent in the south. On 16 September 1992 the lira was expelled from the ERM. Italy could hardly hope to reach the Maastricht convergence criteria for inflation, interest rates, public debt, unemployment and budget deficit.

PCI neo-revisionists and, later, the PDS advocated institutional and electoral reform as the cornerstone of a policy for un-blocking of the political system and for a renewed democracy. The transformation of the party itself took place under the banner - "the PCI changes itself because it wants to change Italy". Nevertheless, *the Italian Left as a whole failed to play a hegemonic role during the transition period* (1992-1994) and victory in the European and national elections of 1994 was captured by the newly-formed party of the media tycoon Silvio Berlusconi. The reasons for this failure are a matter of ongoing debate but five points are worth considering:[10]

1) the political paralysis of PCI/PDS due to the prolonged internecine debates over the question of transformation (1989-1991);

2) the insistence, on the part of the PDS, of considering the PSI of Craxi as a privileged interlocutor up until 1991-92, while it was clear that the PSI was falling apart;

3) the tactical mistake of participating in the cabinet of Ciampi in April-May 1993, which was a cabinet of the old regime;

4) the failure to build social and political alliances, especially with Catholic, centrist and lay forces;

5) the leadership crisis in both left-wing parties, the PDS in particular. Sergio Garavini stepped down as Rifondazione's leader in January 1994

and Fausto Bertinotti, after thirty consecutive years serving the trade union movement, took over the party leadership. In July 1994, after the defeat in the European election, the politburo of the PDS elected Massimo D'Alema as party secretary, with Occhetto indulging in recriminations ever since.

Had the left avoided making these mistakes, the political avenues taken since 1992 might have been different. From this perspective, the disintegration of the First Republic and its consequences are the least interesting. More important is the fact that the Italian left missed the opportunity of capitalising on the crisis and laying the foundations of a new socialist polity for Italy and Europe.

The PDS and Europe

The programme presented by the PCI in the run-up to the June 1989 European election established some fundamental conceptions which were to be fully adopted and enriched by the European agenda of the PDS in the years to come. In particular, the PCI's Europlatform argued that the end of the Cold War and the impetus given to Europe by the Single European Act (1987), under the guidance of Jacques Delors, made European integration an irreversible -in the final instance, progressive- economic process. However, the PCI's argument goes, the economic process of integration has many defects. Inasmuch as it lacks a regulating public sphere, the process lacks cohesion and concrete direction. Therefore a political union and a strengthening of European powers (legislative and executive organs) should be seen as principal priorities. On these grounds, the neo-revisionist PCI could formulate the fundamental contours of its Eurostrategy. In the main, it encompassed the following points:

1) A common foreign, defence and security policy. The European left should exercise pressures on NATO to abandon its policy of "nuclear modernisation". Accordingly, a campaign for the creation of de-nuclearised zones in Europe and the Mediterranean should be launched.

2) Strengthening economic and monetary union and harmonising fiscal policy. This perspective would entail the creation of new European structures to fight speculation, the extension of a Euro-currency (ECU) as well as the reduction of differences between various indirect taxation systems in European countries.

3) A common agricultural policy (CAP) as well as regional policies supporting

the development of Southern Italy and Europe.
4) A European Union of rights and advancement of social policies. The Single European Market does not produce either equality or solidarity and social cohesion. It is therefore indispensable that it be regulated by a new set of rules designed by a new European polity. The length of the working week should be reduced to 35 hours; European funds should promote programmes of job creation and boost infrastructures; a minimum guaranteed wage should be instituted and family income protected; paid holidays and adoption of a European Emergency Scheme as described in the Single European Act and other documents should be further advanced; equal civil rights for non-European workers and immigrants and the struggle against xenophobia and racism should be seen as immediate priorities; political and economic gender equality should be followed by a concrete implementation of equal opportunity policies; protection of the labour market and elimination or, where possible, eradication of the black market; establishment of anti-trust legislation and plurality of information. What was required was a new European polity capable of functioning as a "Keynesian state" at a more advanced and qualified level.
5) A European Union of regions. An authentic regional policy and a transfer of powers to the regions would be the best antidote to centralisation. This would help to bridge the gap between developed and under-developed regions, while providing the means for them to govern themselves.
6) An open Community. Europe should be willing to deal with requests of accession, recruiting new member-states. In particular, Europe should strengthen its cooperation with the countries of "really existing socialism".[11]

That was the European programme of the PCI in 1989. Point 4 indicated a Euro-Keynesian agenda and point 5 implied a federalist conception of Europe. Finally, point 6 left prospects for future enlargement open, though no indication was made over how or when Europe would have to open up to new members. These three points, however, turned out to be of paramount importance in the run up to the revision of the Treaty planned for the 1996 Inter-Governmental Conference (IGC).

The most comprehensive proposal from the PDS on Europe in the following period is to be found in the document signed by the Italian delegates to the Party of European Socialists (PES) in 1996.[12] The document debates two positions: the British, expressed by John Major, and the German, presented in the document of CDU/CSU. The criticism the PDS

addresses to both positions is an attempt to show that neither represents a pragmatic pro-European agenda. The British conservatives, strong supporters of European enlargement, project a strategy based on the supremacy of market forces. The PDS argued that such a strategy would create a politically fragile Europe and a variety of uncontrollable social and economic disequilibria. This kind of Europe "would be the worst answer to regressive nationalisms"; furthermore, "it would increase political instability".[13]

The CDU/CSU platform advocates an immediate deepening of the Union, but only among those members that can satisfy the convergence requirements. This is the so-called "variable geometry" approach to EU enlargement. Member-states on the periphery or semi-periphery of Europe would have every reason to distance themselves from such a perspective, since both monetary union and political integration would have negative consequences for them. Also there are no guarantees that the nucleo duro itself would be a compact social entity without national disequilibria. The position advanced by CDU/CSU is therefore also undesirable.

According to the PDS, there is a historical and political necessity for Europe's enlargement. If the Union wants to present itself as an independent actor, enjoying stability and democracy in the post-Cold War international arena, then the revision of the Treaty should be primarily a political matter. Enlargement involving 28 states poses the question of "differentiated integration".

Flessibilità delle norme (regulation flexibility) would be essential to the success of "differentiated integration" because it would promote institutional stability, democracy and political unity. The thrust of the PDS argument is that the proposed "differentiated integration", by conceding primacy to the political and institutional dimension, would avoid the precarious notion of nucleo duro and makes every member state aware of the existing articulation between integrating and integrated institutions, politics and economy. In this context, the rigidity of the convergence criteria created by the Treaty should be reconsidered. Political unity, accompanied by institutional flexibility, would be the only way to mitigate regional disequilibria, which are particularly sharp between the North and the South of Europe and within Italy.

Rifondazione Comunista

The political and ideological roots of Rifondazione (founded in December 1991) can be traced back to Pietro Ingrao's and Rossana Rossanda's communism on the 1960s and 1970s. This can be seen as an attempt to pool class struggle with the new social movements (youth, women, greens), Catholic activism, as well as part of socialist Italian *operaismo*.[14] Rifondazione is not a Stalinist politico-ideological rump shaped around a sclerotic interpretation of Marxism(s) and the old die-hard wing of the PCI. As the PCI itself had always been a forerunner of revisionist politics, Rifondazione equally represents a remarkably unorthodox tendency in the contemporary Italian left and has the backing of 8-9 per cent of the Italian electorate.

A crucial difference between the PDS and Rifondazione is that, whereas for the PDS, capitalist modernisation advanced by neo-liberals is, in the last analysis, progressive, for Rifondazione such development strengthens domination and exploitation and is therefore, ultimately, reactionary.[15] It is therefore not difficult to see why Rifondazione is critical of the process of European integration.

In the run up to the 19th Congress of the PCI (Bologna, March 1990), where the principle of the party's dissolution had to be approved, three different platforms appeared: the first was led by Achille Occhetto and Giorgio Napolitano -leading moderate figure in the PCI after the death of Amendola; the second was guided by Pietro Ingrao, Alessandro Natta and Aldo Tortorella; and the third by the pro-Soviet tendency of Armando Cossutta and Gian Mario Cazzaniga. From different ideological and political standpoints, the second and the third platforms - the so-called *fronte del no* (the no front)- opposed Occhetto's line all along, that is, the dissolution of the party, the change of name, symbols and identity. Rifondazione was the result of an organic convergence between the two currents of the fronte.

Of the three platforms, only that of Cossutta paid attention to the issue of Europe. In fact, the title of the platform was "For a Socialist Democracy in Europe"[16]. After recalling the *due anime del PCI* (the PCI's two souls) and pointing out the differences between them, the platform recognised the end of the Cold War and proceeded by presenting an interesting but brief account of the issue of European integration.

The Cossutta platform argued that:

> left-wing forces in Europe should struggle to consolidate the primacy of politics over neo-liberal economics, with the aim of constructing a European government with full powers which, in turn, should be the direct expression of a European Parliament. At the same time, Europe should be open to new members, assessing positively new demands for accession coming from the Central-East Europe and the Mediterranean.[17]

The platform also supported a common European currency, the construction of a European Bank and fiscal harmonisation at the European level. It also argued for "demilitarised socio-economic development" and urged every force of the European Left to adopt a similar agenda. The following account summarises Rifondazione policy:

The new phase of capitalist development has led to the defeat of the USSR, widened the gap between rich and poor countries, the North and the South, and created a new imperialist chain of domination.[18] The process of capitalist globalisation and the free-market represents a harsh attack against the welfare state (pensions, education, health). It questions the principle of national sovereignty, subjecting national governments to the will of big financial oligarchies operating at the international level. Today's imperialist system has a "three-block structure": America, Japan and Germany compete on economic and military grounds. America has lost her hegemony as economic superpower and the Gulf War showed her intention to control the largest oil reserve in the world. On the other hand, Germany's involvement in the break-up of Yugoslavia and Czechoslovakia is a good indication of German policy in the post-Cold War settlement. Moreover, unemployment in Europe runs at the record level of 20-24 million and the fiscal crisis shows that no substantial improvement has been made since the long wave of stagnation in the 1970s. The link between growth rates and employment rates has been broken and state-based reformist policies of redistribution have failed. This unstable situation is dominated by specific institutional tools. These are the International Monetary Fund and the World Bank and, in the military field, NATO and the West European Union. The political forces which, tentatively, take shape at the European level are two: the Popular Party, which represents the most reactionary right-wing tendency, and the Party of European

Socialists, which tends increasingly to succumb to the logic of big capital. An alternative agenda for the left should be created around the following points:

* sustainable development and cancellation of the debt of developing countries;
* disarmament and introduction of a system of international rules for environmental protection;
* dissolution of all military pacts, demilitarisation of space and elimination of all foreign military bases; renewal of the nuclear non-proliferation treaty;
* international anti-racist legislation and establishment of a Social Charter;
* creation of a 'European public sphere' in order to advance a common European economic policy, especially for the benefit of weak regions and Southern Europe; the Mediterranean region is important also for a "non-Eurocentric point of view". This is not to say that national sovereignty is going to be abolished; European democracy depends upon the degree of democracy each member-state enjoys;
* Europe's intention to widen her zones of influence and, possibly, to integrate new members, should be avoided if it is to proceed along monetarist and anti-democratic lines; Italy should withdraw its commitment to the Maastricht Treaty and call for a referendum;
* common foreign and defence policies are designed not for peace but for neo-imperialistic and neo-militaristic purposes; these centres of power lack any democratic accountability;
* the establishment of a new international anti-imperialist force, independent of the Socialist International and the Party of European Socialists.
* an economic policy against neo-liberalism and Maastricht should be centred on struggles against unemployment through, for instance, a general reduction of working hours without salary losses. Implementation of Maastricht and, in particular, of a common currency, will increase social injustices and will damage the poor regions;
* CAP's perverse mechanism, boosting agricultural prices, has led to a crisis of overproduction, damaging Southern Europe. The alternative is a policy of controlled subsidies in conjunction with environmental projection (renewal of rural life, production of energy via biomass).

Rifondazione, like the PDS, admits that there is no turning back; the process of integration is irreversible. However, its approach to Europe and EU enlargement is highly critical. This is so because both politico-

institutional arrangements and European enlargement are primarily seen as an economic movement shaped around neo-liberal economics and anti-democratic practices. The issue of unemployment and opposition to common currency, defence and security policies have led important changes in Rifondazione's European policy which was initially very close to the PDS and Euro-Social-Democratic neo-revisionism.

Conclusion

The victory of the *Ulivo* (Olive-tree coalition) in the election of 21 April 1996 marks a notable watershed for Italy: for the first time since the war, a left-dominated government will rule the country. The PDS and Rifondazione form the governmental axis of PM Romano Prodi (see Appendix, Table 4), a Catholic professor of economics at the University of Bologna and former President of the largest state corporation in Europe, IRI (Institute for Industrial Reconstruction).[19] The success of the Northern League and its extreme federalism show the importance of the federalist question that the Italian Left has raised since 1989.

The post-1990 critical positions of Rifondazione on European and national issues are alien to conservatism. Rifondazione rejects a social model based on "individual contracts and free markets, whose regulatory mechanisms would only be money and the law".[20] The party emphasises the perverse effects of free markets which are realised through a political and institutional engineering lacking any democratic control or accountability.

The PDS, on the other hand, favours pragmatically reinforcing the political and institutional dimension of the Union on the basis of Euro-Keynesianism. According to the neo-revisionists of the PDS, this would guarantee European cohesion while facilitating the entry of new members on the basis of the principle of differentiated integration. The establishment of common foreign, defence and security policies are of paramount importance, as is a single European currency. Furthermore, the whole political and institutional skeleton of Europe has to be constructed on federal grounds: "a centralist state, either national or supra-national, nowhere and no longer holds", Roberto Speciale has argued.[21] It is within this "infrastructural context" that the PDS aims to advance its pro-labour socialist policies, also by making extensive use of European structural funds.[22]

However, there has been something of a shift in the positions of the PDS following its participation in the Prodi government. Piero Fassino and his collaborators working now in the Ministry of Foreign Affairs have been forced to give up the PDS position of "flexibilising the Maastricht convergence criteria" in order to diminish the possibilities for a politically and economically multi-speed Europe. Fassino now argues that reaching the Maastricht targets should be the most important priority of the Italian government, otherwise it would be excluded from the launch of monetary union in 1999. However, as regards European Union enlargement, now called `ost-politik Italiana', no remarkable differences exist between the government and the PDS.[23] l

Table 1: April 1992 national election

Parties	**Vote (%)**	**Seats**
Christian Democrats (DC)	29.7	206
Democratic Party of the Left (PDS)	16.1	107
Socialists (PSI)	13.6	92
Italian Social Movement (MSI)	5.4	34
Republicans (PRI)	4.4	27
Liberals (PLI)	2.8	17
Social Democrats (PSDI)	2.7	16
Rifondazione	5.6	35
Lega Lombarda + Lega Nord	8.7	55
La Rete (Leoluca Orlando)	1.9	12
Green Lists	3.0	16
Pannella	1.2	7
Others	4.9	6

Source: *Corriere della Sera*, 8-4-1992, p.1

Table 2

Parties	**March 1994**	**June 1994**

Table 1: April 1992 national election

Parties	Vote (%)	Seats
Christian Democrats (DC)	29.7	206
Democratic Party of the Left (PDS)	16.1	107
Socialists (PSI)	13.6	92
Italian Social Movement (MSI)	5.4	34
Republicans (PRI)	4.4	27
Liberals (PLI)	2.8	17
Social Democrats (PSDI)	2.7	16
Rifondazione	5.6	35
Lega Lombarda + Lega Nord	8.7	55
La Rete (Leoluca Orlando)	1.9	12
Green Lists	3.0	16
Pannella	1.2	7
Others	4.9	6

Source: *Corriere della Sera*, 8-4-1992, p.1

Table 2

Parties	March 1994 national election*	June 1994 Euroelection
Forza Italia (Berlusconi)	21.0	32.4
Alleanza Nazionale (ex-neo-fascists)	13.4	12.3
Lega Nord (Umberto Bossi)	8.3	6.7
Pannella Lists	3.5	2.0
PDS	20.3	18.1
Rifondazione	6.0	5.9
Greens	2.7	3.4
Rete (Leoluca Orlando)	1.9	1.0
Socialists/Democratic Alliance	3.4	1.8
Republicans (PRI)	-	0.7
Socialdemocrats (PSDI)	0.5	0.5
Popular Party (PPI-ex DC)	11.0	9.0
Segni's Pact (Referendum party)	4.7	4.0

*The election was held under a new electoral system, where 75 per cent of the seats were allocated according to the first-past-the-post mechanism, whilst the remaining 25 per cent were distributed in proportion to the votes gained nationally by the parties. Source: *Corriere della Sera*, 29-3-1994, pp.1-5.

Table 3 The April 1996 national election

Lower House - Proportional

Parties	%	Votes	Seats
Ulivo			
PDS	21.1	7,897,044	26
PPI/Prodi	6.8	2,555,082	4
Dini	4.3	1,627,191	8
Rifondazione	8.6	3,215,960	20
Polo			
Alleanza Nazionale	15.7	5,875,391	28
Forza Italia	20.6	7,715,342	37
Pannella-Sgarbi	1.9	701,033	-
CCD/CDU	5.8	2,190,019	12
Northern League	10.1	3,777,786	20

Lower House - Majoritarian

Coalition	Seats
Centre-Left	246
Progressits	15
Polo delle Libertà	169
Northern League	39
Others	6

Source: *La Repubblica*, 23 April 1996, p.4.

Notes

1. See the perceptive essay by Alan Milward, "Approaching reality: Euro-money and the Left", *New Left Review*, 216, March-April 1996, pp.55-65.
2. G. Amendola, "Lotta di classe e sviluppo economico dopo la liberazione", in Istituto Gramsci (ed.), *Tendenze del Capitalismo Italiano,* (Roma: Riuniti, 1962), p.202.
3. See, P. Togliatti, "Federalismo Europeo?", *Rinascita,* 11, Nov. 1948, p.378.
4. For a detailed account on this topic, D. Sassoon, "The Italian Communist Party's European Strategy", *The Political Quarterly*, vol.47, n.3, 1976, pp.253-275.
5. See, E. Berlinguer, *Attualità e Futuro,* (Roma: L' Unità, 1990).
6. See, inter alia, PCI, *La Politica e l' Organizzazione dei Comunisti Italiani; Le Tesi e lo Statuto Approvati dal XV Congresso del PCI,* (Roma: Riuniti, 1979), pp.3-23, 36 ff.
7. From a left-wing Eurocommunist point of view, Pietro Ingrao was one of the most distinguished representatives of this tendency; see his *Masse e Potere*, (Roma: Riuniti, 1978).
8. For the notion of "new revisionism", D. Sassoon, *One Hundred Years of Socialism,* (London: I.B. Tauris, 1996), pp.730-754.
9. PCI, "The PCI's Programme for Europe", in *The Italian Communists, Foreign Bulletin of the PCI*, April-June 1989, pp. 27-31 (hereafter *1989 Euroelection Programme*).
10. I have examined this issue in my "The dynamics of Italian crisis and the strategy of the Left", paper presented in the Conference "Contesting the Boundaries of Italian Politics", held at Carleton University, Ottawa, Canada, 22-23 March 1996; see also S.Gundle-S. Parker (ed.) *The New Italian Republic*, (London: Routledge, 1996).
11. *1989 Euroelection Programme*, p. 43.
12. PDS, *Quale Unione Europea? Contributo alla Conferenza Intergovernativa 1996, Delegazione Italian Gruppo PSE, Conferenza Intergovernativa 1996; Contributo al Dibattito Istitutionale*, (Roma: Sapere 2000, 1995), pp.113-129. The volume was distributed among the delegates of PDS during its Congress of Rome (Congresso Tematico) in July 1995.
13. Ibid., p.114.
14. Ingrao himself was influenced by Austromarxism and subjected to a particular interpretation of Gramsci's and Togliatti's works. Politically, he was keen on left-wing socialists who split from the PSI after the formation of the Centre-Left government in 1962-63, while maintaining good relationship with the Manifesto group (Lucio Magri, Luigi Pintor, Aldo Natoli, Luciana Castellina, Rossana Rossanda), after its expulsion from the PCI in the late 1960s. Although Italian left-wing sources on the topic are endless, I find the best narrative be Ingrao's autobiography itself, where the prominent Italian politician discusses his political and ideological course with the historian Nicola Tranfaglia, P. Ingrao, *Le Cose Impossibili*, (Riuniti: Roma, 1990).

15. I have examined the ideological and political differences between PDS and Rifondazione in my "Polity and Modernity in Italy; The Transformation of Italian Communism and the European Imperative (1980-1992)", draft PhD dissertation, Department of History, Queen Mary and Westfield College, July 1996.
16. "Per una democrazia socialista in Europa", in *PCI, Documenti per il Congresso Straordinario del PCI: Le Mozioni/3*, (Roma: L'Unità, 1990), pp.61-79.
17. Ibid., p.78.
18. See, inter alia, Partito della Rifondazione Comunista (PRC), *A Communist Force for an Alternative Left, 2nd national Congress*, Rome, January 1994, Chapter 2 (The International Situation); PRC (agenda for the 1994 Euro-election), "A Sinistra c'è un'Altra Europa", *Liberazione*, 13 May 1994, special insert; PRC, *Ricominciare da Sinistra per l'Alternativa*, agenda for the 1996 national election, Rome 1996; Communist Refoundation, Against Unemployment: Toward a People's Europe, International meeting, Paris, Foyer de l'Arche-La Dèfense, 11-5-1996, PRC, Rinnovare le Politiche per Cambiare la Società, motion of Bertinotti-Cossutta for the 3rd Congress of PRC, Rome, Ergife Hotel, 12/15-12-1996.
19. Comments and analyses on the election by Tobias Abse, "The Left's advance in Italy", *New Left Review*, 217, May-June 1996, pp.123-130 and Vassilis Fouskas, "Sotto i rami del Ulivo", *Il Punto*, 16, June 1996, pp.8-9.
20. A. Milward, "Approaching reality...", op.cit., p.59. Milward criticises the "Thatcherite" views of Bernard Connolly, a European Union insider in the Directorate-General.
21. R. Speciale, "Un'Europa...", op.cit., p.19.
22. See also, Achille Occhetto, "Una politica estera finalmente Europea" (pp.6-7), Biagio de Giovani, "Disegnare l'Europa del duemila" (pp.8-9), Umberto Ranieri, "Nuovi orizzonti per la sinistra italiana" (pp.12-13), Bruno Marasà, "L'allargamento dell'Unione Europea" (p.15), Giancarlo Vilella, "L'Unione monetaria" (p.17). All the essays are in PDS-PES, *Un'Europa Protagonista*..., op.cit.
23. See, P. Fassino, "Sottosegretario di Stato degli Affari Esteri", Internal Report, Rome, 5-11-1996, no file number.

(The paper by Vassilis Fouskas was presented to a conference on EU Enlargement and the European Left organised in November 1996 by *Labour Focus on Eastern Europe*, the London European Research Centre (University of North London) and the Central London Euro-Constituency of the Labour Party.)

Colin Meade

Blair and Jospin: Social Democracy in France and Britain

Within a month of each other, on 1 May and 1 June 1997, both Britain and France elected social democratic governments. While the victory of Tony Blair's New Labour was widely predicted, that of the Parti socialiste under Lionel Jospin was a major political upset. Was the European Union turning left, wondered the newspapers, noting that only Spain and Germany now had governments with no social democratic participation.

Shortly afterwards Blair and Jospin met at the European Socialists Conference in Malmö and disagreed on the role of the state in the economy, with Blair promoting "labour flexibility" as the cure for unemployment and Jospin insisting that uncontrolled market forces would spell the end of civilization in western Europe.

So is it a continent-wide triumph for the left or a deepening of the gulf between "free-market" Britain and "statist" France? In fact, there is no need to choose between the two views. As the headline of the Financial Times report of Malmö explained, "Socialist victors talk different languages". Indeed they do. Blair speaks English and Jospin French. What the two parties have in common is a limited aspiration: to remain in power in their respective countries by demonstrating that only they can maintain wide social support for the political priorities of

big business. The differences between Blair and Jospin arise, firstly, from the fact that those priorities differ between the two countries, and, secondly, because the task of broadening social support for the higher national interest presents itself differently in Britain and France.

Adepts of the "third way"

Both parties have formally renounced social ownership of the means of production goal and wholeheartedly embraced the free market. In fact, the French Socialists' "aggiornamento" preceded Labour's repudiation of the clause in its constitution committing it to pursuit of common ownership by several years. Lionel Jospin made this point himself just before the second round of voting in France, claiming that "both in terms of Europe and coming round to supporting the market economy, we were ahead of the Labour Party before the advent of Tony Blair" (*Le Nouvel Observateur*, 5 May 1997). In Malmö, Blair, while warning that socialism must adapt or die, claimed that "there is a third way: not old left or new right. A new centre and centre-left agenda". What European social democrat would disagree?

Blair has shocked many observers by bringing leading business figures into governmental roles, but the shock is that of novelty; his French Socialist counterparts, who have been the dominant government party since 1981, are well-entrenched in France's multi-purpose political and business elite. Blair went to Oxford University; Jospin is a graduate of the Ecole nationale d'administration, alma mater of both his predecessor as Prime Minister, Alain Juppé, and Gaullist President Jacques Chirac.

Instead of socio-economic change, both governments stress education and administrative reform to make their market systems more open and modern. Poverty is viewed not as a consequence of an unjust economic system, but of the fact that the poor - whether due to their own or society's failings - are not adapted to its requirements. Both leaders see modern socialism in ethical terms and have taken "anti-sleaze measures" appropriate to their national settings. Their style of moralising reflects national traditions with Blair's espousing Christianity and family values in a way proper to Britain's constitutional theocracy, while Jospin emphasises public service and personal probity, offering a "Republican pact" between rulers and the nation.

French CP leader, Hue, with CP minister, Gayssot

Defending the national interest

As parties with the interests of business at heart, both New Labour and the Parti socialiste share the same basic national agenda as their right wing competitors.

For Britain the world is a relatively simple place, in which the country flourishes as a loyal junior partner of a dominant United States. Now that organised labour has been defeated and has largely renounced any independent political designs, the British state's only role is to assist the private sector when asked and provide infrastructures such as education and policing.

Things are different in France, essentially because France does not accept United States hegemony and intends to maintain a free-standing military, including nuclear, capacity and an independent foreign policy. This means that in France there is a political priority, that of maintaining global status, which explicitly over-rides considerations of short-term economic efficiency. The state is required to take a leadership role in developing and defending national industrial capacities even where this is not immediately "economically rational", with the European Union framework providing crucial additional economies of

scale. As Jospin has remarked "neither Arianespace nor Airbus could have become realities under private auspices". Jospin's commitment to a strong public sector is common ground with almost all his right-wing opponents.

The notion that the State must address the "social dimension" too is not just a left-wing theme in France. Gaullist candidate Jacques Chirac was elected President in 1995 on a promise to end social divisions and he has been promoting a welfarist "European social model" in European forums. Chirac and Jospin together took up the cudgels in Amsterdam to get an employment chapter included in Maastricht II. An aggressive pursuit of French national interest against the grain of US hegemony requires a nation whose sense of common cause outweighs individual self-interest. Established French policy cannot dispense with official support for collectivism.

Both Blair and Jospin like to talk of "social partnership" between management and workforce, with what this means in practise depending on the existing balance of forces between employers and workers. Both like to present welfare reform in terms of sacrifices by the middle class to aid their poorer fellow citizens, and one of the French government's first measures has been to impose a low income ceiling on entitlement to family allowances. However, for New Labour, self-help and private charity are the remedy for deprivation, while French Socialists see the state as retaining a major responsibility.

Crucially, unlike Blair, Jospin has come to power in the aftermath of powerful social movements opposing economic austerity and welfare cuts and his parliamentary majority depends on Communist and Green support. Moreover, while Blair rules his party with an iron hand, Jospin prefers to keep his distance from it, urging it to make criticisms of government, but without allowing it power to control his actions.

Government measures have to respond to this pressure from the left in France. Thus the key initial step taken to cut government deficits has been a rise in taxation on large companies, with "welfare reform" postponed until after a conference on wages, jobs and working time this autumn. Jospin constantly has to absorb or divert possible sources of opposition, which have a really effective presence in France, both in society and on the political stage.

Foreign policy

France has a much more exciting foreign policy than Britain, and this will continue to be true under the social democratic dispensation. Since de Gaulle, France has taken the view that responsibilities and costs assumed by nations within the Western Alliance should give those nations, and specifically France, rights in determining policy and exercising command roles. This inevitably creates friction with the United States. The ambitious attempt by President Chirac and the right-wing government of his long-time associate Alain Juppé to assert a French and European identity in NATO and in key crisis spots such as Bosnia and the Middle East has clearly not had much success. The new government will probably withdraw the offer to take France back into NATO's integrated military structures, since the US has been unwilling to give any ground to French demands for a European to hold NATO's Southern Command. Whatever happens on specific issues, France will continue to pursue an independent foreign policy course coupled with a campaign to develop a European foreign policy and a European defence capacity.

Africa will remain a source of headaches for French politicians. Long-established French positions based on close cultural and personal relations with elites, often mediated by the activities of major French firms, such as oil major ELF-Aquitaine, have been coming under pressure from the "Anglo-Saxons" in recent years, leading to a debate in France on how to retain influence on that continent. However, ministerial pronouncements about a "radical review" of African policy and a "new partnership" with Africa should be taken with a big pinch of salt. François Mitterrand promised a dramatic change of direction in African policy at the start of the 1980s, but ended up pursuing the Gaullist agenda.

Finally, the future of the European Union cuts to the heart of France in a way it does not in Britain. After the recent Amsterdam summit, Tony Blair could return to London gleeful at victory on fish quotas, but the French were unable to hide their concern at the failure of that meeting to make progress on institutional reform prior to enlargement to Eastern Europe. The pre-1989 order in Europe, which saw Germany divided and under military occupation, suited France admirably, allowing it vigorously to pursue national policy, while

dominating the European Union politically. Now, both as regards the single currency and enlargement, France can see its greatest nightmare edging towards reality: a greater Germany slipping free from the French embrace and pursuing its own goals in Eastern Europe.

If the franc is not part of the single currency or if the euro is run purely on the basis of German-dictated "economic criteria", then the new currency will be little more than a super D-mark; if the institutions are not reformed, there is a danger that enlargement will water down cohesion and lead to a situation where France's political clout can no longer balance German economic power; and the suggestion that the potential scope of enlargement should be restricted to the immediate German periphery of Poland, Hungary and the Czech Republic (plus tiny Cyprus and Slovenia) has been denounced by a French minister as "political and economic folly". The French - both the President and government - are pushing for a European conference including all member and applicant states.

How long will they last?

The longevity of both the Blair and Jospin administrations depends on how long it takes the right wing in their respective countries to reorganise. In Britain, the Conservative party argues that if the people want Thatcherism, then they should vote for the real thing, but since the only bit of Thatcherism missing from the Blair philosophy is militant class struggle, for which there is now no need since the labour movement has been defeated, the Conservative argument seems likely to fall flat.

In France, the reorganisation of the right has dramatic implications. The RPR/UDF bloc lost power because the integral nationalist National Front party refused to call for a vote for the mainstream right in the second round, affecting the result in an estimated 46 seats. The NF has shown that it can hold on to and effectively direct its 15% of the vote even if this does not win it many seats under the existing electoral system in France. So the question is posed: can there be an alliance between the NF and the mainstream right?

Voices have been raised in the RPR/UDF bloc calling for a new attitude to the NF and there has been much talk recently about an internal challenge to NF boss Jean-Marie Le Pen, who favours going straight for the Presidency to establish undivided NF rule, from Bruno Mégret,

representing an option in which the NF is "sanitised" in preparation for alliances with the mainstream right. The Socialist Party can hope to profit from a powerful negative vote against a right wing containing the NF, but against a background of a mounting crisis of strategic perspective in France, this will be a high-risk strategy.

In a country where full-scale disarmament in the face of the US-shaped world market cannot be used to discipline labour, a more directly political formula, invoking extreme nationalism and imposing traditional morality through the state, may be in order. Mégret calls for the "safeguarding of the French nation" in the face of globalisation, deliberately confusing opposition to the existing world economic system with rejection of immigration and "alien"cultural influences. So the French question, so pertinent for democrats who rejects the existing world order, is: can nations be independent without recourse to xenophobia and racism? ●

Italy's Communist Refoundation

[The collapse of the Communist Party monopoly of power in the Soviet Union and the rest of Eastern Europe, and the social and economic transformation that accompanied this collapse, have had a profound effect on the Communist Parties of Western Europe. In this issue, in the first of a series of policy and programmatic statements from Western Europe's Communist and post-Communist parties, we are printing a statement by ***Fausto Bertinotti****, national secretary of* ***Rifondazione Comunista****, Italy's Party of Communist Refoundation.*

Introduction

The Third National Congress of the Italian Party of Communist Refoundation (PRC-Partito della Rifondazione Comunista) was held in Rome from 12 to 15 December 1996. It marked the end of an intense two-month debate centred on the orientation the party should take to the centre-left government of prime minister Romano Prodi, but also covered many of the broader issues of socialist strategy today.

At the congress the majority position (Motion One), presented by PRC secretary Fausto Bertinotti and president Armando Cossutta, won 85 per cent of the vote while a minority position (Motion Two), associated with National Political Committee members Marco Ferrando, Livio Maitan and Franco Grisolia, obtained 15 per cent. Here we present major extracts from Bertinotti's congress address,

which took the form of a detailed exposition in support of Motion One.

The PRC began life in February 1991 as the Movement for Communist Refoundation, led by those members of parliament of the Italian Communist Party (PCI-Partito Comunista Italiano) who rejected the proposal to dissolve the PCI and create in its place the Democratic Party of the Left (PDS-Partito Democratico della Sinistra).

From its founding congress in December 1991 the PRC has grown into the fourth largest party in Italy, with 150,000 members and 3.2 million votes (8.6 per cent) at the April 1996 national elections. The party also has members in the European Parliament.

In the course of its consolidation the PRC has had to overcome a number of crises: its first secretary, Sergio Garavini, resigned when a majority of the party leadership rejected his perspective of the PRC remaining an "area of influence" rather than a fully fledged party and in 1995 a section of its parliamentary group split over the issue of the party's intransigent opposition to the government's counter-reform of the Italian pension system. The April 1996 national elections saw the PRC gain the balance of power in the Italian lower house, the Chamber of Deputies: without its support the government of prime minister Romano Prodi would fall. The Prodi government is based on the so-called Olive Tree coalition, made up of the PDS, the Greens, the Italian People's Party (PPI-Partito Popolare Italiano) and Italian Renewal (RI-Rinnovamento Italiano), the party of former prime minister Lamberto Dini. Ranged against it are the parties of the right: Forza Italia, the business-party of media magnate Silvio Berlusconi, the National Alliance (AN-Alleanza Nazionale), the "post-fascist" party led by Gianfranco Fini and the chauvinist and separatist Northern League (LN-Lega Nord) of Umberto Bossi.

For the April 1996 national poll the PRC concluded a non-aggression agreement with the Olive Tree coalition, the effect of which was to stand a single centre, centre-left or left candidate against an often divided right. This agreement ensured the victory of the Olive Tree alliance, even though more people actually voted for right-wing parties. The PRC gave strong support to Italian metal workers' recent national wage campaign as well as to the rights of immigrant communities.

Fausto Bertinotti

Report to the 1996 Congress of Rifondazione Comunista

This third Congress of the PRC starts from an observation that is in the first place important for us, but not only for us-the fight to create a new communist party in Italy has been won. The outcome of this battle, of this engagement, was not predetermined, rather it was beset with difficulties. More than one question mark hung over it.

Constituting a force of social opposition into a party, building a new communist party, has been no easy task, but we can say today that this battle has now been won.

The men and women that launched this undertaking, overcoming all scepticism, can look on their efforts with legitimate pride: events have proven them right. They and all the rest of us who have come together to advance this undertaking can now say: we've done it. An end point, a point of no return has been reached: a real alternative force, the Party of Communist Refoundation, now lives in the political reality of the country. This result has come to fruition because of a political intuition that has proved to be a winner: the activity of the party has been based on the dual concept of unity and radicalness, a pairing that has guided us in both our social and political activity. A dual concept that is the genetic code, the clue, to our mode of political existence and marks an element of difference in Italian politics, an element of innovation also in relation to the tradition we come from. We have our lags, both on the theoretical level and in researching the process of refounding a communist party, and we need to know how to address these critically, but in our political practice we've introduced a real element of refoundation, precisely with our unity-radicality pairing.

This was again to be seen in recent critical periods which, taken

together, have produced and to a degree defined the party's political line. I'm referring to our decision, on the one hand, to oppose the Dini government and, on the other, to the non-aggression agreement to defeat the right wing of Berlusconi and Fini and give critical support to the Prodi government so that the country might experience a new, more open political period.[1] Without this combination we wouldn't be what we are: we wouldn't be the autonomous political force to which so many look with interest. We would be either an appendage of the PDS or a ghettoised minority bereft of any political project.[...]

Renewing our political culture

The PRC's ambition is to implement a different politics, to influence reality, to contribute to building movements and mass action. We have learned from the experience of recent years that our political autonomy is one of the guarantees of the autonomy of the movements: it has arrested the tendency towards social truce, towards the silence of the masses, with the result that they can again speak out through social conflict. We exist because, and to the degree that, we are bearers of a different politics. And the politics of the alternative is precisely that demanded by the working and living conditions of the masses, weighed down by a new and widespread insecurity. This insecurity, this alienation, is the most blatant feature of a society whose evolution is dictated by a capitalist mode of production which is taking on new forms of development.

This is where the need for the alternative comes from, this is the basic reason for our existence. The critique of this capitalist modernisation, the building of a new mass political movement, the reopening here and in Europe of a new phase of social and democratic reform, that is, the struggle in today's conditions for a new social model and a new model of development are the elements of an alternative politics and the opposite of the idea that we must adapt ourselves to this process of capitalist modernisation in order to develop its dynamic elements.[...] A contest for hegemony, a competition, has opened between the two lefts, quite different from either's point of departure. The winner will be whoever provides the most effective answer to the crisis, to the period of transition and the great anguish the peoples of Italy and Europe are going through today.

This transition demands a deep-going and difficult renewal of our political behaviour and of our mode of existence. There seem to be two

ways in which we should move. It's a question of breaking out of two strait-jackets constraining the still strong potential for transformation: one is the national framework in which our activity is still confined, the other is the gap we still feel between ourselves and other important cultures critical of the system.

In order to engage with these we need to keep in mind the generally oppressive characteristics of this new capitalism. It tends to attack and destroy every expression of autonomy, while the dependence of every aspect of organised life on business and the market keeps on growing. The conditions for the class, for culture, for the environment and for individuals increasingly become dependent variables of one or the other.

While making no concessions to catastrophist theories - no purely economic collapse is likely - we need to grasp the dramatic question that increasingly emerges at this millennium's end - over the future, destiny and conditions of humanity's existence.[...]

Europe's crisis of civilisation

The starting point for the whole process is to be found beyond Europe itself: it lies in that process of economic globalisation and financialisation that erodes to the point of demolition the role of the nation state and requires it to reverse the attitude it had once adopted towards class struggles and the entry of the masses into politics, requires it to turn from builder to destroyer of the welfare state. In this context Europe is today experiencing a real crisis of civilisation. The entire body of what has been called European civilisation is now in doubt. While we know that the ruling ideologies are those of the ruling classes, one can say that here different cultures - Christian, enlightenment, Marxist - won some autonomy from economic processes, for themselves and for culture and science in general. Today this autonomy has been radically questioned by the spread of the single thought of neo-liberalism.

The social model built up after the victory over Nazism and fascism and through great mass struggles produced a broad social compromise, marked by the trade union power of the workers, the welfare state and mass democracy. Today this is being attacked to its foundations by the neo-liberal revanche. Under fire from the processes of economic globalisation and under challenge from the upsurge of appalling ethnic and religious conflicts, Europe is going through a crisis of civilisation.

Mass unemployment that has reached 20 million, the spread of the zones of new poverty and social marginalisation and the generalisation of a state of insecurity and uncertainty are its clearest signs, its most acute symptoms.

Today, the great struggles of resistance against the neo-liberal offensive and the attack on the welfare state are Europe's most alive and vital part. However, they still have a defensive character and remain enclosed within national confines. There are also some innovative experiments, such as that of the French truck drivers, a rather important struggle. For the first time it hasn't been the small trucking bosses erecting the road blocks but their employees, the truck drivers. This is an important disproof of the thesis according to which the dispersion of work makes unity and mass struggle impracticable. And it is also important that we are again talking about (and winning) in Europe on the issue of linking the pension age to time in work rather than to calendar age. But one swallow doesn't make a summer. The crisis of collective action remains, as does the enormous difficulty of transforming needs into demands and movements. Structural phenomena bear down: there are the shifts caused by the change in class social composition and the technical composition of capital arising from this capitalist restructuring.

There's the problem of the crisis of the welfare state as well as the negative shift in the political attitude of social-democratic formations and the moderate left towards industrial conflict. There's the burden, in Italy even more than elsewhere, of the astounding loss of independence of trade unionism[2] which, with the July agreement and the deadening and bankrupt practice of *concertazione*,[3] has tied the workers' hands, while business has won every freedom of action. And there's the problem, and it grows all the time, of the gap between the international or at least European framework in which business organically operates and in which economic and social trends are determined, and the national dimension of social conflict. There's the Europe of markets and of capitals, but there's no political Europe. There's no European democracy and within that no alternative politics. We, along with the comrades from the parties that have formed the United Left Group in the European parliament, have carried out some good initiatives, the demonstration in Paris, the meeting in Madrid.[4] Little, far too little. Even the great issues that have moulded the history of a people, such as for us in Italy those of national unification and the South, no longer enjoy an independent existence: they too will be

defined within this framework.

The question then is: what will Europe be? Today the talk is of a two-speed Europe, a hypocritical formula in order to speak of a two-class development of Europe. And that's today. And tomorrow? What is the direction of the prevailing tendency? Where is Europe heading? The answer is dramatic. Europe is heading towards the US model. The response of the European ruling classes to globalisation is to import the US social model. A huge area on both shores of the Atlantic with a common social model, the borders of NATO being converted, from those of a military alliance, to those of a neo-liberal social model. For Europe a veritable quiet revolution.

Why the US model? Because it's the most functional for this capitalist modernisation, the one that best responds to the crisis of development with the maximum of flexibility, of variability, of work adaptability. This is the paradigm which, as in the US, requires on the one hand the elimination of national labour contracts and on the other the elimination of the universal protection of the welfare state. Protection that is too costly and rights that are too rigid, like equality, both have become incompatible with the new capitalism. And the same goes, it should be emphasised, for mass democracy itself. Better a de-ideologised set-up, one lacking any alternative politics. And if, because of this, universal suffrage is reduced to a mere shadow, to the point where less than a half of those entitled to vote elect the executive power - something that would make elections to a bowling club null and void - the is no problem for the US model. Indeed, decisive sections of the people, hunted from social citizenship by the mechanisms of functioning of the new type of capitalist development, are also expelled from the exercise of political citizenship. [...]

What response to Maastricht?

This is the trend that has to be fought across the board. The alternative has to be built with respect to this model, but at the European level. To achieve this we must, above all, not fall into the trap constructed by a clever mystification according to which Europe equals the single currency equals Maastricht. The trick has to be exposed. Democratic and political Europe gets in the way of the economic-monetary integration presently taking place. It actually helps those forces interested in building the

alternative. That's why a people's Europe has to be an arena for our political work. Not, let's be clear, some abstract heaven of citizenship rights and institutional forms, but development of a uniting web of struggles and mass movements, of close relations among alternative left forces and engagement with other democratic forces - the promotion of all forms of joint initiative and supra-national actions must become the framework of organised political work. At the very least the parties that have formed the United European Left must produce a quantitative and qualitative leap in their relations in order to create a common European policy.

Europe is the real theatre of a class contest, a contest over models of civilisation. This is the overall context in which the single currency arises. The single currency can be achieved via the policies of Maastricht, or via different policies. At the beginning Maastricht didn't even envisage the creation of a single currency. The two questions, Maastricht and a single currency, are, and should be kept, separate. If not, we end up trapped in a lethal alternative, losing out whatever horn of the dilemma we choose. To be part of the concert of European countries that are adopting a single currency, which will define Europe and dictate the rules of the game as far as its markets and division of labour are concerned, you either accept Maastricht's socially regressive policies, or, in order to reject Maastricht, you unhook yourself from the European locomotive and suffer all the negative development consequences. The only way to escape this losing choice, this dilemma of defeat, is to create an alternative economic and social policy, separating the issue of economic unification from the policies of Maastricht, pursuing the former in order to fight the latter.

This is a real option. We have already shown with the compromise achieved over the budget[5] and the "tax for Europe" that progress towards a single currency is possible without acceding to the demand to attack the welfare state, made in the name of Maastricht and showered on all the countries of Europe, in particular our own.[...] An autonomous Europe, because based on a different social model, would be able to interact with the processes of economic globalisation, instead of letting these have free rein with all their consequences for a great part of humanity.

On the other hand, the search for a new model of development for Europe would open up the question of its relation with the Third World, starting with the issue of a policy for the Mediterranean. A quest could then begin, among reliable forces - including states - on what, how and for

whom to produce, including discussion on this resounding contradiction of the new capitalism, which on the one hand sees the world-wide spread of production, finance and markets, but on the other doesn't allow the globalisation of consumption, restricted by its very nature to a minority.

This contradiction stands at the root of the world-wide spread of exploitation, with the pursuit of the lowest price workforce, whose price capital brandishes as a threat to the gains achieved in the old working-class bastions. And this to such a degree that the working class, which is more numerous today than it has ever been, suffers a process of neutralisation and a loss of power. That's why it's indispensable to again view class conflict in an international dimension, also in order to avoid the siren songs of protectionism which won't be long in making themselves heard. Thinking about a broad campaign to achieve a minimum of workers' rights on a world scale is not utopian.

Commodities circulate on a world scale, indeed they need to, it's essential to their existence. This need of theirs should be utilised to pursue an agreement to establish in international law: those goods should be allowed to circulate in the world which have a certain social content, which have been produced according to a certain minimum standard of labour rights (minimum wage, maximum working hours, minimum working age, minimum environmental conditions).[...]

Centrality of reduced working hours

Everything comes back to the key question for politics in our time, the problem over which this congress must puzzle and try its strength - how to build a mass political movement for the reform of the European social model and for development on a European scale. The question of work and employment stands at the centre of this issue. The issue of working hours and of the relation between work, living and social organisation stands at the centre of the centre.

The goal of reducing the working week with no loss in pay is the link that holds the whole chain together. The campaign of the alternative left in Paris against unemployment and for a reduction in working time is not alone. There's the work of Agir ensemble contre le chomage;[6] there's the appeal of the Labour parliamentarian Ken Coates; there's the appeal of the 35 French intellectuals. We give our support to all of these because, beyond possibly different points of view over still important aspects, what

most concerns us is the development of a real movement, a broad social force.

For the same reason we have watched with interest the years-long, well-deserving, solitary struggle of IG Metall [7] for a reduction in the working week which has, moreover, thrown into relief the striking backwardness of European unionism as a whole. For the same reason, not in the least exploited for some Italian polemic, we considered the recent adoption by the French Socialist Party, at its recent programmatic congress, of the entrenchment in law of the 35-hour working week, paid at 39 hours according to the prevailing contracts, as an important fact for the entire European left.

For our part, I believe we should launch a campaign of mobilisation and of political and social struggle for a generalised reduction in the working week to 35 hours with no loss in pay, both on a national and a European level. Let's adopt as our own the proposal of a right to work march in all European countries. Our experience in the South of Italy gives us every reason to support it. This new march, based on the clear, understandable slogan "Work less so that everyone can work" can become a laboratory of mass participation in the construction of the alternative in social and economic policy. An itinerant, mass experiment that brings together different experiences, skills, know-how, political and social forces, workers and unemployed, men and women, and youth, in order to lay the foundations of a reforming European movement.

Relation to the Prodi government

This is the framework within which the experience of the Prodi government has to be analysed, this is the framework in which the meaning of our critical and independent support to this government experiment can be grasped. Moreover, it's this very connection that explains the reason for the interest that is directed towards us by so many left parties and progressives in Europe and even around the world. But this congress doesn't concern itself only with our relation with the Prodi government.

That would be ridiculous. A political line, a strategic line can't at all be reduced to the relationship with a government. However, our strategic proposal and our mass movement project, which are the heart of this congress, have to be set against what is, here and now, the political framework, the order of government, most favourable to the growth of this project of ours. I have been rather struck by the fact that the comrades that

have opposed the present stance of the party [support the minority document] are left without any political project whatsoever and have proposed the return of the PRC to opposition, without even bothering to ask what would happen after that, in the political context in which we are forced to operate. Does there exist or not, in the real world, in the underlying trends of Italian political life, a tendency for an arc of political and social forces to come together under moderate hegemony, open to the danger of supporting neo-authoritarian institutional arrangements? Yes, this tendency exists; rather diverse forces are heading that way along with others that don't address the question directly. The fall of the Prodi government would favour the consolidation of this tendency.

Be clear, we don't have any governmental, even less, ministerial inclinations. I don't have to remind you that the PRC, being decisive to the majority that supports the government, a rather rare position in the history of the republic, has not asked for any position of minister, of under-secretary, let alone of *sottogoverno*.[8] We made a non-aggression pact to defeat the right and keep them out of Chigi Palace.[9] And the right was beaten.

We helped the Prodi government come into existence in order to consolidate the defeat of the right and to open the way, in a manner different from nearly all other European countries (governed precisely by the right), to the beginning of a reform policy. That's what we're trying, that's what we will try.

Be clear, we're not afraid of opposition. If we were forced into it, we would return painlessly to opposition. We came close to doing it: if this budget hadn't preserved pensions and health expenditure we would already have had the crisis of governmental unity. Given that our guiding light is the interests of the working people, of the popular masses, given that our guiding light is the growth of a mass movement, we cannot and will not accept the sacrifice of those interests, already so penalised in this society, and the humiliation and enforced passivity of the masses themselves. This is the greatest evil to guard against. Nor, on the other hand, have we ever looked on the lesser evil as policy. We support the present political state of affairs on behalf of a project, and we couldn't continue if that state of affairs contradicted our project to the point of putting it in crisis. We would have to draw all the appropriate conclusions, but without dodging the recognition that the situation we would have to face would be more difficult and more embattled, our whole enterprise a lot

more arduous. That's why we've chosen to invest in the present political state of affairs, to exert all possible influence upon it, to force from it the initial outlines of a reform policy and to give rise to the new mass movement. The balance sheet we want to propose to the congress doesn't therefore concern so much the performance of the government as the process of building the movement: what concerns us above all is to investigate the relationship between the two in order to check on the effectiveness of our political activity.

Attributing to Communist Refoundation a decisive role in the adoption of government decisions is without doubt a distorted, almost ludicrous, reading of events. Let's not exaggerate. This is not our budget. There is a great deal in it that we don't like and its general cast would have been very different if it had been up to us to decide. Maybe the only thing that's more distorted and ludicrous is the idea - that curiously seems to reside only with some comrades of ours - to the effect that this budget shows no signs whatsoever of our influence.

No, this budget which is about to be passed by parliament after so many trials and mishaps is not the budget we would have wanted, but how can we not register the value, the importance of the achievement-the first after so many years, and differently from all other European right-wing governments-of a budget that doesn't touch health or pensions? The social and political right, the command centres of the European economy, the Confindustria [General Confederation of Italian Industry-Confederazione Generale dell'Industria Italiana], all put a lot of work into trying to prevent that.

A compromise whose mark is social equity was also achieved over the contribution for Europe:[10] instead of cuts to public spending, which is the most unjust of economic operations, we have a progressive tax which not only bears on income but begins to attack tax evasion and unearned income. Is all this enough? No, it's not, not even on the grounds of tax equity. Rather the main question concerning the public purse in Italy now comes to light, one that can't be put off any longer, namely the struggle against tax evasion. Tax evasion is an intolerable social scandal. Any declaration of impotence on the part of the government is unacceptable. The latest figures confirm the denunciations that we've been making for years: evasion amounts to 200-250 trillion lira[11] a year, about 15 per cent of GDP. The average for the other industrialised countries is two or three per

cent. The struggle against evasion in a country where the rich have never paid tax is a big political question, a field of hard, testing struggle where it will be easy to lose once again. But not to fight this battle would be to surrender to the arrogance of wealth. So, no, what the government has done in the area of accumulating resources is not enough, and even less so is what has been done in the field of development, in investing public resources in the struggle against unemployment.

It's not enough, but we would be wrong if we didn't see in these still timid steps of the Prodi government, along a path different from that followed by its predecessors - starting with that of Amato which began the choice of neo-liberal policies in Italy - and different too from those implemented by right-wing governments elsewhere in Europe; we would be wrong not to see in these first and timid steps the causes of two social and political phenomena of critical importance for the country's future. For the first time it's the right wing that has to mobilise against a budget. The banner of an undifferentiated crusade against taxes in order to mobilise popular forces, including small business interests that have no reason to be on that side, doesn't disguise the essence of that demonstration as being at the service of privilege, of the freedom to get rich by any means, of the desire to preserve a ruling social bloc that aims to carry on flourishing on the basis of wealth and entrenched privilege.

By contrast, in the splendid demonstration of the metal workers we witnessed, for the first time in many, many years, a workers' demonstration that wasn't directed against the government. So here's a confirmation, in the behaviour of social forces, that something is moving. [...]

Metal workers' contract campaign

Four big questions loom to fill next year's political agenda. They form for the Prodi government a test case rather more exacting than the budget itself. We've mentioned the first, the great question of government revenue, the struggle against tax evasion, which is a major question of social justice, one which cannot be avoided and which today touches the very issue of citizenship, given a tax system that is still inequitable. Not by chance the other three questions revolve around the relationship between work and society. The first has to do with contractual safeguards for waged labour, the foundation of civilised conditions of work. The renewal of the metalworkers' contract isn't a routine wage negotiation, a bit of wrestling

over income distribution and the key issue isn't the size of the increase: at stake is whether or not we will have national industry contracts and hence a twin component to contracts, national and enterprise-level; that is, what is at stake is the power of the workers. In 1997 the entire system of trade union relations in Italy will be discussed between the social partners. For that reason the metal workers' contract takes on a strategic weight in the definition of social relations in the entire country.

We shouldn't forget that in the years of the rise of struggles and mass protest, between 1969 and 1975, the capacity for change depended precisely on the exercise - widespread, co-ordinated, continuous and driven by large-scale national mobilisations - of a bargaining effort in which real workers' power was exercised. What was realised at that time was an extraordinary phase of participation by labour in conflict and negotiations to establish its working and living conditions through the modification of the capitalist organisation of work and society. The lesson of that experience should not be forgotten. Trade union bargaining power was eroded, first, by the defeat of the 1980s and, next, smashed and all its autonomy stifled, by *concertazione*. The renewal of industry contracts became an internal industrial relations issue rather than a feature of social life. With the metalworkers' present campaign it has again become a social and political fact.

After six long years, a national industry strike was called, then a second, with the big demonstration in Rome. Tomorrow, 13 December 1996, all workers in industry, transport and construction will strike. Working-class involvement has been reborn in tune with a more general revival. There is a link that no-one can ignore, the link between the establishment of a political context that can be influenced by struggles and the growth of the movement itself.

But there's another reality that needs to be looked into more deeply. The participation of a large number of very young people in the strike and the demonstration is a new feature calling for deeper analysis. It is not easy to understand, after years of invisibility on the part of the workers, after years of campaigns about the end of class and class conflict, why a new working class generation, inexpressibly remote from the preceding political generations and, unlike them, dispersed in small and very small factories, should discover, as the form in which to express its identity, the strike and march - the most classic of forms for expressing the culture of

the class. And the metalworkers' unions feel this to such a degree that they act, at least for now, as a single industrial union.

That's the value, the indelible potential, of the national labour contract. And that explains the strategic line of the Federmeccanica [Italian Metal Industry Federation-Federazione dell'Industria Metalmeccanica Italiana] and the Confindustria, which is to change the whole nature of the contract, overturning its function, or to smash it outright. A precise parallel to what neo-liberalism wants to do with the nation-state, which yesterday was called upon to set up the welfare state and now must dismantle it. In the same way, the bosses would like work contracts, established to protect the workers and improve their working conditions and wages, from now on systematically to help reduce wages and maximise competitiveness and company profit. If this is rejected, then national industry contracts are to be eliminated. The Confindustria is socially what the Northern League is politically: secessionist and separatist. The Confindustria wants to see the contractual disintegration of the world of labour to prevent its coming together as a social force, to stop it from again becoming what it has been in other periods, a political force and a force for reform and change. So the conflict between the metal unions and the Federmeccanica is political, it involves the distribution of power in society, it touches on the destiny of workers' rights, their social protection and their general role. [...]

Defending and transforming the welfare state

The second issue is that of the welfare state. The sort of attack it is facing, as we have seen for the rest of Europe, is that which also targets work contracts. In Italy, the right, which had a let-down over the budget, now returns to the issue and finds a worrying degree of support beyond its own ranks. A large and powerful bourgeois lobby against the welfare state is being built across party lines. The aim is to destroy all uniform, public and universal social protection and, with this in mind, the strategy adopted is that of turning the young against the old, men against women, the unemployed against workers, Italian nationals against immigrants, all on the grounds that the blanket is too small to cover everyone. Anyone who tries to withdraw from this game is a "conservative": this playing field and this game are regarded as the only ones possible.

The competitiveness of commodities produced is the key variable and what dictates the rules of the game. But in this case not only the

welfare state but politics itself dies. The moderate left's answer is completely inadequate, because it starts from a false assumption. It seems to have become converted, albeit very belatedly, to La Malfa's[12] fable of the brothers fighting over the cake. It is blind to the mechanism of capitalist accumulation, blind to the ways it determines income distribution that otherwise would be difficult to justify and blind to the enemy and its class origins.[...]

Sooner or later, it will be necessary to propose an increase in spending on some sectors like health, in order to improve the quality of services and treatment. Everyone knows that overall spending on welfare is four percentage points lower in Italy than the European average. Even social security, considered by many to be most onerous in Italy, when looked at with regard to equality of conditions, comes out more or less on equal terms with Germany. So, no outrage. Let's state an elementary truth: in Italy we spend badly, too little and less than our European partners on the welfare state. [...]

Here the starting point is not that of curing the budget deficit, but rather that of analysing the social crisis and people's hardship. The aim of reform becomes improving the quality of work and of life. This reversal of approach will bring to light difficult problems of distribution, social organisation, work and power, but they will be posed beforehand, as is always the case when we follow the road of reform. Moreover, the crisis of welfare is an aspect of this new capitalist development, an aspect of the growing gap between economic growth and social well-being. The welfare state threatens to disappear into this abyss, too costly for a type of growth totally dependent on competitiveness, too linked to employment when unemployment has become long-term and massive.

A reform of the welfare system must therefore start from new foundations. These are a new full-employment policy, and the re-establishment of an enforceable right to work for everyone. We will take up the question of employment later. Here, with respect to the issue of the welfare state, we would like to point to its extreme limit: the idea of an employing state in the last analysis will take the form of a new option, that of guaranteed minimum work. Guaranteed minimum work for all as an attack on social exclusion that might otherwise become permanent.[...]

Shorter working week campaign

In the struggle against unemployment, a battle over the nature of society will be won or lost. And in the struggle against unemployment the fate of the Prodi government and the majority which supports it will be played out. There is no element of blackmail in this reasoning of ours, only a clear understanding. For this reason we put forward a proposal and indicate a timetable.

Neo-classical policies have failed throughout Europe. We need to turn the page, come up with some of the elements of a new economic policy. We have to experiment, bravely. Let the repeatedly postponed government conference on employment be rapidly convened in Naples. Let the government show up and impart a sense of change of direction and urgency. For our part we again propose a general approach that could have a real impact on the country: reduce tax evasion by ten per cent and invest the funds in job opportunities to bring unemployment below ten per cent.

And we propose several major lines of innovation for a jobs and employment plan. The shorter working week with no loss in pay is an appointment the government can't keep missing. The accumulated delay is already too serious. Our criticism of official Italian trade unionism and of the CGIL in particular could not be more clear. The whole idea of banking on an enterprise by enterprise approach, accepting flexibility and tougher work schedules, has been disastrous: the real average working week has even increased. We continue to propose a general campaign of all industrial workers to win a shorter working week.

But we too must play our part and take the initiative. We will propose to the national jobs conference the creation of a sizeable national fund to support a reduction in the working week. We will ask the government to proclaim to the country and the social partners the 35-hour week goal and a timetable to achieve it. We will ask the government, in a country which last saw legislation fixing the working week passed in far-off 1923, to announce a new law that in the interim brings it significantly below 40 hours. But above all we propose to the congress that we ourselves launch a campaign of debate, mobilisation and agitation throughout 1997 in favour of the shorter working week with no loss in pay.

It's a matter of setting ourselves a goal in the struggle against unemployment and of simultaneously launching a battle to reopen the

story of living and working conditions, to build a critique of the oppressive and socially divisive mechanisms of this economy out of the material conditions of the unemployed and the workers, of women and men. Marx wrote in 1866:

> The law on the ten-hour working day was not only a great practical success, it was the victory of a principle: for the first time in the clear light of day the political economy of the bourgeoisie bowed to the political economy of the working class.

It would be good to be able to repeat those same words tomorrow.

Socially useful public works

Another point of departure both from monetarist policies on employment as well as from those who place their trust in economic growth to have results on employment - both, by the way, resounding failures - a point of departure that we developed in our programmatic conference, is that concerning socially useful public works.[...] If we don't today create jobs outside the sphere that can be directly stimulated via the market, we will simply end up perpetuating the mechanism which generates unemployment. Even an economic liberal like Lester Thurow has recently written that, since the private business system merely reacts to prospects of immediate profit, only the state will invest under conditions of differential profitability. Only the state, Thurow says, can have a plan and look further afield. Without this possibility the Italian South would become a part of the world's South within Europe, a land of exploitation, plunder and domination by organised crime. But today culture can become jobs, art can become jobs, nature can become jobs, the reclamation of cities of unparalleled beauty can become jobs.

The South of Italy is in this sense, and only in this sense, a big opportunity to impart value to what the present economic system devalues and covers up, only because today it doesn't find a home in the political economy of the bourgeoisie. To obtain even a partial gain here, this closed universe must be cracked open, opened to something different from itself, forced to accept a difficult butt necessary coexistence. The young people of the South shouldn't have to migrate in search of jobs, jobs can and must be organised where young people live. [...] The employment

conference should show a full grasp of this challenge and move down the path of building a new economic and social policy. We would like to see an enlarged scientific community set up, an ongoing meeting-place for different forces-political, trade union, social, scientific, experimental, of workers, of struggle committees-a permanent home for discussion and mobilisation for the struggle against unemployment. We would like the conference to decide in favour of a serious inquiry into employment in Italy, into the jobs that are and those that aren't. In order to get to know, to hold together those which others want to see divided, the employed and the unemployed. What has really happened today after and in the course of the big changes to the labour process? What are the new conditions of exploitation, alienation and dependence? What is the fate of the self-employed, who have lost all independence?

Turning the public spotlight on working conditions, stimulating the direct participation of the workers in describing their situation and the characteristics of various employment arrangements would be an enormous cultural fact, the reply needed to that social black-out that not only robs the world of labour of the possibility of having its case listened to, but also robs the entire country of a view of its basic real condition.[...]

Constitutional reform

This parliamentary majority, which won an electoral contest against the right by denouncing its neo-liberal policies and neo-authoritarian leanings, is duty-bound to draw up the basic outlines of an institutional reform that provides a democratic solution to the crisis of the state system. But, precisely to achieve this, the majority has to seize the link that exists - negatively, in the regressive solutions, and positively, in the progressive solutions - between social model and organisation and form of government. Lose sight of this connection and everything focuses on the technicalities of organising political power and what might appear to be the most effective form of government, but this only vis-à-vis existing social relations. Our whole constitution is there to remind us of this truth. In it there's a clear relationship between the first part, which sets out its underlying values, and the second part, which spells out the procedures, a relationship that's so obvious that only a certain institutional opportunism could deny it.

After the victory over fascism, a struggle and victory which, contrary to all varieties of historical revisionism, was the founding moment of this

republic of ours and the only possible source of a civil religion which could give historical dignity to our people - antifascism; after the victory against fascism, the Constituent Assembly wrote the basic charter, establishing a fundamental relationship between a republic founded on work, one whose fundamental objective was that of removing the social conditions that block the free development of the human personality and the setting up democratic rules allowing mass participation in the public life of the country and its institutions. [...]

The PRC set out its own reasonable proposals at a recent convention. They have been appreciated by a wide range of democratic forces. We suggested a thorough modification of the whole state set-up, with the idea of devolving to the regions all government powers over development and the territories; with the aim of elevating local and regional autonomy and concentrating in the parliament of the republic only essential legislative activity. We proposed the elimination of one of the two chambers, establishing a simplified monocameral system; we proposed redefining relations between the parliament and the executive, outlining a parliamentary form of government in which, via the revival of the proportional system, the parliament reacquires its full capacity to represent the country. That is, we proposed a balance capable of marrying the demands of democracy and representation of the plurality of political forces as they exist in the country's real life - demands that are ours - with the theme of stable government - an issue which is not ours - but which has however been urged upon us at length and which, as you see, we don't run away from.[...]

The PRC, the PDS and the crisis of reformism

Here in Italy the PDS is moving to a congress of redefinition. We follow the PDS with close attention: we don't regard it as an opponent, still less as an enemy. But we do feel a great distance between us. We're divided not only by a judgement on our common history, on this century. Firstly, we ourselves feel the need for a critical investigation, a painful but necessary in-depth analysis of the errors and the causes of a historical defeat of the experiences that built a new state upon revolution, of its great and tragic history and also of the unheard-of oppression produced within it, as well as of the post-revolutionary societies of this century.

But our need for an in-depth settling of accounts comes from the fact that the causes of that revolutionary break, the reason for October,

the reason for that birth of a new society, the reasons of equality and liberation from capitalist exploitation still seem to us the only ones able to impart meaning to politics at the coming of the third millennium.[...]

We're also divided by our analysis of the present, that is, the judgement we make on the nature of the process of capitalist modernisation, which for us is modernisation without modernity, against equality and freedom. The future also divides us. Whether, that is, to support this modernisation so as to give it some remedial adjustment, as the PDS comrades seem to think, or whether, as we think, it's necessary to counterpose a new social and development model, an alternative, to also defend the gains of civilised life. And whether, in order to do this, we have to put back on the agenda of politics the transformation of capitalist politics, without which humanity and Europe risk a great step backwards.

That's why a contest for hegemony has opened between us: it will be won by whoever is able to give the most effective answer to the social crisis. However, this social crisis also involves the search for points of agreement in everyday political activity, the search for unity in advancing towards common partial aims. This is required by the danger of the right in Italy but also by the violence of the processes of economic and social restructuring. Such points of agreement are made possible by the country's deposits of social and political history, the numberless common experiences, and the concrete social reality. Our united moments of struggle can be effective, appreciated by the masses, especially if able to be linked to the growth of the movements, which are today the country's greatest political resource.[...]

Transforming capitalism and the return to Marx

The issues of equality and freedom arising from the constellation of alternative forces and, more modestly, the demands for civil rights and sufficient social protection to be able to have some sort of choice in life, give rise to exactly the same order of question as we have been bringing to a head with our analysis of capitalist modernisation and its contradictions, with our emphasis on the crisis of reformism and the potential of partial demands under the daily conditions of capitalism, and with our thinking on the need to propose a new social and development model. That is, the problem of the transformation of the capitalist system comes onto the order of the day, onto our political agenda. Or rather, this problem, this

need, this contradiction sets before us and whoever thinks this way the need to put back on the political agenda, here and in Europe, the highest issue in politics - the transformation of society.

For at least 15 years this theme has been erased from politics. And now that we again propose its relevance, it's not out of ideological stubbornness but on the basis of an analysis of the very modernisation that is overtaking production and society, with a thorough, sharp understanding of the dramatic contradiction between its maturity, we might say its objective necessity, and its subjective immaturity, both as regards the social agents of the transformation as well as the political theory to guide it.

In this context, the accusation that some comrades throw at us of having abandoned a socialist perspective and of having rarely used the terms socialism and communism strikes me as frankly grotesque. If I've made a sparing use of such exacting terms it's because of a kind of discretion that is part of understanding that we are confronting the most difficult problem of politics in our time and an understanding of the disproportion between the enormity of the issue and the inadequacy, intellectual too, of our own forces. If I have referred to such exacting terms as socialism and communism in a restrained way, it is to avoid what others do - hide behind the big words the insufficiency of their own analysis or, still more deeply, their desertion of the field of analysis of the transformation of capitalist society and their substitution of a rhetoric that hides behind words their lack of strategic research into this new cycle of capitalist development.

The return to Marx that we propose is the offspring - as far as the theoretical work to be done (and to be done with others) is concerned - of the idea of giving this work its needed basis in the highest, if not yet fully mature, stage of political thought - revolutionary thought. Far from some supposed pretence of ours to overlook this century, there's the idea of analysing it through this lens, though the spectacles of the critique of political economy and an interpretation of history. We too must apply ourselves in depth to an analysis of this century, of this post-war period; we must do it, but we're aware of wanting to do it in the light of a certain point of view: the rebuilding of a transformation project in the face of economic globalisation and a new cycle of development of capitalist society. Our approach is not simply generically anti-capitalist: it has a clear end in mind - changing society - and is driven by the need for

thoroughly updating critical analysis of the capitalist mode of production and the class contradictions and conditions of life that it generates. To use the words of a leading figure in the revival of Marxism in another period in the history of our country, it's the return "to a sociology conceived as political science, as the science of the revolution".[13] The return to Marx is also why we make a sparing use of the ever-so-loaded term communism, as we re-examine the significance of its gigantic challenge to the kind of oppression we experience in our present working and living conditions. As one scholar of Marx used to recall, his communism is in reality:

• victory over scarcity, or rather the possibility of largely satisfying for everyone human needs as they emerge historically;

• the all-round, multi-faceted education of individual human beings such as to allow an unrestricted swapping of the most varied functions of production and administration, of management and free creation, allowing the elimination of specialisation, its deforming of human potential and social stratification as well as the realisation of self-management of the associated producers, of their social practice; and

• the abolition of work as "obligation imposed by poverty and external ends", whose abolition presupposes the disappearance of scarcity in all its forms, including scarcity of time. That's the inspiration behind the Critique of the Gotha Programme.

It's this Marxian idea of communism as necessary liberation that gives us a feeling for the radical, abyss-like distance that separates us from this goal but also imparts meaning to history and the class struggle. And it's this idea of liberation that allows us better to understand the opening we propose so that the social agent of the transformation can develop within itself, along with its response to class contradictions, the answer to capitalism's new contradictions and to the demands of the new critical movements. The contradictions of gender, between environment and development, between the North and South aren't additions to a body of consolidated doctrine; they are also factors disturbing to class politics, for its culture and its forms of political organisation. In short, we are aware that putting the theme of the transformation of capitalist society back on the political agenda entails a profound revision of our political culture, the reconstruction of a political theory of change. We know full well that, as the Cistercian monk said, "we are dwarfs sitting on the shoulders of giants". So we are aware of the disparity between our forces and the

task in hand. For this reason too we need to build a network of forces here and in Europe of all those working in the same direction.

To have the class critique of capitalist economy interact with the feminist critique, the ecological critique, the critique of the world's poor, and to have them act together as a critique of capitalist modernisation is at the same time an important theoretical and practical test. We know, and from this flows our rejection of all types of fashionable theory, that without confronting the hard kernel of class and the concrete forms of struggle against the exploitation and alienation of wage labour that this takes, every other contradiction, every other demand for freedom, ends up fading and becoming isolated under bourgeois hegemony. [...]

Perhaps Gramsci's concept of the historical bloc, one of the highest points reached in the thinking of the workers' movement (not only Italian) needs to be re-examined with a view to being transcended. Intellectuals are seeing their role, their place in society, change radically. Their firmest aspiration, for autonomy, in its theoretical and traditional sense, is being systematically undermined with the spread of the "single thinking" of neo-liberalism. At the same time we are seeing the emergence within intellectual work too, given its new mass character, of a need for freedom from its subordination, from its expropriation, from the fact of work itself. This allows us to adopt the question of the centrality of work and of the liberation of and from work as a general keystone. [...]

Role of partial goals

But the relations between partial goals and the transformation process also demands a great deal of investigation. Given the crisis of reformism, the partial demand takes on a particular importance and weight, as does the whole defensive struggle. Precisely to the degree that its contradiction with the needs of neo-liberalism comes to the fore, the partial demand entails, in order to achieve effective results, a simultaneous, more general system of protection of the partial demand itself, in other words a process of reforms, so as to provide it, not only with a basis in a broader conception of social rights, but with an increased chance of implementation. Here we have to deepen our understanding of the very question of reforms, but in a different direction than some comrades, without much sense of reality, seem to want to suggest. That "what distinguishes a social reformer from a revolutionary is not the fact of pursuing reforms, but that of confining

himself to that", was already known to Kautsky, who said it in his polemic with Bernstein. And in one of the highest points of intense political debate on the theme, that of the 1960s, an end point in the polemic with reformism seemed to have been reached with the idea that "what characterises reformism is not the struggle for reforms, which every Marxist must put forward, but the separation of the moment of reform from the moment of revolution".

This point in the analysis, while incomplete in other aspects, returns every time that the problem of transformation is tackled. And today more obviously than yesterday, because of the nature of the processes of globalisation, which throw into doubt established gains and tend to close off the whole chapter of reforms with the return to the pure rule of the market. Today the relationship between the defensive struggle or that for the winning of a partial gain and the process of reform, between the process of reform and the rebuilding of a strategy of transformation are situated in the struggle for a new social and development model. It's the idea of a new model that underpins the relaunching of the idea of the public sector, of planning, of questioning the primacy of the market. It's this idea which can take the place of that suggestion of change derived from Gramsci's image of the casemate,[14] that is a series of breakthroughs both to defend partial gains against the political economy of the bourgeoisie but capable too of being consolidated into the line of advance towards a socialist transformation of society.[...]

Conclusion

The opening up of the party to the movements, to the living realities of the country, isn't tactical cunning, but a crucial component of our project. Real innovations have to accompany our declarations. Having denounced the monosexual character of the party, we have to crack that shell and understand that we're talking both of forms of organisation and of political culture. Having said that Communist Refoundation needs the point of view of the next generation, we can't just look on the work of the Young Communists as an add-on to the building of a mass party.

Having stated that the jobs question is central, let it become central in the party's activity and crucial to the question of our social implantation.[...] When we decided to fight sectarianism and every symptom of conservatism, we had clearly seen what gets in the way of our

ability to develop mass initiative, to be able to project the issue of building a new political mass movement for reform and put forward the theme of hegemony. We wanted to investigate a general inadequacy and combat the most obvious symptoms of self-isolation.

What wasn't a matter for discussion and never will be, is the right of dissent, which in the party too is the salt of the earth. What is a matter for discussion is a political procedure, a manner of relating to others: as when, today still, with all that has happened, some still aren't able to grasp the significance and value of our non-aggression choice; or of the need - irrespective of the result, which doesn't depend on us alone - to seek an agreement with all democratic forces to win a municipality; or of the need to recognise the value of an important struggle experience, even when it is the work of a union whose political line we totally dispute. Today we have to speak out even more definitively against all sectarian and conservative isolation. We have to learn how to open ourselves to others to the point of understanding how to read the inner message hidden in political and programmatic proposals or in mass movement behaviour, whether we support it or not. To grasp the "inner truth" in order to enrich our own political proposals and ourselves. This is nothing if not the struggle for hegemony.[...]

One of the most outstanding Communist thinkers of the post-war period, one to whom we are all indebted, Claudio Napoleoni, on the occasion of a famous dispute which happened well before the dissolution of the PCI, confronted head on the question of the programme of a Communist force. He started from a premise:

> The liberation of work, that is the restitution of humanity to work, can only take place within a process of liberation from work, that is where work is no longer the central axis of men and women's lives and of society. Only today has the historical process arrived at the point where the capacity to orient technical progress to this goal has been acquired.

Napoleoni then poses the question:

> Can the Communist Party, at a time when this problem has matured historically, not pose with the greatest force, on the programmatic

> field, the problem of orienting technical progress and industrial development to something other than technical progress and industrial development?

For the Communist intellectual that was the first programmatic question. The second was the women's question, the third that of the environment. Napoleoni continued:

> These three questions go beyond anything the capitalist social arrangement can satisfy. These three questions depict an escape from capitalism and for that reason should be at the centre of drawing up the programme.

Finally, turning to the PCI he asked prophetically:

> Comrades, if you don't confront these questions, why not change name, why still call yourselves a Communist Party?

Well, we are now in condition to reply to Claudio Napoleoni and to all those who in Italy today pose these big social questions. Precisely because we mean to face, in programme and political action, these large questions - which put the transformation of society, the transcending of the capitalist order, on the agenda - we call ourselves Communists. ●

Notes

1. The Dini government was formed in February 1995, after the collapse of the right-wing coalition, led by Berlusconi, which had won the April 1994 elections. The Berlusconi government was brought down by mass demonstrations in late 1994. Dini, who had been Berlusconi's finance minister, was then appointed by Italian president Oscar Luigi Scalfaro to form a government of "technocrats". A section of the PRC's parliamentary caucus, fearful that the only alternative to Dini was another Berlusconi administration, voted against the party line and for the formation of a Dini government. This was the beginning of a differentiation which led to the departure from the party of 18 MPs (including two members of the European Parliament). The final catalyst of the split was the PRC's decision to oppose Dini's counter-reform of the Italian state pension system.
2. The official Italian trade union movement is organised under the umbrella of the three main trade union confederations, the Italian General Confederation of Labour (CGIL-Confederazione Generale Italiana del Lavoro), the Italian Union Confederation

of Labour (CSIL-Confederazione Sindicale Italiana del Lavoro) and the Italian Union of Labour (UIL-Unione Italiana del Lavoro). Together they form the peak body CGIL-CSIL-UIL. Outside and in opposition to official unionism are various rank-and-file union formations, the most important of which are the Rank-and-File Committees (COBAS-Comitati di Base). In distinguishing between the two forces reference is often made to "confederal" and "extra-confederal" unionism.
3. Agreements between the government and the CGIL-CSIL-UIL in July 1992 and July 1993 saw the demise of wage indexation, which had been won by the Italian workers movement in the upsurge of 1968-69. *Concertazione* is the practice of deal making between trade union top bodies and the government.
4. The Paris demonstration was for a shorter working week, the Madrid demonstration against the G7.
5. The first budget of the Prodi government left expenditure on health and pensions untouched and introduced a surcharge on higher incomes to help reduce the budget deficit.
6. A reference to the French movement "Act together against unemployment".
7. The German metalworkers' union.
8. Literally "undergovernment". Basically the jungle of government posts and sinecures built up by the Christian Democracy and the other governing parties of post-war Italy as a base against the PCI.
9. Office of the Italian prime minister.
10. The "tax for Europe" was a one-off tax on higher income earners.
11. US$120-150 billion.
12. Ugo La Malfa was the leader of the moderate Italian Republican Party.
13. The quote is from Gramsci.
14. The reference is to a form of reinforced trench fortification, with both a defensive and an assault capability.

(The Introduction and text were first published in the Australian left quarterly, ***LINKS****, no. 8, 1997.)*
London, 1997).

Piotr Egides 1917 - 1997

Piotr Egides, a critical Marxist, Soviet dissident and prominent defender of what he described as "self-management socialism", died in Moscow on 13 May 1997 at the age of 79.

Piotr was born in 1917 in Kiev. His father was shot by the Cheka in 1920 and he spent some of his childhood years in an orphanage. In the 1930s he studied philosophy and literature and graduated in 1940. He volunteered for the front immediately when the Nazis invaded the Soviet Union in 1942. He was wounded and captured but managed to escape. He returned to the army but, like so many other escapees, was immediately sent to the Gulag. Rehabilitated after eight years in Vorkuta, he finished his doctorate and returned to academic life.

Full of energy and ideals, he used the Khrushchev thaw to work as manager of a non-conformist collective farm in Ukraine, where he tried to put into practice some of his ideas on the real-life practice of socialist self-management and democracy. Forced out by bureaucratic repression, he returned to Moscow where he met and married Tamara in 1970. He had been outraged by the Soviet invasion of Czechoslovakia in 1968 and wrote a pamphlet, *The Only Way Out*, in which he claimed that the Soviet Union had "no socialism and no democracy but needs both". Two months after his marriage he was again arrested and spent three more years in prison.

In 1978, with Raisasa Lert ("old Bolshevik"), the Marxist historian, Mikhail Gefter, and others, he began the independent journal, *Poiski*. In a short piece of his that we published in *Labour Focus* in 1980 (vol. 3, no. 6), he explained that the aim of the journal was to "be socialist oriented but highly critical of the regime". Unlike other samizdat publications, *Poiski* had many rubrics - poetry, literature, social and political life, sociology and documents - and was open to different currents. Piotre was responsible for the section "social and political life". Five issues were published in the first year, one of them over 500 pages. Altogether eight issues were published. In 1979 four members of the editorial board were arrested. All except Raissa Lert were imprisoned; Piotr was expelled to the West and came to Paris with Tamara.

I met Piotr and Tamara in 1986 when they came as international

guests to the Labour Party Conference. Halya Kowalski and I accompanied them through a week of meetings with Labour Party and trade union leaders, receptions, fringe meetings and evenings with Vladimir Derer and CLPD. They were, of course, looking for labour movement support for their socialist project in Russia and were trying desperately to get support for their own personal campaign to win the right for their daughter to leave Russia and join them in Paris. They had a keen supporter in Eric Heffer. Mitterand intervened on their behalf with Gorbachev and their daughter was allowed out soon afterwards.

They were an impressive couple. He, full of ideas, always on the move, impatient, defending his views; she, quiet, sharp, sensitive, with a wealth of knowledge and wisdom. She learned French very quickly; his world was still Russian.

He was allowed to return to Russia under Gorbachev in 1989 and his final years were ones of intense activity between France and Russia. He was a sharp critic of the Yeltsin regime and strongly condemned Yeltsin's coup against the Russian parliament in 1993. He wrote books and pamphlets and tried once again to put his ideas into practice, working closely with the famous eye surgeon, Fyodorov, whose clinics are organised on a participatory self-management basis. With Fyodorov, he set up in 1995 the Party of Workers Self-Management.

His project, in the last years of his life in Russia, was to set up a number of what he called progressive "oases" in Russian society, self-governing collectives that could act as examples for others, as progressive alternatives to what is on offer under Yeltsin. His life-span was almost co-terminal with the Soviet Union itself.

Gus Fagan

CONFERENCE

Baloldali Alternativa Egyesülés

Hungarian Left Alternative

Hungarian Left Alternative invites you to participate in a left political conference which will be held in **Budapest** on **1-2 November 1997** on the theme "Neo-liberalism versus social welfare: new international strategies for the left". The conference's main focus is the impact of recent socio-economic developments in the world system.

Contrary to the hopes of many people at the time, the years since 1989 have witnessed severe attacks on the economic and social position of working people in Europe. In Central and Eastern Europe, we have witnessed a neo-liberal drive demolishing the welfare system, hastily privatising state property, introducing or sharpening inequality and driving down living standards for the mass of the people. In Western Europe, governments have attempted to meet the terms for European Monetary Union by cutting welfare spending, in a context where unemployment has become endemic. As a result, the whole continent has experienced an upsurge in xenophobia and racism, a growth of the far right, and attacks on women's rights.

The ideologues of neo-liberalism have entrenched themselves on the international level while the left remains fragmented and divided on a national basis. The situation needs to be changed.

The conference will discuss these problems and attempt to formulate international strategies for the left - for both Western and Eastern Europe, sharing our experiences and building alliances for change. We will conclude by considering practical possibilities for the future exchange of ideas on an international level.

Subjects for discussion will include:
1. The scope for national economic sovereignty in the globalised economy
2. Defending and extending social rights in the new Europe
3. The consequences of privatisation in Europe
4. EU enlargement: help or hindrance to the economic development of East Central Europe
5. How to fight racism, the far right and state-practised discrimination
6. The fight to advance the position of women in the new Europe
7. The future international exchange of ideas

We hope you will be able to attend the conference and would welcome your comments and suggestions on the agenda. Anyone wishing to give a paper, get further information or register for the conference should contact one of the following:
in **Budapest**: Támas Krausz, Frankel Leo ut 68/B, 1023 Budapest (tel. 00 361 326 2703; fax. 00 361 111 5094);
in **London**: Kate Hudson (tel. 00 44 081 985 3718; e-mail: hudsonk@sbu.ac.uk).

The conference is organised by **Hungarian Left Alternative** and the journal *Eszmélet*. A wide range of speakers will be participating from Eastern and Western Europe. Home stay accommodation can be provided on a first-come first-served basis; inexpensive accommodation can be provided through our trade union contacts or if you wish to pay for more expensive hotel accommodation, please let us have the details. Further information about the timetable and venue will be available soon.

The conference manager is
György Sebestyen
(tel. 00 36 26 385293; e-mail: nko_sebestyen@pegasus.bke.hu.)

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Kazimierz Z. Poznanski, *Poland's Protracted Transition, Institutional Change and Economic Growth 1970-94*, Cambridge University Press, 1997.

Poznanski provides in this book an absorbing long view of the unravelling of Polish communism in economic policy over quarter of a century. Along the way he makes some controversial challenges to conventional views of events and provides an incisive analysis of the political constraints governing the actions of Polish policy makers in the period under study.

Poznanski locates himself firmly with von Hayek et al. as an evolutionist in economic matters, emphasising the role of individual economic actors, taking their decisions on the basis of necessarily incomplete information. He takes as axiomatic that: "...under conditions of privacy - personal freedom and property - individuals perform best i.e. are most economical." (p.xxxii)

The story is therefore an account of how 'natural' evolutionary change was gestating the transition to capitalism long before the Round Table Agreement and the political hand-over of power. It is not necessary to accept this framework, which could as well be replaced by an analysis of the historic weakness of Polish communism, to appreciate the insights regarding the ideological and practical decay of a system edging away from the 'strong' (and functional) model of central planning, without being able to arrive at consistent alternative ground rules for economic life, in particular those of a fully fledged capitalist economy.

Poznanski rejects totalitarian and modernisation accounts of the transition. Firstly, Polish political economy shows clear evidence of substantive reform on a number of occasions (1970,1982 and 1988), which indicate a degree of dynamism, rather than the stagnant inability to reform posited by totalitarian theory. Secondly, far from 'converging' with capitalism, as modernisation theory would suggest, Polish economic performance actually deteriorated until political crisis forced the

political pace. In this framework it was the reforms that were responsible for the growing crisis, rather than the inability to reform.

Thus one of Poznanski's more provocative conclusions is to reject the consensus view that gross economic mismanagement in the Gierek years produced the 1980-81 crisis. He argues in detail that the economic performance of the investment financed by foreign borrowing, which was intended to produce export-led growth, was quite reasonable and points out that all shades of opinion had an interest in blaming Gierek and none had any in vindicating him.

Gierek's problem was rather that he, and Jaruzelski and Rakowski in progressive steps after him, allowed "ownership structure and co-ordination procedures" to "severely deteriorate," without putting anything adequate in their place. Endogamous political constraints, such as inability to resist wage pressure, prevented the adjustments needed to meet changing world economic conditions. The direct link of the centre with the enterprise, monitored and enforced by local Party units, was weakened to the point of dissolution.

Then:

> ...during the final stages of communism, under the pressure of a self-interested membership, growing segments of the cadres consciously engineered their party's demise."
> (p.xxxi).

Much of the second half of the book provides a view of the martial law and transition periods, providing some insights as to why progressive liberalisation of the economy did not produce the results policy makers anticipated. The same analysis based on micro-economic changes, such as the expectations of managers and bankers, works quite well in dealing with the two puzzles presented by the post-1990 transition, "the initial drastic

recession, which was not supposed to happen and then, a robust recovery, which is equally hard to explain". (p.207)

There is another way of looking at the inability of the long history of economic policy reforms in Poland to correct the long term deterioration of the economy. The strength and militancy of the Polish working class blocked the kind of 'economic adjustment,' carried out under capitalism through unemployment and public expenditure cuts. Mass workers' protests repeatedly vetoed price rises.

However, the efforts by organised workers to impose their own solution failed, whether by democratising the system from within (in the demands of the Szczeczin strikers in 1970, which gave Gierek his chance to take power) or in the attempt to create the 'Self Managing Republic' in 1980-81 through a syndicalist route 'outside' the party-state structures. Finally, when the workers' movement was sufficiently disoriented and a government with credible claims to democratic legitimacy was installed, there followed cuts in real wages of around 30% and the return of mass unemployment.

Clearly, the view I have just sketched is one from a different theoretical perspective than Poznanski's, although his book is well worth reading. My own view is that although no viable managerial alternative existed to replace the sinews of the Stalinist system in Poland or elsewhere, the historic defeat of the Polish working class was not pre-ordained by the essential evolutionary features working within communism. With very limited room for manoeuvre because of the looming likelihood of Soviet intervention, a heroic struggle was waged which created, however briefly, new historical possibilities.

Dave Holland