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# **No Middle Road Capitalism: The Impact of the Uniform Policy-regime in Eastern Europe and East Asia\***

Johannes Dragsbaek Schmidt\*\*

“The free trade doctrine is just a more subtle form of mercantilism. It is believed only by those who will gain an advantage from it.”<sup>1</sup>

“Economics and management has become the Marxism-Leninism of our society - the official ideological expression of how the West works and why it ‘won’ the Cold War.”

“Leisure is only possible when a man is at one with himself, when he acquiesces in his own being, whereas the essence of ‘idleness’ is the refusal to acquiesce in one’s own being. Idleness and the incapacity for leisure respond with one another. Leisure is a mental and spiritual attitude...a condition of the soul, and as such utterly contrary to the ideal of worker in which each and every one of the three aspects under which it was analyzed: work as activity, as toil, as social function.”<sup>2</sup>

## **Introduction**

As the world is heading towards the next millennium, the contradictions facing the international community are being accentuated by the evolution of the post-socialist societies from Eastern Europe to Russia and China. Even under the best of circumstances, the complete reintegration of these important economies in the capitalist world system would be a process full of pitfalls and challenges.

The break-down of the Soviet-type planned economies in the late 1980s caught the world by surprise. Geopolitically, the discipline of the Cold War was lost; the competitive contradictions in the “free world” and the crisis of the societies inside the now former Eastern Europe became evident.

The path of reconstruction has been unclear from the outset, not least in Russia’s case. With the political and social problems of all sorts which exist in this country the current policy of privatization of the state by the state seems

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hazardous. In addition to the lessons offered by the capitalist developmental state (CDS) of East Asia (and its breakdown together with the financial crisis) the Chinese transformation strategy is worth consideration. One of the issues involved in such a learning process is the question whether change should be gradual or whether a sudden and immediate shift is more compatible with the deep transformation involved. Change invariably implies some trade-off. Furthermore, it must be emphasized that a two-track gradual approach with implementation of micro-economic reforms, for example in agriculture, decentralization and a bottom-up perspective in economic planning is to be preferred. Besides the fact that no socialist country has yet completed the full process of market-orientation the major difference between the transitional economies of East Asia and Eastern Europe is the relative importance of the rural sectors (including agriculture) of China, Vietnam, and Laos.

This of course affects the reform strategy. The Chinese experience shows that the question of legislation on ownership rights to the means of production especially in the rural economy was not decisive. However, there is some evidence from a neo-institutionalist perspective which shows that property rights did play an important role in the market reforms of Chinese agriculture. In fact, these originated at the grass-roots level without direct guidance from the central authorities. In China, there is a mix of different types of ownership, i.e. cooperative, municipal and private enterprises competing with state enterprises. The reforms in China have been gradual through a dual track of market and plan without creating the ethnic and social havoc which occurred after the “big bang” in the successor states of the USSR. It should, however, be kept in mind that in China, heavy industry is still nationalized and the population is more homogeneous than was the case in the Soviet Union, and indeed this is also the case in nowadays Russia.<sup>3</sup>

The mixed state-market relationship, or to use Alec Nove’s expression “feasible socialism”, deserves more attention than it has received in the international discussion. Chinese socialism had more of a tradition for experimentation and voluntarism in agricultural development than was the case in Soviet-type economies. The looser ties to the centre and greater regional self-reliance made possible the establishment of Township and Village Enterprises (TVEs) proved to be the motor behind the marketization of Chinese agriculture. Thereby the strong central state necessary for reforms was actually weakened in the case of the rural sector in China. Also the coastal regions were allowed a greater degree of autonomy than was seen in the capitalist developmental prototypes of East Asia. In contrast, the reforms coming from above in the Russian case implies a need for a strong state, which, however, does not obtain because of the collapse of the political establishment.

The relative success-story of China compared to Eastern Europe should not be interpreted as a closed case. Chinese society will have to face a whole series of difficulties in the next decades. Paraphrasing Mao's slogan of socialism being the solution to China's problems, one may well ask: Can "Market-Socialism" save China?

The main purpose of the following is neither to provide an overview or to give descriptive details of what some has termed "the race to the bottom" in the international political economy, a process which also impacts the cases of Russia and China. The paper's focus is rather an attempt to situate Russia and China's development experience in the globalization debate. The paper is divided into three sections - first it provides a discussion of the new international trade environment (the so-called globalization debate) after the demise of the Soviet system; the second part is a discussion of how neo-liberal globalization has had a different impact on Russia, Eastern Europe and China; the discussion points to, what I will argue is an essential but sometimes overlooked aspect of, what are undoubtedly also harsh international realities: globalization as the mark of a historical transition in which acquiescence to features of this transition can derive not only from the domination of powerful economic and political forces but relate to what are perceived as real improvements in people's lives. This is quite essential, because as Marx, Engels and Mao amongst others stressed, historical and social change implies loss, gain, but also new possibilities. Finally, the paper intends to suggest a few important points for further debate with regard to the need for new visions and ideas especially in terms of a renaissance for leftist (anti-capitalist) strategies and models in the said regions, but also in the West and South, in order to question the current almost pathological obsession, even on the left, with debates about what are termed "variants of capitalism" (i.e. East Asian models, Scandinavian models, Anglo-Saxon models etc.), which is more of the same - *inter alia* one step forward and two steps back. In order to come to terms with the crisis of former socialist type societies it is important to rethink the political and social change which has taken place and to critically analyze the premises, policies and results.

### **East Asia, Crisis and "Competitive Austerity"**

The paper takes a critical look at Russia through an East Asian and Chinese lens – it discusses development strategies and transformation of states, markets and societies after the break-down of so-called "real-existing socialism" and whether the impact of neo-liberal globalization creates space for new variants of capitalism. The paper is also concerned with strategy at the ideological/political level – whether it is time to rearticulate debates regarding alternatives/utopias, not only in the former socialist countries, but at a broader level, involving oppositional forces to the "Washington Consensus". As such the paper falls in three parts:

- 1) It situates Russia and China's development experience in the globalization debate.
- 2) It focuses more squarely on the impact of globalization, and asks whether Russia can lean on/duplicate China's relatively successful gradual approach.
- 3) The last part is devoted to what I call a politically incorrect utopia.

The decades leading up to the end of year 2000 with high growth rates and a seemingly no-nonsense approach to economic policy-making changed in July 1997 with the financial crisis which started with the devaluation of the Thai Baht, and soon the Malaysian Ringgit, and the South Korean Won fell precipitously, but what really caught the headlines of the international media was the breakdown of the Russian Ruble and the debt moratorium from the Russian government.

Four basic problems can be pointed out as the major factors which caused this so-called Asian financial crisis.<sup>4</sup> 1) Global overproduction and the fact that all economies prefer an export-oriented development model; 2) Forced deregulation of financial and monetary control in East Asia by the IMF and the World Bank in collaboration with international productive and financial capital; 3) The revaluation of the Yen as result of US pressures and the Plaza Agreement, and later on the devaluation of the Chinese Yuan which caused a tremendous competitive pressure on the export-oriented economies in Southeast Asia; 4) Finally, the growing influence and pressure on behalf of national business sectors on national policymakers to liberalize the economies and the resulting over borrowing by the private sectors. In short, what might precisely be termed as market failures. Another problem which caused the economic meltdown of Asia was the double pressure from the World Bank as well as other Western dominated organizations and domestic interests including labour in these countries to pressurize national policy elites on the issue of increasing public entitlements and social welfare - a problematic which will undoubtedly increase. To the third and most important questions. The so-called financial crisis is more related to what Peter Drucker has termed a social crisis. The crisis is also a crisis of neo-liberal globalization, and the reinvention of nationalist economies will probably lead to renovated models and strategies of economic policy-making. Protectionism and control of foreign capital will strengthen the popular forces and anti-Americanism throughout the region - i.e. resistance against neo-liberal globalization and foreign control of the local economies will once again become much stronger (What Polanyi termed the double movement) strengthening local democratic control over the economies.

In demystifying the background of the crisis, it is necessary to examine the political changes which took place in the international realm, and the impact on

the various so-called “models” of capitalism which emerged in the former Soviet-type societies and East Asia including China.

In the past two decades the high growth rates of South Korea, Taiwan and China have been cited by the World Bank, IMF and technocrats in East Asian policy circles as successful examples of development based on a limited state sector, minimal public expenditure, light regulation and low taxation. In addition, economic growth and market mechanisms are claimed to allocate wealth efficiently which automatically ‘trickles-down’ and thereby minimizes social inequalities. Implicitly the objective of this “libertarian” position served to rationalize the competition between the different national socio-economic units in the world economy thereby offering transnational capital the best conditions possible. Since investment in manufactured production and services increasingly favored countries with low wages, minimal social security, health, safety and environmental costs, competition became a zero-sum social game. Trade competition likewise created immense pressures on states and firms to restructure in the West.

To a certain extent, it seems that East Asia’s relative success in terms of high economic growth represented a challenge to the “advanced” countries that in some ways was stronger and more antagonistic than was the case of ‘real-existing socialism’ in the former Soviet type economies. The reason is that it involved, among other things, traditional trade and commercial rivalry as well as clashes for global market shares and market penetration and not least the misleading question which model of capitalism was the most efficient and suitable for replicability for other catching-up economies.

The dissolution of the Cold War made it easier for the Americans and the Europeans to put pressure on the Asian economies on trade issues. Unlike the period 1950-80s when the ideological confrontation between the Soviet and Chinese socialist bloc and the Western capitalist bloc made it imperative that the Asian Newly Industrializing Countries be viewed as successful models of capitalist development, and hence needed nurturing, encouragement and support from the capitalist countries, this ideological imperative disappeared in the 1990s. At that time the main impetus to the so-called miracle economies was very well capsulated in a thoughtful reminder in the publication *Japan Echo*: “- You might say that Reaganomics gave birth to the four dragons.”<sup>5</sup> After the demise of Soviet-type “Real Existing Socialism”, and the dissolution of the CDS in Japan and South Korea, US- and Western European-imposed trade wars are now focusing more squarely on China’s current version of “Market-Socialism”.

As such what in the beginning of the 1990s looked as doomsday economics in the United States soon changed and *globalization* became the new buzzword -



the ideological matrix - which according to some interpretations represents a new phase in the world economy in which finance capital and multinational companies dominate. It has turned “compete or perish” into a universal imperative by “killing the domestic market” and led to the “takeover of the public by the private”. In politics it has “confiscated democracy”, “destroyed the basic values of the bourgeois revolution” and established the IMF and the World Bank as a “planetary executive”.<sup>6</sup>

The *mediatized* dispute around trade issues between Western and East Asian (i.e. Chinese) politicians and ideologists appears to be a sideshow to the main event which is the political and social adjustment to the demands of the global market and thereby it also involves ordinary people’s welfare, political choices, and not least the need for new visions and ideas.

Beyond the rhetoric used by the political elites, both parts seemingly *kowtow* to the hegemonic neo-liberal doctrine. This implies that societies have to adapt to the constraints and perceived opportunities which the present globalization process is said to offer. In fact, what we see is a current trend towards merciless international rivalry to which, according to the dominant discourse emanating from the main bodies of economic policy-making and their supporting institutions, all societies have to internalize the costs of participation in the global contest. The central feature of this system is the ballooning of global financial transactions of all sorts, and the dangers posed by a stock market crash.

This translates into the need to reduce production costs (especially wages) and deficits in national budgets (especially social expenditures and in both Russia’s and China’s case subsidies to state-owned enterprises). However, at a time when all countries have become export-oriented, the consequence of what some refer to ‘*competitive austerit*’ is that it falls upon the political system to guarantee social stability at the same time. The important issue which is being sidestepped is then, whether democracy or authoritarianism is the best form of governance suited to reconcile the need to adapt the domestic society to the demands of the world market.<sup>7</sup>

The societal arrangements which have been reached in Asia, Russia and Eastern Europe are related to the constraints and possibilities which the world market imposes. The important question is how these states and policy-makers have controlled the nature and impact of globalization an important one. It is essentially a matter of how single capitalist states adapt and respond to the neo-liberal policies of keeping wages below productivity growth and downsizing domestic costs which have led to an unstable vicious circle of ‘*competitive austerity*’ or simply ‘*a race to the bottom*’: “Each country reduces domestic demand and adopts an export-oriented strategy of dumping its surplus

production, for which there are fewer consumers in its national economy given the decrease in workers' living standards and productivity gains all going to the capitalists, in the world market. This has created a global demand crisis and the growth of surplus capacity across the business cycle."<sup>8</sup> Furthermore, the convergence between low welfare expenditures and export orientation has become part and parcel of the tendency to promote national economic interest in the international arena.

In this context, China appears ostensibly to be better poised. Free-marketeers in both Asia and in the West emphasize that, until the Asian economic meltdown, the successful growth strategy of East Asia had been based on a small public sector and more importantly on the non-existence of a welfare state.

This was allegedly the secret of these growth miracles which supposedly explained the stagnation of Western Europe, while the social deroute of Russia leading to Third World status is a sign of a deepening crisis of the economic and social fabric of that society.

Forgotten from this scheme are the social and political implications of the dirigiste policies of the economy by what was the CDS. Until the financial crisis, there had been no trade-off between democracy and welfare on the one hand and economic development on the other in East Asia - and this is still the case in China. While *conspicuous consumerism* for a small elite in Russia and China is apparent, there is little social security network to sustain an acceptable quality of life for the underprivileged majority. In the case of some countries - especially the first-generation NICs - they had high rates of savings implying modest standards of living relative to labour productivity. For all countries of East Asia, responsibility for individual or social security was and is considered to belong to the realm of the private sector sometimes emphatically called (civil society), although China is still searching for a new model in this regard. Consequently, authoritarianism in various forms has been used in order to control potential social unrest, and in a few cases (i.e. China) also to supervise the activities of foreign capital. In other words, no rampant *laissez-faire* here!

On the other hand, it is often ignored by mainstream thinking that in Europe, a *quid pro quo* was established on the basis of a social contract made possible by protracted political struggles leading to the establishment of democracy. Put in another way, the welfare state should not be seen as the result of a political fad but perhaps a phase of capitalism reached through a constellation of political and social forces during a rather long process. Thus democracy and welfare are very much interrelated. This was a worthy contribution which proved to be, it is often forgotten, highly conducive to the economic recovery and the stabilization of Western societies as well as highly profitable for business. In fact, the welfare

state made capitalism work better thus becoming an important weapon in the struggle against state socialism whether in the USSR or Chinese version!<sup>9</sup>

But adjustment to the new paradigm of global competition entails the downsizing of employment in both the corporate (private) and the public sectors as well as the privatization of state-controlled property and services. What is being attempted is the dismantlement of the welfare state within democracy. A return to history, ie. lean and mean capitalism! The dilemma for the global political elites is whether this can be done without calling forth frustration which can prove difficult to subdue. Reverting to a pre-welfare type of capitalism creates potential political consequences as have been witnessed in France and Germany recently.

Under these circumstances, the neo-liberal discourse on democracy and human and workers' rights in Asia and the accusations of dumping levelled against those countries by politicians actively deactivating the welfare state in their own countries is more than suspect. Especially when they use East Asian competition as an ideological tool to discipline their own labour forces. In contrast, the reluctance of Asian political leaders towards democracy is, whether we like or not, within the logic of the capitalist world system. Giving the population the possibility of demanding greater access to the phenomenal growth of their economies might undermine the delicate foundations for their country's participation in the international division of labour as well as the political survival of their regimes. But how will these old-generation elites react to their loss of legitimacy when and if economic growth slows down because of either competition within the region (cheaper production costs and large markets) or increasing protectionism in major foreign markets.

However, when this is said, the discourse which emerges from the region on East Asian values and attacks against the welfare state and Western permissive societies besides being defensive, fits very well with the neo-liberal strategy of dismantlement of state provided social security in order to adapt to global competition. Viewed in this manner, there might be a greater degree of collusion than collision behind the two rhetoric.<sup>10</sup>

### **Impact of Globalization**

Globalization denotes a more liberalized and commodified set of historical structures, driven by the restructuring of capital and a political shift to the right. It includes also a spatial deepening of economic liberal definitions of social purpose and possessively individualist patterns of actions and politics. Commodification in this sense means the shaping of social relations by making labour and nature into exchangeable commodities.<sup>11</sup>

Although the international ideological environment is primarily neo-liberal when it comes to the question of welfare, there are, at the same time, other strong and contradictory impulses in the form of pressures from the West and Western dominated institutions (EU, partly the United States, WTO and ILO) on public authorities in the East for increasing labour and other social rights, and for distributing growth. But nobody can deny the fact that globalization also is responsible for increasing income disparities by keeping wages low and by impinging on domestic labour markets through various channels: 1) By giving corporations a great deal more leverage or bargaining power over their workers; 2) by changing norms and institutions; 3) by undermining social support systems. In short, globalization forces economies to restructure.<sup>12</sup>

East Asia's leaders including China's representing big business and governments have deliberately promoted economic growth by emphasizing international competition through a calculated export-led strategy and by avoidance of public social welfare programs - a classical neo-mercantilist strategy. This essentially anti-entitlement attitude has laid the groundwork for a stable social order based on the family. Policy making in this regard has promoted a political culture which, it is claimed by Chinese authorities, enhances productivity - it also implies that solidarity, collective goods and responsibilities are only important during public celebrations - i.e. individualism, egoism and the law of jungle has become legitimate once again.

One of the reasons for this downright recapitulation is that transnational neo-liberal forms of social discipline have been localized in bureaucracies and institutions operating with different degrees of intensity across a range of public and private spheres. These variations of strategies of discipline play a considerable role in the current restructuring of the state in Asia and have deepened the crisis in Russia to such a degree that the term Thirdworldization has become common language.

Neo-Conservatives in Europe, the United States and East Asia are seemingly in convergence when they point to the importance of Weberian values such as hard work, discipline, enterprise, family, thrift, responsibility and respect for authority. This reversed explanation of Weber's argument that Europe's developmental achievements was enhanced and sometimes indeed fostered by a specific Protestant ethic is now used to explain the so-called East Asian miracle in terms of a specific Confucian ethic. This focus on the role of work ethic and productivity will be touched upon below and especially the fact that as a desperate move the leadership of the Communist Party in China is replacing socialism and political ideology in general with Confucianism and nationalism as the cultural matrix which should mobilize or demobilize the masses. Also in Russia nationalism has replaced communism as the dominant ideology.

One of the results of economic growth in China and the building of a new East Asian self-confidence “is that the preconditions for new political alliances spanning ‘East’ and ‘West’ are emerging,” and “opponents of liberalism and social democracy, both inside and outside ‘Asia’, are drawing on each others’ arguments and views with a growing synergy.”<sup>13</sup> While liberalism here should be understood as a pure political expression, it is not to be mistaken with economic neo-liberalism.<sup>14</sup> Both ideologies are in agreement with neoconservatives on the particular important task of defending the interests of capital and business against perceived threats from labour and trade unions. Claimed models of small government, company/corporate welfare systems, and strong traditional family traditions (inside/outside distinctions, patriarchal authority, strict gender role separation and female subordination) are being used to argue against public social welfare entitlement.

In justifying the ‘non-welfare state’ approach, the advocates of this ideology normally put the question of competitiveness at the centre of the debate. The argument usually runs as follows. The country needs to be more integrated to the world economy. Globalization requires that domestic producers be competitive in the global market place. The words competitiveness and “export or vanish” have almost become a refrain for the neo-liberal discourse of academics and policy makers.

Competitiveness is sometimes understood as the ability to produce at lower prices and costs than the competitors. Others point to levels of the relative availability of factors of production, and still others to differences in productivity, technology and human resources. However the “new right ideologists” in China, Russia and the West claim that a privatized state is a prerequisite of globalization and competitiveness. The implications of this neo-liberal trend in the East tend to subject the majority of populations to the impact of market forces whilst shielding the strong from the fallouts.

The real global trend is unfortunately disguised as “Recent growth in enclave residential development, private provision of security, and private insurance and health care suggests that access to what were often considered to be public goods under socialized provision is now increasingly privatized, individualized, and hierarchical in nature. More broadly, there has been a transformation of the socialization of risk towards a privatization and individualization of risk assessment and insurance provision. Nevertheless, this process is hierarchical: for example, burdens of risk are redistributed, marketized, and individualized (*e.g.*, associated with illness, old age, or pensions) as opposed to being fully socialized through collective and public provision. (The IMF and the World Bank have recently pressed for the privatization of public pension provision, especially in the Third World, to create larger local capital markets).”<sup>15</sup>

There are a lot of differences, thought between the behaviour of the political elites of East Asia and Russia. In the latter case, a driving force behind capitalist reforms was opportunistic elements of the old nomenclatures who looked upon the demise of the old system as a path for self-enrichment and the establishment of a capitalist class. Whether Putin can change that remains an open question. In China, the ongoing purges of party officials who are trialed for corruption show a more collective approach to neo-liberal policy restructuring.

The choice for Eastern Europe and Russia is between the “Dodge-line”, a drastic austerity program which killed the power of the trade unions and the left in post-war Japan through martial law or a Marshall plan which nobody believes in anymore. The “Latin Americanization” of Eastern Europe and Russia has led to a renovated search for “capitalists” and “capital” - none of which are available. This situation has lead to a “forced” open investment regime and the reliance on foreign capital as the saviour of capitalism without “a human face”.

Hence, reliance on foreign capital as an engine of growth results in a highly unevenly divided society with high levels of inequality which creates instability and a situation which Russia can no longer rely on in a longer term perspective without falling into pieces. The breakdown of law enforcement and proliferation of private armies and protection rackets prone to ruthless gangland tactics.<sup>16</sup>

In the period from 1985 to 1999 China seems to have traveled the “Market Socialist road” which can be interpreted as a variant of the CDS Japanese style capitalism. However, the prospects for Russia to replicate this perspective are indeed bleak.

A number of reasons:<sup>17</sup>

- 1) The international environment is not as conducive to export-led growth as it has been in the past – a point related to the surplus production problematique.
- 2) It will be difficult to obtain political legitimacy enabling state capacities to operate (the past experience weighs on the present).
- 3) The market is weakening the capabilities of the state to fulfil its function of guiding the economy.
- 4) The state is being robbed of its revenues through the privatization of public property and national enterprises - there are increasing tax evasion and economic criminality resulting in a specific type of mafia-capitalism.
- 5) The political sphere is in shamble and the state does not have the capacity of establishing the social arrangement conducive to economic growth.
- 6) Furthermore, states in Eastern Europe and the former USSR have to cater to international multilateralism and goodwill.

Seen in this light learning from the examples of first China and then Vietnam are probably more strategically and ideologically attractive. Here the sequencing was the reverse:

- 1) Monopoly of political power was maintained
- 2) Liberalization of agriculture before industry
- 3) Retaining the capacity of extraction
- 4) Bargaining position toward foreign capital
- 5) State involvement in international trade issues
- 6) Experiments with privatization of state enterprises although retaining the important industries under state ownership.

In the cases of Japan, South Korea, Taiwan and China growth was quite strong. Foreign capital has been quite interested in the potential markets of especially China. Labour is cheap and abundant and is or will soon be as qualified as in the rest of East Asia. Also in China, the social costs of the economic reforms are quite high. It is difficult to foresee the future, but it can be said that communist regimes opening to capitalist mechanisms, in the East Asian case, seemingly have been better poised to utilize state capacities than what has taken place in Eastern Europe and Russia.

The core of the new “business class” in Russia is dominated by semi-criminalized elements; inflation is tamed by holding back salaries to the tens of millions of needy workers, and other employees and pensioners in the state sector; a boom has been promised for years while the economy continues to plunge into a depression greater than America’s in the 1930s; corruption at the highest political level; a parliament without real powers; and a financial clique and oligarchy who is in control of real political power, and who are the real beneficiaries of the annihilation of the state in Russia have all been the results of a disastrous obedience to the neo-liberal “advice” of the US and especially the “demands” of the IMF, the World Bank and the neo-liberal economists from Harvard and the Chicago school.

The social results are well-known as an endless collapse of everything essential for a decent existence - from real wages, welfare provisions, education and health care to birth-rates and life expectancy. From safety in the streets to prosecution of organized crime and what many in the West still call “reforms” - in a society which is almost on the brink of disaster.

In this regard it doesn’t make much sense talking about convergence – there is one type of capitalist market model based on the profit motive, but several political and institutional layers to support this market. In conclusion the dismantling of command economies together, with the steady erosion of

communist-era labour codes, have produced some similar conditions for workers, firms, and trade unions in both countries:

- decrease of organized labour power;
- declining union density;
- reduced job security;
- increased labour mobility/flexibility (an euphemism for insecurity)
- less firm-centered welfare provisions, and increased wage stratification.

Yet, these similarities do not constitute evidence of convergence when one considers three additional factors:

Post-socialist labour relations do not appear any more similar than was the case with industrial relations under state-socialism.

Business and labour is still dependent on the state in restructuring industrial relations – although in the case of Russia change might come from below, while in China the CCP exercises an almost monolithic power, thus change must come from above because of the power of CCP.

Relatedly, despite the weakness of organized labour the situation in Russia does provide space for some optimism in the longer term for a more united and autonomous trade union.

Although some critical scholars talk about “primitive accumulation”<sup>18</sup> it is necessary that alternatives are brought to the fore which either go beyond the capitalist mode of production or suggest changes in the way people work, produce and consume.

### **A Politically Incorrect Utopia!**

The collapse of communism and the reduction of Russia to its smallest status since the 18th century are events whose implications are still barely grasped. In contrast, during the Golden years of Asian capitalism, the Asian mind was captured by “growth fetishism”. A restructured mentality leading to atomization and individualization of human and social relations was seemingly the result of a long period of capitalist growth. Urbanization and industrialization led to a tendency towards the tearing apart of old institutions, traditions and previous patterns of social integration. This resulted in intensive debates concerning a reformulation of the capitalist discourse. This is a process which could have had profound consequences for Russia as well.

We know from historical experience that “laissez-faire was planned; planning was not.”<sup>19</sup> In Eric Hobsbawm’s words: “At present we are living through a



curious combination of the technology of the late twentieth century, the free trade of the nineteenth, and the rebirth of the sort of interstitial centres characteristic of world trade in the Middle Ages.”<sup>20</sup> The final part of the paper tries to provide some perspectives on the ideology of *productivism* in Russia and China. The overall problem is related to the reliance on the export-oriented development model and the fact that there is surplus production in almost all sectors in the world economy (the hallmark of globalization i.e. a situation where too many goods are chasing to few customers).<sup>21</sup>

The ideas of former progressives in the East and the West have been contained and oppressed - these established Leftists express themselves through a post Cold War attitude which can be described in two phrases: Culture, Identity, Nationalism (CIN) and There is No Alternative (TINA). Although the new global movements and campaigns against globalization does provide some optimism, and indeed the Tobin tax on short term-international capital movements, the campaign to abolish Third World debt do create some hope. There is *per se* no real debate regarding another way of organizing societies and economies, a political response that can hope to harness and redirect these societies in a socially responsible and desirable manner “one that is rooted in societies with a sufficient sense of their common interest and identity to act coherently through a political process that has broad legitimacy and that is primarily concerned with protecting and promoting public welfare.”<sup>22</sup> Discussion regarding *utopias* is seemingly not in vogue although the need has never been more profound.

Unfortunately, the answer from potentially progressives has not been a strengthening of socialism, democracy and solidarity, but a renewed focus on nationalism and culture (i.e. revival of religion and/or spiritual world views) as the ideological matrix given to the popular masses in defence of “the model” - *sic* debates about various forms of capitalism, although it is well-known that it is not possible to distinguish between different capitalist modes of production in capitalism - but rather various political forms and institutions which are more or less conducive for capitalism and capital accumulation. The result is familiar to most intellectuals, academics and political activists - uneven and unequal development, and the concomitant growth of cultural forms as a substitute for understanding the social issues loaded with conflictuality, contradictions and antagonisms - the Thirdworldization in the North and South, and the growing gap between the North and South.

This has become an area for the (re) construction of new ideological hegemonies and completely bypasses the fact that the processes encapsulated by the term globalization are largely embedded within state structures and institutions, politically contingent on state policies and actions. The usual understanding of a

dichotomy between the state and globalization is an illusion as global restructuring is primarily concerned with the reorganization of the state.<sup>23</sup> Therefore, any counter-hegemonic position should focus on *social reform* and the re-positioning of the state.

The debate in China and other former socialist countries go in the opposite direction and as mentioned before the focus is squarely changing away from social issues to more culturalist based discourses. As such nationalism and semi-religious world-views have seen a renaissance not only in China but also in Russia.

In a presentation in Santa Barbara, Aldous Huxley defined nationalism as "... a 'decisive religion' that places 'absolute values in fragmentary parts of humanity and positively condemns those who accept it to chronic strife with their neighbors'".<sup>24</sup> Nationalism is based on a pseudo-religious system and: "a natural and instinctive attachment to our place of origin and to familiar people but extended, by means of our capacity for abstraction and generalization, far from the natural piety of the native place and the familiar folk. Nationalism uses all the devices of education to create an artificial loyalty to areas with which the individual is quite unacquainted and to people that he has never seen."<sup>25</sup> Nationalism can play an important role in motivating the population and in sheltering the domestic economic system from the pressures of the global system. Thus, a strong state guided by a nationalist developmental ideology may utilize internal resources in order to take advantage of opportunities available on the world market. This is in accordance with the notion of "uneven development", but is misleading seen from a collective perspective since it is based on exclusion, racism and non-solidarity with the weak and marginalized segments of the capitalist system at a global scale.

A distinction between nationalism as a culturally defined ideology per se and national identity and cohesion as a spatially defined social category is necessary because nationalism can never be the solution to any society in crisis - with both the East and the West in a state of flux and the political systems with reduced legitimacy we need to search for other alternatives. One such renewed discussion might be centred on whether socialists might redefine the conceptual framework of labour and employment or rather wage labour and leisure as a way to move forward. As such the question which globalization really rises is whether the notion of a strong national economy is a utopian goal?<sup>26</sup>

Under capitalism, lots of people spend lots of time making worthless things so they have enough money to buy the things they think they want, while others aren't given the opportunity to work at all. Yet, if individual wage labourers try to work less, they usually fall behind in a ruthlessly competitive society. Women

have to choose between career success and permanent marginalization in the “mommy-track.” Most Asians including Chinese, and wage labour all over the globe, work till their body gives out. And those who value life above work have to scrape a living out of marginal pursuits.<sup>27</sup> Despite the fact that the world economy is growing and a number of countries are becoming richer, mass production of disposable junk is irreparably damaging the environment; homelessness, unemployment, illiteracy and malnutrition are emerging as major social problems in the North and the South; the Aids epidemic has gone far beyond a dozen holocausts and mental illness and severe depression is on the increase; trade unionism is on the retreat; and job security is rapidly becoming an unaffordable luxury.<sup>28</sup>

Those problems suggest “an overriding need to create (national) economic spaces in which states can, and must, play active roles in guiding economies so that they are responsive to particular social, cultural and political circumstances. To play this role, societies have to develop appropriate ideologies and a high degree of national institutional cohesion. And the states have to play key roles in the definition of property rights (especially land reform), financial regulation, the financing of long-term social and economic infrastructure, the development of technological capabilities and the pursuit of dynamic comparative advantage in industry. Above all, they have to manage potential resources of social conflict so that these do not destroy the very possibility of improved human welfare or economic efficiency. This is more difficult and more important than the narrow pursuit of efficiency. It is also a task which requires pragmatic and politically well informed solutions and one in which external institutions and powers can play only a limited role.”<sup>29</sup> In this regard the contradictions between wage labour and leisure play an important role and could as such act as a catalyst for counter-hegemonic change.

This is very unfortunate because discussions should also be concerned with how to change the possibility of less unnecessary, undesirable employment for everybody, some type of democratic controls on the economy are needed. One obvious way is to expand the “social wage,” that is, expand the publicly sanctioned collective goods, social entitlements and basically state provided social welfare. In tandem with this policies are needed to shorten the work-day, work-week, work-year, and work-life.”<sup>30</sup> Is such a proposal transferable to China or Russia? At least the discussion has started six times in Beijing and a couple of times in Moscow. But I am not the right person to answer this question.

The basic question might be reformulated as “can there be a market in a socialist economy”? Marx answered unequivocally ‘No’. “Commodity production, that is production for exchange, for sale, will be replaced by production for use.

Capitalism will have solved the problem of scarcity, socialism will be a world of abundance, with enough to satisfy the reasonable demands of all. Such categories as wages, prices and profit will disappear, along with the division of labour... labour will become directly social, and the alienation of Man from the product of his or her own labour will be ended.”<sup>31</sup>

To move along this path which Marx recommended, it is necessary to broaden the focus from work to leisure and to avoid the traps which the working classes in the West and the post-socialist states in Russia and Eastern Europe, and to a certain degree China too, fell into.

May Day as the celebration of international solidarity of the working classes has its roots in the demand for leisure. The struggle for an eight-hour day wasn't just for a decent life and time to spend with the family. It was a struggle to work only for the value of one's wages, and not for the “surplus value” that went into capitalists' profits.

In the early years of the working class movement there were anti-capitalist and oppositional attempts to criticize work itself. A good example of this early critique is the pamphlet “The Right to Be Lazy” by Paul Lafargue.<sup>32</sup> He argues against the slogan from 1848 “the right to work,” insisting that people are as much in need of leisure as of work and pointing out the general human misery, the destructiveness of overproduction and overconsumption, the wars fought over raw materials and markets. Instead he suggested a law limiting work to three hours a day. Thus a radical discourse was put on the agenda of the labour movement.

But as democratic socialists were elected into power in Western Europe, and Communists came to power in the Soviet Union, orthodox Marxism began to back off the utopian demands for more leisure time. Both the revolutionary and reformist Left had begun to worship labour as a cult. Marx was misinterpreted for having said that human beings could only have valuable lives through (wage) labour. In the Soviet context, Stalin's Stakanovite hero workers replaced the condemnation of “wage slavery.”

Fortunately courageous socialist economists, such as Fred Block<sup>33</sup> have deconstructed the myth of the need for full employment to achieve socialist goals. In his critique he notes that it is true that tight labour markets empower workers. If there are hungry people in the streets, you are a lot more likely to kiss the boss's ass. According to Block labour markets can be tightly constructed in a lot of ways, for example through public employment or by expanding compulsory education.

One of the most interesting opponents of wage labour is Andre Gorz.<sup>34</sup> He argues that we should divide social labour into the necessary and unnecessary, and that everybody should have equal shares of the necessary. Both garbage collecting and being a night-watch person is necessary, but garbage-collecting is less pleasant. Perhaps garbage collectors should be able to pay their debt to society by twenty hours of work, while those who wish for nightwatching should have to put in thirty hours. Everything that is unnecessary, on the other hand, should be a voluntary, uncommodified activity.

Since no one would receive work credits for luxury goods or services, cities could establish public arts centres where people would have access to all sorts of tools and materials, and could produce these things for themselves if they wanted to. In this way, according to Gorz we could not only begin slowly to shrink the number of labour credits everyone would need to contribute, but also decommodify our highly commodified leisure pursuits.

Some may object, and rightly so, that we should not outlaw the manufacturing for sale of consumer items that people would rather buy than make. Anyway, the point is that a policy to move towards the liberation from work would require extensive democratic control of the economy. It is essentially a choice between “adjustment or delinking”.

Samir Amin proposes that “delinking is the refusal to submit to the demands of world-wide law of value, or the supposed ‘rationality’ of the system of world prices that embody the demands of reproduction of world capital. It, therefore, presupposes the society’s capacity to define an alternative range of criteria of rationality of internal economic options, in short a ‘law of value of national application’”<sup>35</sup> While our peers may not yet be ready to free themselves from capitalist ideological hegemony and embrace such a vision, their children might be more prepared. What is needed is redefinition of socialist democracy.

George Orwell associated (socialist) democracy with the protection of a public space in which the poor, the unpopular, and the outnumbered, even cranks, might occasionally win the argument and get the benefit: only state intervention can restrain the restraints on individuality and eccentricity, and can counterbalance the dominance of the self-satisfied property-owning classes.

Poverty has been the shared condition of the majority of humanity for centuries past, but after the Industrial Revolution poverty was increasingly seen and felt during the last century as “a dreadful destiny”<sup>36</sup>. The supreme distinction of Orwell is that he ignored the abstract theories, whether of the Marxists or of the political economists and, guided by his literary temperament, he saw poverty for what it was: an absolute and man-made evil, like the secret police, and not as a

necessary stage in the theoretical march of history nor as an inevitable effect of the iron laws of supply and demand.

Socialism, it might be said, is a system in which the past cannot be predicted. Perhaps the same has by now become true of capitalism - and of “market socialism”. The fate of the past - all pasts - is to be regularly twisted into different, sometimes quite grotesque, shapes by people with their own, frequently sentimental, often ideological, reasons for doing so. Capital accumulation rather than representing the solution to global social inequalities and the menacing ecological disasters is in fact part of the problem.

## Notes

- <sup>1</sup> The reason why trade liberalization in particular and non-discrimination have historically often been favoured by the economically strongest and powerful is obvious. See Joan Robinson (1966) *The New Mercantilism*, Cambridge University Press, London, p.24.
- <sup>2</sup> Quoted from J. Hughes (1991) *AntiWork*, From the Summer 1991 *EcoSocialist Review* *Workers Have Nothing to Lose But Work Itself!*  
<http://ccme-mac4.bsd.uchicago.edu/CCMEFaculty/Hughes/Hughes.html>.
- <sup>3</sup> See also the discussion in Hersh, Jacques and Johannes Schmidt (1996) 'After the Meltdown of Soviet-Type Socialism' and 'East Europe: Between Western Europe and East Asia: Squaring the Circle', in Hersh, J. and J.D. Schmidt (eds.), *The Aftermath of 'Real-Existing Socialism' in Eastern Europe*, Macmillan, London.
- <sup>4</sup> See Johannes D. Schmidt (2000) *Neoliberal Globalization, Social Welfare and Trade Unions in Southeast Asia*, in Barry Gills (ed.) *Globalization and the Politics of Resistance*, Macmillan, London.
- <sup>5</sup> Owada Hisashi and Kosaka Masataka (1992) *The Post-Cold War Diplomatic Agenda*, Japan Echo, col. XIX, Number 1, Spring.
- <sup>6</sup> Ignacio Ramonet, the editor-in-chief of *Le Monde Diplomatique* in Havana, Cuba, January 24-28 2000 at the Second Meeting on Globalization and Problems of Development.
- <sup>7</sup> There is no end to the hypocrisy of the defenders of the "Washington Consensus" who bailed out the hedge fund Long Term Capital Management by a \$3.7 billion package from the US Federal Reserve Bank.
- <sup>8</sup> This process has gone through three phases: a) economic privatization (1980s), b) food governance: civil society/NGO's (1990s) and c) social capital: trust networks. Gregory Albo (1994) 'Competitive Austerity' and the Impasse of Capitalist Employment Policy, in Ralph Miliband and Leo Panitch (eds.), *Between Globalism and Nationalism*, Socialist Register. The Merlin Press, London, p. 147.
- <sup>9</sup> Schmidt, J. and J. Hersh (2000) *Globalization or the coming-of-age of capitalism*, in J. D. Schmidt and J. Hersh (eds.), *Globalization and Social Change*, Routledge, London.
- <sup>10</sup> Johannes Schmidt (2000) *Globalization, democratization and labour social welfare in Thailand*, in Schmidt, J. D. and J. Hersh, *Globalization and Social Change*, Routledge, NY.
- <sup>11</sup> See Stephen Gill (1995) *Globalisation, Market Civilisation, and Disciplinary Neoliberalism*, *Millennium: Journal of International Studies*, Vol. 24, No. 3, p. 399 and p.406. Although there is an enormous literature on globalization, here the term simply provides a label for the growing integration of international markets for goods, services and finance and migration of labour.
- <sup>12</sup> Dani Rodrik (1997) *Has Globalization Gone Too Far?* Institute for International Economies, Washington.
- <sup>13</sup> Garry Rodan (1995) *Ideological Convergences Across East and West: The New Conservative Offensive*, Development Research Series, Working Paper No.41, Aalborg, Denmark: Research Center on Development and International Relations, p. 2.
- <sup>14</sup> Neoliberal scholars such as Friedrich von Hayek and Milton Friedman propose that there are three systems of welfare: the family, the voluntary sector (charity), and the free market. The state's role should be a residual and minimal one, and only on very rare occasions, should it involve a responsibility limited to means-tested minimum benefits and entitlements.
- <sup>15</sup> Stephen Gill, op cit. pp. 407 and fn. 26.

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- <sup>16</sup> Quoted from Manfred Bienefeld (2000) Globalization and Social Change - Drowning in the icy waters of commercial calculation, in Schmidt and Hersh, op cit.
- <sup>17</sup> See Jacques Hersh and Johannes Dragsbaek Schmidt (1996): *Dirigisme or Laissez-Faire? - Catching-up Strategies in the Global System After the Demise of Soviet-Style Command Economies*. 22 pp, Development Series, working paper No. 54, Research Center on Development and International Relations, Aalborg University, Denmark.
- <sup>18</sup> Nancy Holmstrom and Richard Smith (2000) *The Necessity of Gangster Capitalism: Primitive Accumulation in Russia and China*, Monthly Review, vol. 51, number 9.
- <sup>19</sup> Karl Polainy (1944) *The Great Transformation*, Beacon Press, Boston, p. 139.
- <sup>20</sup> Eric Hobsbawm (1992) *Nations and Nationalisms Since 1789*. Programme, Myth, Reality, Sec. Ed, University of Cambridge, p. 182.
- <sup>21</sup> William Greider (1997) *One World, Ready or Not. The Manic Logic of Global Capitalism*, Simon & Schuster, New York.
- <sup>22</sup> Manfred Bienefeld (2000) op cit. pp. 46.
- <sup>23</sup> Louise Amoore et al. (2000) in Barry Gills, op cit. pp. 22.
- <sup>24</sup> Aldous Huxley (1978) *The Human Situation*, Chatto & Windus, London, p. 80.
- <sup>25</sup> Ibid, p. 76.
- <sup>26</sup> Manfred Bienefeld (1996) *Is a Strong National Economy a Utopian Goal at the End of the Twentieth Century*, in Robert Boyer and Daniel Drache, *States Against Markets- the limits of globalization*, Routledge, London, who notes that if demands for a restoration of national sovereignty continue to be met with utter hostility so long as they take moderate social democratic, or democratic socialist, forms, these demands will eventually reappear in the more strident and intransigent forms of fascism, religious fundamentalism or even revolutionary communism, p. 416.
- <sup>27</sup> This and parts of the following is based on J. Hughes (1991) *AntiWork, From the Summer EcoSocialist Review Workers Have Nothing to Lose But Work Itself!*  
<http://ccme-mac4.bsd.uchicago.edu/CCMEFaculty/Hughes/Hughes.html>.
- <sup>28</sup> Manfred Bienefeld (1989) *The Lessons of History and the Developing World*, Monthly Review, July-August, p. 9.
- <sup>29</sup> Manfred Bienefeld (1994) *The New World Order: echoes of a new imperialism*, Third World Quarterly, vol. 15, no. 1, p. 40.
- <sup>30</sup> Quoted from J. Hughes (1991) *AntiWork, From the Summer 1991 EcoSocialist Review Workers Have Nothing to Lose But Work Itself!*  
<http://ccme-mac4.bsd.uchicago.edu/CCMEFaculty/Hughes/Hughes.html>.
- <sup>31</sup> Alec Nove and Ian Thatcher (1994) *Introduction*, in Alec Nove and Ian Thatcher (Eds.), *markets and Socialism*, Edgar Elgar, Aldersot, p. xiii.
- <sup>32</sup> Paul Lafargue (1974) *The Right to Be Lazy*, Chicago: Charles Kerr. Written in 1883 by Paul Lafargue, Karl Marx's son-in-law, while he was in prison. Nonetheless many of the ideas were discussed with Karl Marx, thus reflecting views of the master.
- <sup>33</sup> See Fred Block (1985) "Full Employment as False Necessity," *Socialist Review* p. 84.
- <sup>34</sup> Andre Gorz (1985) *Paths to Paradise: On the Liberation From Work*, Pluto Press.
- <sup>35</sup> Samir Amin (1990) *Maldevelopment: Anatomy of a Global failure*, Zed Books/United Nations University, London/Tokyo, pp. 70-71.



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