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XING BISHI, LENG RONG, GONG YUZH, SHI ZHONG QUAN

## TOMORROW'S MARXISM

James Petras, Gerrit Huizer

## BEYOND PLANNING, THE THIRD ROAD & THE OTHER PATH

György Lengyel

## PROFILE OF A JORDANIAN PROGRESSIVE

Melissa Dunbar

Cuban Revolution - 35<sup>th</sup> Anniversary

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# OVERVIEW

After the victory of the Great October Socialist Revolution (and particularly because of the spectacular successes achieved by the 5-Year Plans of Stalin's Soviet Union), socialism was seen not only as the most effective way of combating imperialism and winning national independence, but also as being most conducive to the development of productive forces - thereby enabling newly independent countries to escape the wintraps of underdevelopment and poverty.

Today we live in a different world. In practice the forces of imperialism, alien and religious fundamentalism comprise the vanguard of the worldwide struggle against underdevelopment and national sovereignty. After a lull in the Southern Cone is a notable exception. With the failure of nearly every existing socialist bloc, the hope that the scientific socialist system is the path to rapid development and prosperity has been dashed. The electoral rallying swing, which is evident in a number of countries from Poland to Greece and Italy, is taking the form of a new Marxism or, at least, post-Leninist socialism, a social democracy, which may be coming into its own as it is only realistic answer to the neo-liberal variety of capitalism. All these and other developments mean that there's uncertainty regarding the current and future role of Marxism, if any.

The development of the Gorbachevian experiment gave new thinking a path name, leading to an exercise in vulgar positivism and nihilism. Still it's undeniable that a different form of new thinking is needed, if we are to prevent Marxism from becoming dead dogma. For this, among other things, we need to return to our roots, to go back to our ancient, studying them once again from the perspective of the new tasks and new struggles we are faced with today. We must avoid both the Scylla of nihilism without change, and the Charybdis of change without nihilism.

It's in this context that we have to study Marx as well as the experience of China - particularly its ongoing experiments with a socialist form of economic strategy. It is clear that at least some aspects of the current Chinese economic strategy can be traced back to the economic policies enacted by the Chinese Communist Party for the liberated zones during the 1930s. As Mao stated in a speech made in 1943, "The foundation of our economic policy is to develop all kinds of production... Enforcement of rent reduction and interest on the one hand and guarantee of the new mental and material interest on the other, raising the wages of the workers and

raising the economic income of the urban capitalists. The share of land of the peasants and workers should be equal between them, the full property rights of the landlord is inviolable should the need be maintained. All the workers of the country should be mobilised to increase production and at the same time wages of the workers should be raised. The medium and small industries should be protected from the blows dealt by bureaucratic capital and speculative business.

Besides the development of public business, private enterprise is also encouraged, but both private and public capital have equal chances to develop... In the field of foreign policy, we follow the principle "the rich offer their money and the workers their strength" so that the people of various classes can offer us their peace and their country. Foreign exchange should not be allowed to exit the country, if goods should be drastically reduced and purchased by rich merchants and landlords should not be allowed to also unreasonable to permit the common people to offer both their money and their labour, while the rich offer the green bank game from the door. That is to say, bureaucratic capital, commercial capital, bank capital, as well as the land capital of the old landlords, should be controlled in financial

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# Mao Ze Dong's Tortuous Search Regarding the Road of Socialist Development

Xing Bishi

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The best way to commemorate the Mao Centenary is by engaging in a deep study of Mao Ze Dong Thought. In this regard, it's extremely important to study the great services rendered by Mao Ze Dong and the Chinese Communist Party (CCP), during the 17 year period from the victory of the Chinese Revolution to the Cultural Revolution.

Today, studying Mao Ze Dong Thought is a compelling, important and difficult task. Mao played a unique role in guiding the Chinese democratic revolution and in theorising on New Democracy. These are truths which are generally accepted in theoretical circles and by the C.C.P. Still, there is a great deal of controversy about the role played by Mao during the period spanning from the birth of New China (and particularly the completion of the Socialist transformation) and the Cultural Revolution of 1966. Some hold that after the birth of New China (and specially after 1966), the C.C.P. didn't achieve significant successes in the area of socialist development. Still others say that though there were some successes, in the main the road was one of numerous twists and turns and the successes achieved were not all that considerable. I believe that both these assumptions are erroneous.

From the 3rd session of the 11th Central Committee Meeting of the CCP, China embarked on the path of building socialism with Chinese characteristics, under the leadership of Deng Xiao Peng.

It was a great beginning of historic importance. It was not an accident either. It was the result of learning from and further developing the

correct experiences of the process of building socialism. It was also the result of summarising and learning from the defeats and setbacks experienced by the World Communist Movement and China. Finally, it was the outcome of developing Mao Ze Dong Thought based on Mao's tortuous search. As Deng Xiao Peng said: "In many ways we are doing today the things comrade Mao talked about, but couldn't be implemented; we are correcting the things he opposed wrongly and doing what he didn't do properly....."



If we do not engage in a correct analysis, if we negate this history completely, it will not be possible to really understand the content and nature of the theory of socialism with Chinese characteristics. If we don't do this, it will be difficult to understand the historical truth that the theory of socialism with Chinese characteristics is the result of inheriting and further developing Marxism - Leninism - Mao Ze Dong Thought.

My intention here is not to give a detailed account of the important services rendered by Mao Ze Dong and the CCP in building socialism during the 17 years prior to the Cultural Revolution. I will instead attempt to present my views on one related issue i.e. how we should look at the experiences of the Soviet Union. This is an extremely serious issue.

I believe that without engaging in a correct analysis of this issue, it will not be possible to have a basic understanding of the great historical importance of the Theory of Socialism with Chinese characteristics.

We must pay attention to the services rendered by Mao Ze Dong and the CCP in correctly understanding the experience of the Soviet Union. For a long time China could not escape from the Soviet model. But it must be borne in mind that in searching for China's road to development, Mao played a creative role by pulling forward a number of new concepts;

- (1) The theory of transition from New Democracy to Socialism. This is an important theoretical harvest achieved by Mao Ze Dong during the early period of the birth of New China. This theory wasn't a simple repetition of Lenin's theory of transition. It was an important aspect and a permanent development of Mao's theory of New Democracy.

"On New Democracy" was an important treatise written by Mao Ze Dong during the period of the New Democratic Revolution. In this, he analysed the nature of the New Democratic Revolution. He wrote how the New Democratic Revolution can be linked to the Socialist Revolution, after the victory of the former. He said that there isn't an unbridgeable gap between these two revolutions.

He pointed out how after the victory of the New Democratic Revolution, New Democracy can be transformed to Socialism. This was an important contribution, an important theory based on

years because Mao's theory was implemented in praxis. This is a great service rendered by Mao Ze Dong and the CCP. From the perspective of the summarised experiences, this transition period seem somewhat turbulent? Certain events did not take place smoothly. This resulted in unresolved problems. But we must not negate the great historic contribution made by this period of transition because of these subsequent problems.

- (2) The services rendered regarding the socialist transition. In this sense, the socialist transformation of China wasn't an imitation of the Soviet Socialist Revolu-

*Mao pointed out that during this period, politics, economy and culture will not take socialist or capitalist forms but a transitory form.*

the analysis of the concrete situation prevailing in China. According to Mao, there's no unbridgeable gap between New Democracy and Socialism once the New Democratic Revolution triumphs; but because of China's economic underdevelopment it's not possible to embark upon the socialist revolution and the building of socialism - a transition period will be necessary. During this period the main task will be to achieve economic development and to make the necessary preparations in other areas. Mao pointed out that during this period, politics, economy and culture will not take socialist or capitalist forms but a transitory form. This theory of Mao Ze Dong was not properly studied by sociologists and theoreticians. After the birth of New China, it was possible to complete the Socialist revolution and make the transition from New Democracy to Socialism and build Socialism in China during a short period of 7

tion. Mao Ze Dong clearly pointed out that we are not willing to take the road of Soviet Collectivization. The Socialist transformation of Chinese agriculture went through a proper development process. China developed from economic organizations considered to be the buds of socialism to organizations with a greater preponderance of socialist factors and eventually to co-operative organizations which were socialist in content and by nature. This took place over three periods. This was not imitating the Soviet Model. This was the result of clearing a road of socialist transition in Chinese agriculture by taking into account the specific characteristics of China and bringing together the self-help organizations which were present in the former liberated areas.

The socialist transformation of capitalist industries and commercial enterprises proceeded

along similar lines. Lenin was thinking of a capitalist price system during the time of the Soviet NEP. But due to historical reasons Lenin's ideas were not implemented in the Soviet Union. China in its restructuring of capitalism, combined Lenin's ideas on price systems with the concrete situation in China. As a result, a system of paying a fixed interest to capitalists for a certain period (i.e. a price system acceptable to the bourgeoisie) was implemented.

Through this, the complex task of restructuring capitalism, capitalist industries and commercial enterprises, was completed peacefully. This was a unique contribution made by Mao Ze Dong and the CCP.

- (3) The problem of adopting a correct approach to the experiences of building socialism in the Soviet Union. Did China make new contributions regarding building socialism after 1956? Did she achieve praiseworthy successes? The answer to these questions is yes. In this area too, Mao Ze Dong and the CCP have rendered a considerable service. China didn't adopt a doctrinaire and dogmatic approach towards the experience of building socialism in the Soviet Union. China didn't act the way the Soviet Union wanted. In his "Ten Great Relationships", as far back as in 1956, Mao Ze Dong said that the experiences of other countries should not be imitated. He advised this in a very emotional manner. He said that certain errors and weaknesses in building socialism in the Soviet Union have being revealed in the recent past. He asked whether we also want to take this road of twists and turns. This shows that the new thinking presented by Mao in his "Ten Great Relationships"

is very different from the experiences of the Soviet Union. But because this thinking was not further developed and was not implemented successfully, China couldn't completely escape from the Soviet model subsequently.

*China in its restructuring of capitalism, combined Lenin's ideas on price systems with the concrete situation in China*

China managed to liberate herself completely from the Soviet model only after the 3rd session of the 11th Central Committee meeting of the CCP.

Mao and other Chinese leaders correctly understood the ineffectiveness of the Soviet experiences and strove to liberate China from these. Though due to historical limitations their effort did not succeed completely, the endeavour was a laudable one. At the first session of the 8th Central Committee meeting of 1959 September, an important conclusion was presented; that is, that our economy is a free market economy in which planned production was dominant.

It's from this conclusion a market economic system led by a planned economy came into being, subse-

*In 1958 November, Mao again emphasised the need for commodities and money. He pointed out that commodity production was present long ago in history;*

quently. In 1956 December, addressing the leaders of the Chinese Democratic National Development Council and the Council of Commercial Entrepreneurs, Mao said: "State sector enterprises can be established; private sector enterprises can also

be established; we'll eradicate capitalism and re-build capitalism." He said that underground industries and shops can be legalised; they can hire workers. He said that family ventures can be established and these can hire employees. He described

this as NEP. But these ideas of Mao's were not implemented subsequently. As a result the concept of public ownership become predominant.

When certain persons put forward the idea that commodity economy and money should be abolished at the meeting in 1958 November, Mao again emphasised the need for commodities and money. He pointed out that commodity production was present long ago in history; currently we are adding socialist commodity production; we should plan to increase the production of commodities. In the first part of 1960 Mao Ze Dong, Liu Shiao Shi and other leaders said that in China the Trust System should be experimented with. They did so taking into account the various weaknesses in the management of enterprise due to state administrative methods. Liu

Shiao Shi said: "the question of methods is an important problem. We must learn from capitalist management experiences. We must learn from the experience of capitalist monopoly enterprises."

# Mao Ze Dong Thought and Deng Xiao Peng's Theory of Socialism with Chinese Characteristics

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In human civilization, new thinking and new theories come into being by inheriting historical knowledge and by summarizing and developing new practices and experiences. This is the linking of inherited and developed knowledge; uniting/integrating the continuity and periodicity of the development of knowledge. The relationship between Deng Xiao Peng's theory of Socialism with Chinese characteristics and Mao Ze Dong Thought can be considered as integrating the continuity and periodicity of the development of knowledge.

In discussing the relationship between Mao Ze Dong Thought and the theory of Deng Xiao Peng, attention should be paid to the relationship between the following points: Mao Ze Dong Thought, the errors committed by Mao during his last years and Deng Xiao Peng's theory of Socialism with Chinese characteristics. It's only by coming up with a clear analysis of the relationship among these three points, will it be possible to properly understand the relationship between Mao Ze Dong Thought and Deng Xiao Peng's theory of Socialism with Chinese characteristics.

(1) Differentiating between the errors committed by Mao Ze Dong during his last years and Mao Ze Dong Thought and comparing the latter with the theory of Socialism with Chinese characteristics. The

great service rendered by Deng Xiao Peng after the 3rd session of the 11th Central Committee Meeting of the C.C.P., was differentiating between the errors committed by Mao during his last years and Mao Ze Dong Thought. Mao Ze Dong Thought should consist only of Mao's correct ideas. **The errors committed by Mao during his last years should not form a part of Mao Ze Dong Thought.**

This differentiation is of paramount importance, politically and theoretically. Without this, the errors of the Cultural Revolution cannot be rectified, and it will not be possible to accept, clearly and without hesitation, Mao Ze Dong Thought as the guiding principles of our party. This is not a theoretical problem. Deng Xiao Peng said, it was specifically a political problem of great magnitude - both nationally and internationally. By differentiating and demarcating between the errors committed by Mao during his last years and Mao Ze Dong Thought, we can continue to have Mao Ze Dong Thought as the guiding philosophy of our party. The theory of Socialism with Chinese characteristics is not a negation of Mao Ze Dong Thought. It negates only the errors committed by Mao during his final years.

In other words it's only by rejecting the errors committed by Mao during his last years, will it be possi-

ble to create the theory of Socialism with Chinese characteristics. In general, there's no inherited relationship between the errors of Mao's last years and the theory of Socialism with Chinese characteristics. If there is a relationship, it's only a negative one. Therefore the correct line and theory came into being after the 3rd session of the 11th C.C. meeting of the C.C.P. by negating erroneous concepts and theoretical principles and by transforming errors into forerunners of correctness.

(2) There is an inherited relationship between the theory of Socialism with Chinese characteristics and Mao Ze Dong Thought; or they are linked and have characteristics in common. In order to understand this we must consider 4 points.

(i) Both the theory of Socialism with Chinese characteristics and Mao Ze Dong Thought are common denominators in the collective consciousness of Chinese Communists and act as a unifying factor. The Theory of Socialism with Chinese characteristics was created by the central leadership collective of the second generation, with Deng Xiao Peng as the core. (In short, it was created by Deng Xiao Peng.) Mao Ze Dong Thought was created by the central leadership collective of the first generation which had Mao Ze Dong as the core.

(In short it was created by Mao Ze Dong). In terms of individuals there is a relationship between these leadership collectives of the two generations. Deng Xiao Peng and Chen Yun were important leaders of the central leadership collectives of both generations. The other members not only took part in the movements launched by the central leadership collective of the first generation; they either played fairly significant leadership roles in central bureaus, or they were provincial or sectoral leaders. They act as links between the previous movements and current endeavours. The second generation leaders are completing the tasks left unfinished by the leaders of the first generation. Rectifying the errors made by the leaders of the first generation is a component of this.

(ii) **The connection in terms of theoretical thinking.** Here we mean strategic thinking or fundamental thinking and not concrete thinking. In terms of concrete thinking, there were certain differences in the perspectives of Mao and Deng. Yet in terms of strategic or basic thinking, they are similar. This is none other than the doctrine of linking the universal truth of Marxism - Leninism to the reality of the Chinese revolution. "Many comrades in our party continue to study Marxism - Leninism - Mao Ze Dong Thought. They continue to work, protecting the fundamental of linking the universal truth of Marxism - Leninism and the praxis of the Revolution. This is very good. This should be further extended", said Deng. While touring South China he said: "I don't read a lot of books. What is important is a point made by Chairman Mao - seeking truth from facts". Deng also said: "We succeeded in our process of reform and opening up, not by placing our confidence in books, but by placing our confidence in praxis, in seeking truth from facts." This dem-

**The theory of Socialism with Chinese characteristics is not a negation of Mao Ze Dong Thought. It negates only the errors committed by Mao during his final years.**

onstrates that in terms of strategic thinking Mao and Deng are linked.

Linking in terms of theoretical characteristics. The theory of socialism with Chinese characteristics and Mao Ze Dong Thought have different components. There are similarities as well as differences. The similarities are discernible in two areas. Firstly emphasizing Chinese characteristics. It was possible to achieve great victories in the 30's and 40's because emphasis was placed on searching for a democratic revolutionary road with Chinese characteristics, appropriate to Chinese conditions. In the 50's and 60's emphasis was placed on searching for a road of socialist development suitable to the Chinese situation. This led to both successes and failures.

In the 80's and 90's it was possible to achieve great new victories by paying attention to this point, taking our own road and building socialism with Chinese characteristics. Both Mao and Deng were not doctrinaire. They endeavoured to develop Marxism theories while defending the foundations of Marxism. "Marxism must definitely be developed further.

is a person with such characteristics. He emphasised that if a person doesn't further develop inherited Marxism through new thinking and concepts, he is not a true Marxist-Leninist. The integration of theoretical characteristics is an important point inherited by Deng Xiao Peng's theory of Socialism with Chinese characteristics, from Mao Ze Dong Thought.

(iv) The theory of socialism with Chinese characteristics is a summarisation and condensation of the new experiences of the process of reform, opening up the socialist construction that is currently taking place in China.

This is definite. Yet from the perspective of the history of knowledge, the roots of most of these points are sourced in previous searches. Two tendencies are discernible in our party's search for the road of socialist development, after the birth of New China. One of these is correct or partially correct. Through this the foundation of the theory of Socialism with Chinese characteristics was prepared by combining theoretical concepts and principles. It's in this regard that the component of this theory and Mao Ze Dong Thought

**The theory of socialism with Chinese characteristics is a leap from the theoretical method which regards political revolution as the central task, to a theoretical method with economic development as the central task.**

It must not be allowed to stagnate. If it stagnates, if it becomes old, it will not be strong", Mao always emphasised. He also said that we must not place our confidence solely on books written by our ancestors such as Marx. We must create new theories and write new books. Deng Xiao Peng

are integrated. Some of the previously correct or partially correct concepts and ideas were later discarded. Still some others, though they were not mature enough and looked like a spark from the perspective of science and history, it's clear that they should be properly evaluated.

(3) The theory of socialism with Chinese characteristics is a further development of Mao Ze Dong Thought. This wasn't a mere quantitative but a qualitative development. If Mao Ze Dong Thought can be described as developed Marxism, the theory of socialism with Chinese characteristics can be described as developed Mao Ze Dong Thought. Their nature is similar. They both belong to the scientific method of Marxism. But as regards the content, a growth is discernible. This growth is not a small quantitative one but a qualitative leap which can be periodized. This qualitative leap can be understood in the following way:

(i) The theory of socialism with Chinese characteristics is a leap from the theoretical method which regards political revolution as the central task, to a theoretical method with economic development as the central task. Mao Ze Dong Thought came into being during the period of democratic revolution. Its main theoretical components were relevant to the political revolution to overthrow the reactionary classes. After the birth of New China, Mao Ze Dong Thought was further developed. Mao understood that the main emphasis of party activities should shift strategically from revolution to development. There are manifold experiences in the search for the road of socialist construction. The basic theories of socialist construction have been created. But due to various reasons, the central leadership collective of the first generation with Mao as its core, could not completely effect this strategic shift. And for a long time they clung to the erroneous belief that even in socialist society, class struggle should be the main programme.

This erroneous notion was rejected by the central leadership collective of the 2nd generation with Deng as its core after the

3rd session of the 11th C.C. meeting of the C.C.P. The theory of Socialism with completely Chinese characteristics was gradually created by effecting this strategic shift and preparing a number of policies and programmes emphasising economic development. Because of this theoretical method presented by the 14th congress of the C.C.P., the party was able to have not only a successful theory of revolution but also a successful theory of economic development.

(ii) The theory of Socialism with Chinese characteristics is a leap from certain important but unclear and undeveloped ideas (presented by the central leadership collective of the first generation

with unique policies and analyse them on this basis.

Mao's idea of two stages in socialism (underdeveloped and partially developed) and the theory of the primary stage of socialism presented after the 3rd session of the 13th C.C. meeting of the C.C.P., different from each other in terms of historical background, angle of emphasis, concrete meaning and depth. The theory of the first stage of socialism amounts to a new leap.

Another example is the incisive remarks made by Mao, Liu Shao Shi and Chou En Lai about allowing capitalism to exist and develop within certain limits, during later part of

*The theory of socialism with Chinese characteristics is a leap from the theory of centralised planned economy to the theory of market economy.*

with Mao as the core) to a complete and organized thinking. For example, Mao said that socialism consists of two stages: underdeveloped and partially developed. Some feel that this is a wellspring of the theory of the primary stage of socialism. Though Mao talked about this idea, he did not emphasise or further develop it. He didn't state the practical and policy conclusions that must be derived from this. Therefore this idea did not receive much attention. It can be termed as a fleeting thought. But it is an idea which must be appreciated. The theory of the primary stage of socialism was presented after the 3rd session of the 11th C.C. meeting of the C.C.P. was a component of the foundation of the theory of socialism with Chinese characteristics. The 13th congress of the C.C.P. emphasised that in laying the basic foundation of the line, the estimations of the country's situation should be taken into account. We must come up

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1956 and early 1957. Mao Ze Dong said that large private factories can be established, if the society needs them; investments made by overseas Chinese will not be nationalised for 100 years. A small degree of capitalism can be established again.

From the perspective of Socialism with Chinese characteristics this is a shining spark of thought. Mao looked at this as an isolated problem. He didn't regard it as a common problem. Still, this demonstrates the openness of his thinking and the flexibility of his policies. Unfortunately this idea of Mao's was like a meteor. The theory of Socialism with Chinese characteristics summarised and condensed the experiences of the new praxis and presented new concepts about the existence of multiple forms of ownership, with public ownership as the dominant form. This was a theoretical leap. The discovery of these speeches of Mao, Liu and Chou in the Archives Department of the C.C.P. was of great

# SEEKING TRUTH FROM FACTS

## From Mao Ze Dong to Deng Xiao Peng

Leng Rong

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Deng Xiao Peng's Theory of socialism with Chinese Characteristics, which is China's current brand of Marxism, came into being with the great successes achieved by the process of modernization and reform in China in the last 10 years. This theory was born under the concrete conditions prevailing in China during the historic period of the late 70's to the early 90's. Much can be learnt from the way the theory of Socialism with Chinese characteristics came into being. Most important among them is the correctness of the ideological line of seeking truth from facts.

Mao Ze Dong was a great Marxist. He created the CCP's line of seeking truth from facts. He led the Chinese Revolution to victory. He launched creative efforts in many sectors. Yet during his last years, errors were committed. This was because he became distanced from the ideological line of seeking truth from facts.

This proves that the continuation along the ideological line of seeking truth from facts is not easy. The factors which led to Mao's errors were complex. The lessons which can be learnt from these are manifold. For example because they led a

life of revolutionary struggle, Mao and many other leaders of the CCP emphasised the need to effect changes in relations of production and the superstructure.

Mao himself stated that though he's somewhat aware of the issues concerning relations of production, he is a novice when it comes to forces of production. His goal was to develop the forces of production and to liberate the country from poverty. According to Marxism, as soon as socialist relations of production are established, forces of production can be liberated and production developed. Mao who believed this, made haste to attain a high level of socialist relations of production in order to develop forces of production fast. Therefore he launched a 'Great Leap' and talked about the need to organize 'people's communes'. Here Mao underestimated one point. That is, relations of production will be effective only if they are on par with the level of development of the forces of production and not because of any inherent superiority of public ownership. He looked at the question of relations of production without taking into account the reality in China—i.e. that in China forces of production were underdeveloped.

With the failure of the Great Leap and the peoples communes, it became clear that the relations of production which were established had overtaken forces of production. As a result it became necessary to back down from 'big' and 'common' peoples communes. Handing over the responsibility of production to family units helped to reform agricultural production, as the experiences of the peasant populace proved. This form of production relations was congruent with the level of development of the production forces in rural China. Mao Ze Dong understood this.

But he said that if we go back it will be only upto production groups. This was because he felt that if we go beyond this point, questions will arise regarding the direction and the path. (During that time the people's communes had three forms of ownership - commune ownership, productive brigade ownership and production group ownership.

Here Mao looked at problems not from the reality of China but from socialism the way he understood it. Once again he distanced himself from the reality of China. Deng's ideas in this regard were correct. If agricultural production can be reformed

and developed with relative ease in some areas, we will take that route, said Deng. "We will implement things the way the people want them. If it isn't legal, we will legalize it; the important thing is not the colour of the cat, but whether it can catch mice." This proves that Deng was capable of correctly understanding and implementing the fundamentals of historical materialism and to look at problems from a pragmatic point of view.

It cannot be said that after the birth of New China, Mao didn't address his mind to seeking truth from facts. He repeatedly advised the CCP that questions must be looked at from a pragmatic point of view. But this wasn't properly implemented. For example, during the Agricultural Co-operative Movement of 1955, Chou En Lai and other CCP leaders said that we have gone too far and we must oppose going too far. But Mao's attitude was completely different.

He said that peasants are extremely eager to embark on the Socialist road. We must oppose, opposing going too far ahead, he said. History has proven that Mao's assumption was wrong. This shows that he became distanced from the reality because he didn't understand the reality. He came up with correct ideas when he understood reality. For example in 1961 he said that research should be strengthened by collecting practical details. He told central leaders to choose a place, and stay there and do research. He also engaged in research activities. Since they (the leadership) understood the reality, it was possible to present a number of correct policies. As a result, for several years the situation improved. This shows that even a great Marxist like Mao made mistakes regarding this issue and it's not possible to always implement the ideological line of seeking truth from facts.

A fundamental historical lesson learnt at the Third Session of the 11th Central Committee meeting of the CCP was that the universal fundamentals of Marxism should be combined with the concrete situation in China, taking into account China's reality. The history of the new stage commenced with the freeing of thinking and seeking truth from facts. Seeking truth from facts was a red line running through the history of the last 10 years, from beginning to end. It was also the

results of honouring the masses' initiative.

- (2) Allowing practice decide the correctness of reform programmes, policies and regulations i.e. 'talking with evidence'.
- (3) Emphasising the need to summarise experiences at the right time. Through this, the successful carrying out of development work in various complex situations was ensured and the recurrence of 'Great Leaps' prevented.

*The ideological line of seeking truth from facts is the guarantee that the process of reform, the opening up and modernization in China will continue*

basis of the theory of socialism with Chinese characteristics.

Recently Volume III of Deng's Selected Works was published. In the first article Deng says; "Travel along one's own road. Let's build Socialism with Chinese characteristics". This clearly demonstrates the correct line. The last article of the book i.e. the main points of the speeches made in also accords priority to this ideological line and way of thinking. Deng once told a foreign visitor; "I once did a self analysis, I do not belong to the reform group, I do not belong to the traditional group either; I belong to the group of seeking truth from facts. My goal is to adapt our policies, programmes and methods of implementing these policies to the practical situation of our country." During the last 10 years, Deng has done this. This becomes obvious when one looks at three aspects,

- (1) All policies and programmes are prepared based not on books or imaginary hope but reality. They are based on proposals from the grass roots. They were also the

From Mao Ze Dong to Deng Xiao Peng we can come to a conclusion such as this: whenever China adheres to the ideological line of seeking truth from facts she will take the correct road. Whenever China doesn't adhere to this line properly, she will make mistakes.

The ideological line of seeking truth from facts is the guarantee that the process of reform, the opening up and modernization in China will continue. It is only by strictly adhering to the ideological line of seeking truth from facts, will it be possible to continue with the current policies. The current endeavours of the Chinese people should develop further. Theory should also develop. In future China's method will become a definitive model. If the policies and programmes of the last 10 years are to be continued, if the policies and programmes are to develop creatively without interruptions and continuously, it's necessary to ensure the strict adherence to the ideological line of seeking truth from facts. ■

This shows that during the period of mid 50's to mid 60's Mao Ze Dong and other top leaders of the CCP engaged in some new thinking regarding the construction of socialism. This new thinking was not an imitation of the Soviet experience. They strove to base themselves on the Chinese experiences. Subsequently, due to reasons now well known, these ideas could not be implemented. Errors took place on a national scale due to a strategic shift to the left.

But as scientists and theoreticians, we must adopt the Marxist approach and methodology. We must oppose metaphysics.

To correctly evaluate the services rendered by Mao Ze Dong and the CCP during the period of 1949 - 66 and specially 1956 - 66, it's important to adopt Marxist logic and the materialist method.

There's another issue which must be emphasised. Prior to the period of the Cultural Revolution, the CCP

and Mao Ze Dong successfully stand up to the pressure from the Soviet Union. In economy, politics and foreign relations, they did not submit to the Soviet Union's police baton. Therefore China managed to escape the historical fate of becoming the biggest satellite of the Soviet Union and a dependent state. As a result it was possible to prevent the tragic events in the Soviet Union and East Europe from recurring in China. Therefore the services rendered by Mao Ze Dong will be recorded indelibly in history.

## 35th Anniversary of the Cuban Revolution

On January 1st, 1994, Revolutionary Cuba turns 35. It would be no exaggeration to say that the Cuban Revolution changed the lives not only of the generation which experienced it but subsequent generations as well. It was a revolutionary Camelot - a place where the impossible happened and dreams became reality. It spoke not so much to the cold reason of intellect but to the heart. It gave millions of oppressed and downtrodden people in Latin America and the world over the feeling that their cause is not hopeless.

35 years have elapsed since that dawn which heralded not only a new year but also a new era. The Cuban Revolution has grown into maturity, surmounting terrific odds. It has achieved many successes; but it has also suffered some defeats, setbacks and failures. But throughout these long, arduous years it has remained faithful to its original vision of building a new society and a new man - the vision of Fidel and Che.

Today Revolutionary Cuba is going through the most difficult period in her history. With the collapse of socialism in many parts of the world, Cuba has become a lone David facing the onslaught of the North American Goliath which has redoubled its 35 year old effort to crush the Revolution. Cuba's sling is the support of the majority of her people (who despite unbelievable economic difficulties stand firm behind the Revolution and Fidel), the justice and the moral superiority of her cause and the solidarity of the people worldwide.

As Fidel so aptly put it, today we are living in an era of cowardice and opportunism. It is an era where self advancement and self interest are the norm and betrayal abounds. We must not fall into the error of making success the yardstick of the correctness and moral superiority of a cause. As Fidel once said: "I don't believe that success is, in any sense, a measure of whether you're right or not. I'm convinced that we could have been defeated. If that had occurred, it wouldn't have proven that we were wrong. Throughout this struggle, there have been times when chance alone allowed us to survive. There were times when our group could have been wiped out - more than once. If that had occurred, it wouldn't have meant that we weren't right or that what we were doing wasn't correct." ('Nothing can stop the course of History' - Interview with Jeffery M. Elliot and Mervyn M. Dymally). Human history, after all, is littered with just causes which failed.

Whatever the future may hold, one thing can be stated with certainty. The enemies of justice may succeed in their three and a half decades old effort to destroy Revolutionary Cuba. But the example of the Cuban Revolution can never be destroyed. For 35 years tiny Cuba showed the world that its necessary and possible to struggle for justice, even in the face of insurmountable odds. This lesson will be remembered by all future fighters for a better world. It will give them the strength to continue and to triumph someday.

T.G.

# CAPITALIST TRANSFORMATION: RELEVANCE AND LIMITS OF MARXISM

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## Introduction

The collapse of bureaucratic collectivism signifies the definitive vindication of Marxism in theory and political practice. Moreover, prolonged world-wide stagnation of capitalism has reached historically unprecedented levels<sup>1</sup> validating the Marxist critique of capitalism. The problems facing Marxists today and in the proximate future however are very daunting.

Initially we will discuss the so-called "crises of MARXISM" as a **crises of the intellectuals** - as "failure of the nerve." In the face of powerful pressures emanating from the capitalist centers, the "crises of Marxism" is seen as a **subjective** reality noted in the misperceptions and sense of powerlessness of the ex-Marxist intelligentsia. By arguing and analyzing the "subjectivity" of the crises, we will be clearing the way toward opening up a discussion of the objective relevance of Marxism in analyzing both the demise of bureaucratic collectivism and the structural dynamics of contemporary capitalism. We will then proceed by discussing the relevance of Marxism in understanding the demise of Stalinism. In this regard it is important to point out that while bourgeois writers first described communism as on the brink of imminent collapse and subsequently as a "totalitarian monolith" incapable of internal evolution, Marxist focused on the contradictory nature of the communist regime (tensions between its worker origins and bureaucratic rulership, tensions between its socialized production and bureaucratic control and appropriation of sur-

plus) and its ideological claims (collective good versus privileged elites). We will then turn to discussing the relevance of Marxism in understanding the deep structural dynamics of contemporary capitalism -- in a fashion that highlights the way in which the Marxist analytical framework is superior to any of the competing liberal, neo-classical or post-modernist approaches. This in turn will allow us to raise the real challenges and problems that face Marxism if it is going to become politically relevant in the contemporary world.

## Crises of the Intellectuals

The "crises of Marxism" as it discussed today is a "crises of the intellectual nerves" -- it is the capitulation of the former leftists before the seemingly overpowering presence and politico-military triumphs of capitalism in the contemporary world. The ex-leftists are traumatized by their negative vision. The world market is everywhere, the rules of the international banks are imposed consistently, the industrial working class is in retreat or declining, the United Nations has become a U.S. - European global police force. Faced with this apocalyptic vision the ex-leftists decide it is best to operate **from the market**,<sup>2</sup> to **manipulate** the rules of the banks **on the margins**, to narrow their focus to local activities ("civil society"), to make a virtue of necessity by joining the chorus condemning state intervention and the struggle for state power, to embrace narrow cultural identities as the focus of militant activity in the interstices left by the dominant capitalist powers.... in a word turn to "passibilism" -- the

hope that by painting mascara on Moloch, greed can be harnessed into a capitalist humanist social pact.

The "failure of the nerve" is rooted in the failure of the Left to resist the ideological pressures from the Western mass media and states (as well as their intellectuals in uniform) to amalgamate Marxism with the bureaucratic collectivist regimes.

There is the **perception** by many, particularly on the Left that the collapse of the bureaucratic collectivist regimes reflects the "failure" of Marxism. Insofar as this view has permeated social and political movements world-wide it has severely weakened **all** of the Left including those who understand otherwise. Insofar as this perception has led to defections toward liberal politics and sectoral reformist movements, it has narrowed the arena of public debate, closed access to media outlets and fostered demoralization and disorientation in the popular movements.

Secondly insofar as substantial parts of the Left - including non-communist sectors - were materially dependent on the Communist regimes for support the demise of the latter has undermined the willingness and ability of the Left to function outside the parameters of world capitalism.

Thirdly, the political class in the West and the ex-Stalinist leaders in the East have monopolized the mass media and public debate on the meaning of the collapse of Stalinism, amalgamating Communist state ideology with Marxism. Insofar as they have been successful in convincing the populace and intellectuals of their

equation (collapse of stalinism=end of Marxism), the tasks of clarifying and distinguishing Marxism from Stalinism has become infinitely more difficult.

*The "crises of Marxism" as it is discussed today is a "crises of the intellectual nerves" -- it is the capitulation of the former leftists before the seemingly overpowering presence and politico-military triumphs of capitalism in the contemporary world.*

For the above reasons, contrary to what many anti-Stalinist Marxists believed, the demise of Soviet Communism has not cleared the way for a reasoned consideration of Marxist theory and practice, nor facilitated the growth of autonomous Marxist movements (without the albatross of Stalinism). As a consequence, in the world, ideological and theoretical debate, among many academicians and political activists, Marxism is viewed as an ideology whose time has passed.

### Post-Marxist Critics

For some writers the demise of Stalinism meant the world-wide ascendancy of liberal democracy - the "end of history." In this view Communist revolutions were a detour in the march of history toward liberal democratic capitalism. For others the Communist revolutions were the hidden hand behind bourgeois revolutions, clearing pre-capitalist debris from society and preparing the way for a new and more vital stage of capitalist development.

The "end of history" argument with its teleological view of history fails to see liberal-capitalism as a historically specific social system with its own morphology, its rise, maturation, decline and transformation. Periodic breakdowns of capitalist societies, their violent intrusions into weaker states, their perennial expansion and subordination of vulnerable economies, their diversion of resources and impoverishment of domestic societies in the name of global leadership have been accompanied by wasteful and destructive wars that have in turn at times been turned into anti-capitalist revolutions, some of which have

been subsequently reversed. In sum there is no historical basis -- past or present -- for arguing for "linear progress" toward "free-markets" and "liberal democracy." Capitalism--whether liberal-democratic or authoritarian, state centered or market directed -- has evolved in response to the tension between internal and external opposing forces: the internal conflicts between capital and labour and externally between competing capitals. Periodic revolutions and counter revolutions reflect the internal conflicts; the world and regional military and trade wars, the external conflicts.

Secondly the decline of Communism has not been brought about by a capitalist social class nor has a democratic-capitalist society and economy emerged. The overthrow of Communism was largely the product of a bureaucratic elite imbued with a capitalist ideology, but with no historical ties to capitalism, its development or its markets. The nearest approximation of an indigenous capitalist class was the illicit contraband networks working the interstices of the state planning system. The consequence of the capitalist restoration by a non-capitalist class has been the grafting of policies and practices on a society without the social agencies to implement them. Instead of a domestic capitalist class what has emerged is a group of intermediaries for Western capitalism on the one hand and on the other the growth of a powerful strata of plunderers ("mafia networks") who pillage the existing economy of public resources and divert overseas loans to foreign bank accounts without developing the productive forces. The resulting decay of post-communist societies is found in large scale, long term unemploy-

ment, crime, prostitution and decline in production and consumption. This has been matched by the growth of authoritarian rulers, foreign dictation of economic policy. Neither liberal democracy nor capitalist development has emerged from the overthrow of collectivism. The break-up of the USSR and the assumption of power by pro-Western rulers has not even resulted in the establishment of viable nation-states. Ethnic divisions and civil wars, and nationalist and religious authoritarianism have been the most prominent feature of the post-Communist world.

Contrary to the "end of history scenario," many post-Communist societies have regressed in social and cultural terms: 19th century diseases have returned, bans on abortions are now in place, widespread pauperism among retirees have become the norm; highly trained scientists are unemployed or working for a pittance. What is purported to be the definitive triumph of liberal-democracy and capitalism over communism is in fact the disintegration of the nation-state into ever shrinking warring ethnic enclaves, the decay of public life and the destruction of productive systems. The signs of massive public disenchantment are everywhere present in the countries where "the market" has triumphed. As the victims of the free market grow what has indeed ended is the "triumphalist" celebration of the restoration of the market. Rather than view the overthrow of Communism as a bourgeois revolution clearing the way for capitalist advance, it is more empirically correct (at least in the ex USSR and East Europe) to view the ascendancy of Post-Communist regimes as a his-

tical regression--perhaps as a temporary detour toward a revitalized and new form of democratic collectivism.

### Marxist Critiques of Communism

If we can for the moment resist the "post-Marxist" fashions of the day and identify the essential analytical categories of Marxism, we can consider how they fare in confronting the large scale long term structural tendencies of contemporary capitalism. The basic point is that Marxism and not neo-classical economics or liberal politics has great relevance to our understanding of the structural changes taking place. Moreover the evolution, crises and demise of Stalinism was most brilliantly analyzed and anticipated by Marxist thinkers using Marxist categories.

It was Rosa Luxemburg who identified the authoritarian tendencies implicit in the structure of the Bolshevik Party, Leon Trotsky who identified the new state apparatus as a distinct socio-political stratum appropriating the surplus from the working class, undermining egalitarian norms, contradicting the revolutionary origins of the regime. The Marxist historian Isaac Deutscher discussed the possibility of an evolution toward capitalist restoration. The Marxist philosopher Herbert Marcuse who critically refuted the Soviet claims to being part of the Marxist ideological tradition.

The Marxist dialectical method, the use of class analysis, the application of notions of class contradictions, class conflicts, and the notion of the class nature of the state were essential in understanding the crises of the Stalinist system and the restoration of capitalism. Just as Stalinism could not explain its own degeneration, post-communist liberal capitalism cannot explain the catastrophic crises that its institutions and policies are engendering.

One should not confuse the conjunctural pervasiveness or even the hegemony of an ideology with its profundity or durability.

### The Relevance of Marxism

Today Marxism is the most useful perspective in understanding the major structural changes taking place in the capitalist world economy. Nonetheless Marxist theorists must come to terms with the vast changes in class structures, technologies, state/civil society relations that have taken place over the last quarter of a century, otherwise their conceptual framework will become irrelevant in analyzing the contemporary world and in fashioning a cogent alternative.

Major contemporary structural processes are best understood within a Marxist framework. A review of the processes in relation to basic concepts will illustrate the utility of Marxist theory.

**(1) The concentration and centralization of capital within countries and across regions.** The mergers and buyouts accompanying the growth of global enterprises are one indication of this "law of capitalism" noted in Marxist analysis.

**(2) The intensification and extension of exploitation accompanying capitalist expansion and competition.** The decline of income, the elimination of health, pension, vacation, and other benefits accompanied by the extension of work time and the growth of labour productivity attest to the relevance of Marxist analysis.

**(3) Growing class inequalities and social polarization.** In Europe, the U.S. Latin America, and Asia "free market" policies have broken the social safety nets contributed to the growth of concentrated wealth and a growing sub-proletariat.

**(4) Growing inter-capitalist competition.** The trade wars and formation of rival blocs by the major capitalist rivals and the re-emergence of inter-imperial rivalries completely undermine neo-classical notions of complementary harmonious market relations.

**(5) The tendencies of capitalism to crises and stagnation.** With the decline of the war economies, the absence of major innovations capable of stimulating recovery and growth, the growing debts and fiscal deficits, and growing productivity and a narrowing consumer base, the inherent tendencies to crises have come to the fore.

**(6) Imperialism is a dominant feature in defining relations between advanced and less developed capitalist states.** The subordination of Eastern Europe and the ex USSR to Western European and US capital evidenced in the pillage of their economies and the increasing penetration and subordination of the Chinese market by Japan, Hong Kong and Taiwan are testimony to the fact that global expansion - imperialism - is the driving force of our epoch.

**(7) Class struggle as the motor force of history.** The major terms in practically every political discourse today is "competitiveness" and "labour flexibility", expressions that describe wholesale shifts in the labour/capital relationship. For the past two decades, the capitalist class and its state representatives have engaged in a virulent class war converting permanent workers into temporaries, shifting work rules and, most important, taking absolute control over the conditions of work. The minimum response by labour and trade unions to this class struggle (its one-sided nature) does not obscure the essence of the process, a struggle by a class (the dominant) to impose its power and prerogatives over another and establish unilaterally the terms of production and reproduction.

(8) **Class nature of the state.** The overwhelming emphasis of state policy has been to facilitate the major economic process undertaken by the dominant capitalist class. The "restructuring" of labour has been promoted by state policies; weakening labour unions. Capital moves have been subsidized by state tax policies; capital concentration by state "de-regulation"; the "transfer" of private losses through state intervention to the public treasury. The major shifts in income based on the power of the state to intervene on behalf of capital has reduced its "legitimation" function to minor activity. The state is not an autonomous entity mediating between classes. Its major decisions can best be understood in the framework of its class character.

In sum the direction of change, the dynamics of state-civil society relations, the process of international expansion, the structure of the market and the emerging organizational forms of the principal socio-economic actors can best be understood in a Marxist framework. In the free competition of ideas, key Marxist concepts have demonstrated their validity over and against the liberal neo-classical paradigms. Yet the comprehensive explanatory power of Marxism is not sufficient to come to terms with the contemporary world unless it recognizes the vast changes that have taken place both within its "historical categories" and outside.

### **World Historical Changes: The Challenge to Marxism**

Vast changes have taken place over the past two decades in the class structure, in the labour process, in the application of technology, in the structure and organization of capital, in the ideology and organization of classes, in the family and in the organization of cities and in the organization of power in the global political economy.

(1) In the advanced capitalist countries and in major regions in Eastern Europe, Latin America, the ex USSR and Africa, stable wage workers and stable long term large

boundaries. The concentration and centralization of capital on a global scale and the development of new technologies is accompanied by the revival of pre-capitalist modes of pro-

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scale capital investors are a shrinking minority. There are significant variations in the "post-industrial" labour force. In the advanced capitalist countries there is a growing number of low paid temporary "contract" wage workers and professionals in the services. High tech means of production and/or distribution are run by low paid service workers and 'maintained' and 'directed' by a thin strata of permanent high paid workers and executives. In the third world a growing mass of low paid "self-employed" service workers operate as distributors of cheap goods and are available as low paid rotating productive labour. The "proletarianization" of labour has advanced to such a degree as to create its opposite a de-proletarianized surplus labour force.

(2) The combined development and inter-relationship between capital intensive high tech and labour intensive sweatshop labour has produced a global chain of production and alternative investment strategies for capital. The so-called "globalization of production" the movement of capital across national boundaries has been accompanied by a selective investment of capital "inward and downward," exploiting the movement of displaced and/or 'immigrant' labour within national

boundaries. The concentration and centralization of capital on a global scale and the development of new technologies is accompanied by the revival of pre-capitalist modes of pro-

(3) The "strengthening" of the nation-state as an instrument for international expansion of capital has been accompanied by the erosion of the national economy which sustains the international activities of capital and state. The diversion of resources - state and private - to "global markets" has led to the fiscal crisis of the state and massive cut-backs in salaries and social spending. As global competition increases, domestic society deteriorates.

(4) The decline of wages of male labour has led to the massive entrance of female labour into the non-household work force to avoid immiseration. The expansion of production of food, clothing and electronics in low wage third world areas and their importation into the first world provides low priced consumer items thus "compensating" for wage declines. Lower paid wage earners in the West still have access to consumer goods despite decreases in income because of low price consumer imports and easy credit.

(5) Over time, however, low cost imports are displacing low wage production workers and limiting their

access to goods and services. The "second stage" from the declining wage - low cost consumerism to low wage - declining consumerism phase, is part of the transition from phase one of "free-market capitalism" during the 1980's to phase two in the 1990's.

(6) In the US changes in the labour process have not only displaced black and white wage workers but has significantly affected salaried professionals, employees and technicians. The decline of the middle class is evidenced in the erosion of stable well paid employment with health and pension benefits and the emergence of temporary contract labour among professionals, executives, and others. "Objective" proletarianization of the middle class however is not accompanied by any "subjective" recognition of the causes and common conditions - the absence of any sense of class solidarity. Past class experiences weigh heavily on consciousness. The politics of class resentment at "falling" is much stronger than identification with the new class 'brothers' and sisters in the same class position.

(7) The demise of Stalinism and the transformation of social democracy into a vehicle of neo-liberalism has undermined a traditional reference point for working class and welfare politics. Moreover the absence of the communist welfare model has reduced pressure on the capitalist states to sustain welfare policies in the West. The emergence of ex-Communist and ex-social democratic spokespersons for neo-liberalism has added "authority" to the argument that there are "no alternatives" to "free market" capitalism. The dramatic ideological shifts and the discrediting of the previous social democratic and communist ideologies requires a new ideological discourse.

(8) The international movements of capital have drained the nation state of revenues and lowered wages

thus generating a fiscal crisis - the growth of fiscal deficits that in turn become a pretext for the reduction or elimination of the "social wage". The "redundancy" of labour in the high tech and de-industrialized economy becomes an incentive to lower investments in education of health and housing. Exploitation of the domestic economy becomes a necessary condition for sustaining empires.

(9) The re-organization of the labour process has greatly transformed the relation between capital and labour. Capital is eliminating multiple layers of management and administration between the top executives and production workers to lower costs. The remaining managers and engineers are increasingly part of the labour-force on the production floor. The differences in income, power and prerogatives remain but the hierarchy of production has been transformed and the immediate managers are more integrated into the workplace. The superfluousness of the "white apron boys" in production means less waste for administrative overhead expenses. Under capitalism this means more profit and less cost. Under socialism it would mean less hierarchy and less cost to the consumer. The labour process is moving away from direct supervision of labour and toward greater worker autonomy in the design and production of the total product. Under capitalism this new autonomy is subordinated to the strategic goals of the CEO's (chief executive officers). Yet it is transparent that the modern firm functions with less capitalist direct intervention. The logical extension of worker autonomy, from the shop floor upwards, provides a powerful argument for self-managed socialism. Briefly, capitalist rationalization of the work process toward greater worker autonomy contains the seeds of its own transcendence.

(10) New technology and information systems have greatly trans-

formed work relations, the labour process and income distribution within the framework of and parameters defined by the dominant forms of corporate capital. Electronic networks and information systems extend and widen the scope and increase the speed of large scale speculative movements of finance capital across the globe. They do not exist as autonomous forces defining a new "high tech" or "information society". High tech information systems in the context of the ascendancy of financial, real-estate and insurance capital, provides more outlets for the speedy transfer of capital out of productive employment and hastens the de-industrialization of labour, and the growth of rich investment bankers and low paid service workers.

(11) The massive entrance of female workers in the labour force, at a time when wages are declining, social services are being eliminated and labour mobility is a forced condition for employment, is heightening conflict in the family and slowing redefining the content of working class socio-political agendas. The "feminization of the labour force" means that the old "emotional division of labour" no longer operates: both partners suffer the same "emotional stresses" at work, both lack emotional cushions at home! The inequalities and stress in the workplace can result in greater solidarity and equality in the household or more frequent and violent ruptures -- depending on whether the aggression is centred externally or internally.

(12) High tech monopoly industries, (particularly those industries dependent on the U.S. military as their singular buyer) are extremely vulnerable to severe crises. High tech industries whose technology is designed to produce very specialized products are subject to political exigencies of the buyer and the obsolescence of their products. The non

adaptability of the high tech to new marketable products can lead to the closing downs of entire firms and to the outmodedness of the elaborate technology. The example of a fully automated/robotized plant producing million dollar sonars for the military is a case in point: when the military budgets declined, as the Cold War ended, naval demand for sonars ended, factories were closed and the highly skilled labour force became redundant. The downward mobility of the new high tech labour force in aeronautics and related military industries defines part of the new class realities.

## Conclusion

The political meaning of these major transformations is clear, the old class cleavages between stable industrial labour and industrial capital no longer define the 'basic relations' in society. The growth of temporary labour and the massive cut-backs of private corporate and state subsidized programs cannot be confronted by a minoritarian labour movement, least of all at the bargaining table. The transformations have profoundly altered the context and content of class struggle -- and to ignore these changes will certainly condemn Marxism to irrelevance. The answer to these changes - and detailed responses are obligatory - are only slowly emerging.

In the first instance the sharp distinctions between state and civil society no longer exist - capitalism thrives on exploiting the state (and the mass of working tax payers). The fundamental problem then is the focus on the class state as the target toward which social movements must orient. Theorists of "identity politics", cultural "post-modernists" and advocates who focus on a distinct anti-state ideology in the name of civil society must be firmly rejected. The state must be viewed as a major resource and lever for change. This view must be accompanied by an

approach which minimizes bureaucracy and maximize the redistribution of resources within civil society.

Secondly the "national economy" must be seen as the starting point for any political confrontation with the

*The consequence of the capitalist restoration by a non-capitalist class has been the grafting of policies and practices on a society without the social agencies to implement them. Instead of a domestic capitalist class what has emerged is a group of intermediaries for Western capitalism on the one hand and on the other the growth of a powerful strata of plunderers ("mafia networks") who pillage the existing economy of public resources and divert overseas loans to foreign bank accounts without developing the productive forces.*

internationalization of capital. The rhetoric of globalization ("Global competition" "global market place") which serves to reduce wage levels toward the lowest international levels, while encouraging the import of the products of low wage labour, must be countered by a strategy which blocks the diversion of local profits overseas. Measures ranging from capital controls to outright expropriation can become center pieces for the reconstruction of a labour force capable of fighting on a level playing field.

Thirdly, bridges of international labour solidarity must replace protectionist walls to effectively homogenize labour conditions upward, to counter the "internationalization" of capital.

Fourthly, technological changes require new social agencies to redirect their application: their locus and impact. The growth of autonomous work-places must extend to the application of technology - reducing work time and increasing employment.

Fifthly, the feminization of labour requires a cultural and social revolution in the labour and feminist move-

ments - toward a broad based social agenda that incorporates large scale long term shifts in budgetary allocation to family allowances and shifts from symbolic to substantive representation. The challenges to the "competitiveness" ideology must grow from the solidarity of competent and

productive forms of social organization, not from the escapist yuppie leisure culture nor from utopian intellectual nostalgia for counter-cultural life styles.

Traditional loyalties and solidarity at the primary and personal level must be respected, and multi cultural life-style politics cannot be assumed to be a superior form, particularly in its emphasis on "immediacy" and "transitoriness," phenomena more akin to contemporary capitalism than to its subversion. **Marxism must include tradition and revolution, nationalism and internationalism, class solidarity and individual intimacy as essential elements to the new politics to remain relevant.**

## Notes:

1. Stagnation or absolute decline has affected all continents and all of the major capitalist countries for almost a decade while deep depressions have been the norm in the ex-communist countries, Latin America and Africa.
2. Jorge Castaneda *Utopia Unarmed* (NY Knopf 1993).

# SOME THOUGHTS ON GLOBAL MARXISM IN THE NEXT MILLENNIUM

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Having been an activist for about 20 years before getting established in academia I will be looking at the future of marxism in a manner that will emphasize practically and takes a "view from within and from below" (Huizer 1979). Marxist practice and marxist theory have from the outset - Marx' own life and work(s) - been closely interlinked. Sometimes practice may have been the more outstanding aspect of marxism, often however, theoretical reflection, debate, disagreement, theses, antitheses and syntheses have been predominant. Marx-ism, indeed, it has been portrayed as (a) science, ideology, millenarian movement or religion. Whatever it is, "the definitive failure of marxism" is as obviously impossible as the definitive failure of -say- christianity, islam, quantum-physics or liberalism. Its influence has changed the face of the earth and the history of mankind and it may well continue to do so in the next millennium as will happen -probably- with christianity in spite of the self-inflicted erosion of the catholic church's and the vatican's credibility.

Social/political/religious movements come and go, but the collective experience of large groups of people who participate in them will forever continue to have an influence on behaviour in the processes of "evolution and revolution: the rising waves of emancipation" as Wertheim (1974) described. In these processes the roles of the masses, activists, elites, theoreticians, lead-

ers, followers, are all crucial in an interplay that can lead to spectacular developments, revolutions, Thermidor effects, the "iron law of bureaucratization", stagnations and revivals. So it will be in the next millennium.

In an earlier article in *Economic Review* (1991) on "Third World Marxism: a view from below" I had a chance to point out that the contradiction between the rich and poor, haves and have nots, owners-of-capital and non-owners have not disappeared but in fact have been enhanced the past there "development decades" on a world scale as well as locally in rich and poor countries. The growing contradictions are most easily discernible in the fact that 10% of the world's population in the West utilizes per capita 24 times as much as 80% of mankind living in the South. This trend was clearly visible already in *Global 2000. Report to the President* (1980) commissioned by former president Carter, which appears to be conspicuously ignored by scholars as well as policy makers. It has been confirmed by recent data presented in the *UN Human Development Reports*, which show that rich-poor discrepancies have doubled during the past three "development decades".

Does this trend indicate that class - contradictions and struggle are more clearly on the agenda than ever before? This seems particularly so as the "revolution of rising expectations" divulged worldwide by the

media conglomerates is producing in most cases a potential "revolution of rising frustrations". Such frustrations may - as often happened in the past - find its expression for the time being in inter-religious, inter-ethnic, inter-party strife - the poor against other poor... but how long will it take until a "common enemy" will be more clearly discovered?

At present some of the most volatile people try to escape the misery of rural areas in the South by migrating to the cities, becoming part of the "informal sector" there. Then the more volatile city dwellers - if frustrated - try their luck - individually - as asylumseeker, wetback, or refugee (political or economic) across the Rio Grande or the Mediterranean Sea. But as the new Berlin walls there are becoming increasingly dangerous to cross how long will it take until those volatile figures will start to organize themselves and their peers in slums and rural areas at home to do some "conflict-resolution," collectively and on their own behalf, against the powers that-be?

Altogether there appears to be considerable scope to look at global and local class - and similar contradictions as starting points for new and creative forms of change. An old distinction, that proved its usefulness to the movements and struggles of peasants worldwide has been that between the fundamental and the secondary contradictions. There are many contradictions, variations or similarities between peasant-

worker-, environmental, indigenous people's, "old" and "new" social movements, about which a sophisticated literature has emerged, particularly since Andre Gunder Frank and Marta Fuentes (1987) published their bold and provocative "nine theses".

The fundamental contradiction appears to remain, probably for several decades to come and deep into the next millenium, that between the "bourgeoisie" and all the others. In this context the classical statement by Marx about the role of the "bourgeoisie" may be recapitulated. Marshall Berman in his *All that is Solid Melts into Air. The Experience of Modernity* (1983) gives Marx' and Engels' *Communist Manifesto* a prominent place right after Goethe's *Faust*, as the first outstanding reflections on modernity. Berman points out that Marx like Goethe was deeply impressed by the "genius for activity" of the bourgeoisie and "in a stirring, evocative, paragraph, transmits the rhythm and drama of bourgeois activism". Berman (1983:95) then quotes Marx' well known statement:

"Constant revolutionizing of production, uninterrupted disturbance of all social relations, everlasting uncertainty and agitation, distinguish the bourgeois epoch from all earlier times. All fixed, fast-frozen relationships, with their train of venerable ideas and opinions, are swept away, all new-formed ones become obsolete before they can ossify. All that is solid melts into air, all that is holy is profaned, and men at last are forced to face with sober senses the real conditions of their lives and their relations with their fellow men".

As I could observe in my earlier article using a different translation of the same quotation, this statement is today more true than ever. In fact, as Berman also noted, the process has accelerated and the *Global*

**"The definitive failure of marxism" is as obviously impossible as the definitive failure of -say- christianity, islam, quantum-physics or liberalism. Its influence has changed the face of the earth and the history of mankind and it may well continue to do so in the next millenium as will happen -probably- with christianity in spite of the self-inflicted erosion of the catholic church's and the vatican's credibility.**

2000, and UN observations quoted above show what the main effects are. As Jim Petras (1993) has recently shown the adverse effects for the world's people(s) is obscured by the language used to describe the processes of accelerated "globalization"; "structural adjustment" or even "reform".

Moreover, as he rightly observed "the secret of the success of North American culture penetration of the Third World is its capacity to fashion fantasies to escape from misery, that the very system of economic and military domination generates". As a reaction to this he calls upon the left to recreate a faith and a vision of a new society built around spiritual as well as material values. In my 1991 article I tried to highlight some of the spiritual and material incentives and results of the emergence and consolidation of one form of socialism in China, covering 20% of the world's population. The Chinese have been on the move for over four decades and probably in a rhythm more radical than Marx envisaged for bourgeoisie-led development, and less damaging for the majority of its participants.

In that article I gave a few data on developments in China, as reported by the World Bank, *Financial Times* and other unsuspected sources. The World Bank's 1983 Report *China. Socialist Economic Development* shows that during the period between 1950 and 1980, thanks to the radical redistribution of assets (land reform, nationalization), and other socialist measures, China achieved spectacular industrial growth of about 10% per year. This industrial

growth was accompanied by a reasonably equitable distribution of income and benefits with the result that the standards of living of the Chinese people rose considerably so that life-expectancy for Chinese in 1979 was 13 years above that in India and 17 years above that in Indonesia (World Bank, 1983, vol. III, p. 26). This in spite of all the ups and downs of extremist and in many ways disastrous campaigns such as the Great Leap Forward and the Cultural Revolution. In the 1991 World Bank's *Development Report* it is observed that; "starting in 1780, the UK took 58 years to double its per capita output. Beginning in 1885 Japan took 34 years. Starting in 1977, China doubled living standards in only a decade" (*Fin. Times*, July 8, 1991).

A few other statistics that give an indication about the relative successes of a "socialist economic development", also taken from the World Bank's *Development Report* (1990) show that China had between 1980-89 a considerably higher GDP growth rate (10.1) than the rest of East Asia (6.4) and GDP per capita growth rate was in China 8.7, more than double that of other East-Asia (4.2). A comparison with the extremely low and tragic GDP capita growth rates for Sub-Saharan Africa (-2.2) or Latin America (-0.6) even more strongly highlights that capitalist and World Bank promoted "growth" in most of the Third World was a dismal failure compared to that of socialist China, now in the process of liberalizing to some extent.

Another significant indicator is the percentage of "extremely poor" in

China as 8, while this figure is 33 for India, 30 for Sub-Saharan Africa and 12 for Latin America. These differences show that in countries, which mostly belong to the "low-income" category, those who follow a socialist path (China) appear to be able to keep their people significantly better alive and healthy than those who follow a capitalist road (Indonesia, India), and implemented no land reform. At least one kind of human right, that of survival and livelihood, appears to be well respected under socialism. As regards other human rights the situation in China does not seem to be much worse than in many other Third World countries mentioned, e.g. Indonesia, to which Western media pay hardly any attention.

The Western "bourgeoisie" seems to be well aware of the potential for future development(s) that exist in China. For several years now - as could be seen from regularly reading the *Financial Times* - companies like Royal Dutch Shell have invested billions in joint ventures with Chinese (state) companies to explore energy and other resources. Particularly the last few years many Western companies try to jump on the bandwagon. Understandably Deng Xiao Ping was nominated *Fin. Times*' 1992 Man of the Year. Of course one wonders to what extent socialism in China will become capitalist, but for the time being apparently less than 20% of the Chinese industrial economy is not state-controlled. Will the "bourgeoisie" find a match here with which they have to come to terms? Understandably there are also conservative sectors of the Western bourgeoisie which appear more in favour of isolating China, or which seem to propagate a "clash of civilizations" (see below).

Are there contradictions within the bourgeoisie that - in view of the next millennium - should be more carefully studied by marxists than has happened hitherto? In the practi-

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cilities of the struggle of rural social movements in the past at times coalitions have been made with "liberal" sectors of the bourgeoisie against the "conservative" ones (often dominated by landed elites) (Huizer 1973, 1980). In several Latin American and other situations the contradiction between "liberals" and "conservatives" had in many instances opened possibilities for liberation struggles in past and present. The alliances that the Sandinistas, including many radical christians, made with certain sectors of the national bourgeoisie against the ultra-conservative and US backed Somoza clan is one example. Mao Ze Dong's alliance with the "national bourgeoisie" against the US backed Chiang Kai Shek regime is an earlier one.

How carefully have we analysed the "bourgeoisie", not merely as a solid economic power block to be opposed but as a complicated network of internally contradicting and/or allying interests. Gill's (1991) and other studies of the power elite groups within and at the margin of the Trilateral Commission give interesting examples of such contradictions. In the early years of the Trilateral Commission the common threat of the socialist bloc could serve as one rallying point to help the bourgeoisies of the US, Western Europe and Japan more or less to agree on a common world strategy of "management of interdependence". Now this threat has disappeared, but already in the years that preceded perestroika, the differences, if not contradictions of interests within trilateralism became apparent. Reagan's conservative and militaristic policies have considerably con-

tributed to this. The recession - if it is not a depression as some argue - that soon followed contributed to an even further deterioration of trilateral unity. Is it surprising that in some of the more conservative US elite circles the search for a new "common enemy" has emerged? As conflict-sociologist Lewis Coser pointed out in his classic book *The Function of Social Conflict* (1956): to have a common enemy is the best incentive for a close collaboration.

One thing that can be learned from Marx, Zapata, Mao Ze Dong and many less outstanding leaders who have initiated and sustained protest or liberation movements, is that one should carefully study the movements, projects, ideas and manipulations of one's opponents, the power elite groups against whom people feel the need to move. At times one can learn in practice from the opponents and their strategies in a yielding manner as already shown by the Chinese classic on warfare by Sun Zu a few centuries before Christ. This approach may not exactly correspond to the Western mechanistic, cartesian-newtonian way of looking at things, but it implies useful elements of dialectic, though perhaps going beyond mere dialectical materialism. Taking elite views and projects at their face value and trying to find the inconsistencies and weakness is sometimes as useful or more so than merely taking a counterposition.

One way to apply an analysis of fundamental contradictions of interests on a world scale is to look carefully at the scholarly ideas and policy statements of the more

conservative spokesmen of the think tanks of the world's power elites, rather than merely at the various official statements by politicians like Clinton, Delors, Kohl or Lubbers, which are mostly designed for short-term political purposes such as winning the next elections or a certain key position.

As a recent study on the role of the Trilateral Commission shows long-term views, such as those developed in the Triangle Papers and discussed and scrutinized by the Commission have had considerable influence on certain policies implemented by some Western governments the following years - or even decades - and by IMF, World Bank, private banks and a number of Development Cooperation agencies (Gill 1991). In this context the strong differences of opinion between "liberals" and "conservatives" have played a crucial role, as Gill shows. The inconsistencies and often meddling through of US policies regarding the Third World, as studied by Gabriel Kolko (1988) and quoted in my 1991 article, give an indication of the contradictions within the US Establishment.

On the whole the South has not benefitted much from mistakes made by the Establishment and probably has suffered even more acutely because of the contradictory, dubious and at times blundering actions of the CIA and other strong arms of the US Establishment, as shown by Blum (1986). In this context Marxists are increasingly considering the probability that violent forms of resistance against oppressive conditions, as have been successful in the past from Zapata to Mugabe - are no longer feasible in view of the tremendous ruthlessness of the Establishment's violence, as shown by Blum. Other approaches of opposing elite-interest are on the agenda.

Among the new contradictions in elite thinking that should be carefully

assessed is the philosophy behind "development".

fully assessed is the philosophy behind "development". Truman's 1949 *Bold New Programme* that started the "containment policy" against the emergence of socialist developments in "underdeveloped countries" (Truman's term). A few years later the so-called "modernization theory" was designed in the US power elite think tanks. Walt W. Rostow (1985) shows in an autobiographical article how during the fifties he contributed to "the collective effort mobilized in the 1950's at the Centre for International Studies (CENIS) at MIT". As an alternative to the Chinese model this group of "development crusaders" (his words) partly funded by the CIA as Rostow (1985:241) points out, laid the basis for what later became *Stages of Economic Growth. A Non-Communist Manifesto*, published in 1960. This modernization theory, as it is known, has served the Establishment well as its idea of gradual stages of economic growth up to the US consumerist society model has been implicitly guiding much policy-making in the Development Cooperation ministries and agencies of the West, including IMF and World Bank. Later the theory has come under some pressure from the *dependencia* theorists but also from documents produced by more enlightened and probably less crusading sectors of the bourgeoisie, such as the Club of Rome's *Limits to Growth* (1972), the Brand reports, and particularly the UN report *Our Common Future* (1987). Sustainable growth is not the same kind of unlimited growth as propagated by Rostow c.s. in the 1950's. Some sectors of the bourgeoisie are becoming aware that their drive towards a "constant revolutionizing of production" may soon reach its planetary limitations. In a recent forum in Boston on energy policies it was bluntly stated

that the consequences of China's development towards a society with 1 or even 2 cars per family would imply the suffocating of all civilizations on earth, including the US. That cannot be! In addition to the bourgeoisie's present confusion on the "madness of mergers and demerges" (Peters 1988) highlighted in my 1991 article, there is now this doomsday vision on the effective finalizing or climaxing of "stages of economic growth".

As one can learn from Third World peasant-farmers in oppressed conditions it is necessary to look at the reasons and interests behind certain official projects, and policy-statements. This is good practical class-struggle wisdom of people who themselves generally never heard of Marx. In our context of Marxism in the 2000's looking particularly at long-term elite theorizing on developments in the next century should be undertaken in such a manner, suspiciously. An interesting and somewhat alarming example is a recent article by Samuel Huntington, the director of one of the Establishment's main intellectual institutions, Harvard's Center for International Affairs. He recently published in *Foreign Affairs* (Summer 1993) a "theory" on the possible "clash of civilizations" after the clash between "ideologies" (i.e. capitalism versus socialism) has been decided in favour of the first. Abridged versions of this article have been published and commented upon in practically all leading newspapers in the West, like happened a few years ago to Fukuyama's essay on the "end of history". Good reason to give it some consideration. While it is clear by now that not much can be learned from Fukuyama, Huntington is a different case. He has a solid posi-

tion within the Establishment and has influenced its thinking, though, as noted by Gill (1991:159), sometimes in a "contentious" manner as in his contribution to the Trilateral Commission's *The Crisis of Democracy* (1975). Huntington's 1993 *Foreign Affairs* article points out that in the next decades there is a good chance that clashes between some of the great civilizations will emerge. He identifies a few "civilizations" in the contemporary world: Western, Confucian, Japanese, Islamic, Hindu, Slavic-Orthodox, Latin American and "possibly" African civilization. The cultural and religious fault lines between these civilizations will be, Huntington hypothesizes, the places where conflicts will increasingly erupt the next decades.

Huntington's article gives a variety of essential elements for discussion. Understandable is his emphasis on the importance of culture, of civilizations as frames of reference for peoples' behaviour, after ideologies have - in his view - largely disappeared as such. One can quarrel about the differentiation between civilizations that he presented and its historical roots, but on the whole it appears to correspond with present-day realities.

Of course one can wholeheartedly agree with Huntington's final conclusion for the long term on the need to learn to coexist with other civilizations and to develop a more profound understanding of their basic religious and philosophical assumptions. As shown in a recent volume sponsored by the World Council of Churches (Reuver, Solms, Huizer 1993) such efforts are not impossible and in fact can prove to be highly rewarding not only for the fostering of mutual understanding but even for one's own - as a Westerner rather individualistic - personal development as defined among others by Western humanist psychologists like Erich Fromm and Abraham

**It appears crucial that Marxists of all continents and civilizations try to get together to assess the influence of these contradictions on the local situations where they come from and are active, as well as on the long-term global trends that form the context of local developments.**

Maslow but also by Buddhist, Amer-Indian or African spiritual leaders. Regarding Huntington's shorter-term conclusions serious questions and doubts can be raised. Looking at the whole problematic of civilizational differences from a global, planetary rather than a purely Western (European or US) point of view one wonders if his short term views on the possible inter-civilizational conflicts and clashes do not endanger rather than foster his larger term objective of a possible accommodation and peaceful coexistence.

Some Europeans, like myself, and particularly colleagues and friends in Third World countries or non-Western civilizations, are likely to get worried about the recurring emphasis in Huntington's statement on "conflict", "clashes" and "battle-lines". Not so much regarding his factual description of a number of present conflicts in what he calls the fault-lines of the great civilizations, like Bosnia. But are these exceptions or going to be the rule?

It is perhaps a "conservative" bias that Huntington with his emphasis on cultural and civilizational dividing lines, does not refer to the globalizing influence of multinational corporations which seem to have managed to transcend those dividing lines on a massive scale as UNCTAD recently reported (World Investment Report 1993, New York.) In some civilizations they encounter more obstacles than elsewhere, but Royal Dutch Shell, IBM, Coca Cola, Sony, Nestlé and many others seem little bothered by the potential clashes envisaged by Huntington and seem to follow the bourgeoisie's trend of "constant revolutionizing of production" (and consumption, one could

add) basically, even according to Marx, a progressive trend as a forerunner of socialism. These are practically all Western-based or Japanese enterprises and represent Westernizing, cultural influences, but do seem to be able to adjust sufficiently to other civilizations. Only if too aggressively promoted, they understandably do provoke fundamentalist-type reactions in some cultures like happened in Iran (Allen 1992). Civilizations in past and present always seem to have shown a great capacity to mutually influence one another and benefit from that process. Europe has benefitted considerably from Islamic-Moorish civilizational influence in the past.

In the footsteps of trilateralism Huntington implies that European and Japanese global interest are identical to the US interests in the globalization processes, but is this really so? **Are the strategies used by the various bourgeoisies necessarily going to be similar also in the next millennium, or are they going to be divergent?** Is Huntington looking for common enemies to keep US allies in the trilateralist line? This may be a reason for Huntington's easy acceptance of Kishore Mahbubani's statement in *The National Interest* (Summer 1992) on "The West and the Rest" though it appears counter-productive to the long term perspective he outlined. There is no doubt, as Huntington and others show, that the Iraq conflict (not to speak of the Panama conflict shortly before) are interpreted by many, if not most, non-Westerners as expression of "the West against the Rest...". However does this kind of approach necessarily have to continue or even escalate? The UNCTAD

Conference July '92 in Rio de Janeiro opened the possibility of first concrete steps in a more positive direction but the US administration (of that time) appeared the least motivated to participate.

There is a growing literature produced by scholars from non-Western civilizations (e.g. the compilation in Wolfgang Sachs' *Development Dictionary* (1992) which seriously challenges the presently prevailing IMF sponsored development model that, as Huntington frankly recognizes, serves primarily Western interests. This model is questioned because rather than solving problems of relative or absolute poverty or "underdevelopment", it enhances them, leading to explosive situations within all non-Western civilizations. Is this policy really the long term or short term interest of the West or is it merely a "legitimate" US interest as envisaged by Huntington c.s? Is it part of the fundamental values of Western, Christian, Enlightenment civilization? Unfortunately Huntington did not deal with such questions and merely takes for granted that the idea "West against the Rest" appears to gain more adherents as being unavoidable. His too-short term view appears to represent the American conservative tradition rather than the Western civilization as a whole.

Europeans have often ridiculed US business practices for a too-short term approach, "making a quick buck", rather than looking at long term profitability and planning for sustainability. This may be exaggerated and moreover, that habit appears to have become fashionable in some European business circles too in the Reagan/Thatcher years. However, some of the serious re-thinking on how to overcome the problems created by that approach presently going on in business circles (Schmidheiny 1992) may be extended to global politics and inter-civilizational competition.

**The differentiation between liberal-democratic and conservative-authoritarian sectors in the bourgeoisie(s), between national and internationally oriented sectors could give insights into the possibility of coalition partners among the bourgeoisie(s) for those striving toward a socialist participatory democratic society. The present developments in South-Africa could be a testing ground for the possibility of such a coalition. The zero-sum economy that is emerging globally could force the advanced sectors of the bourgeoisie(s) to come to terms with emancipatory and radically reformist movements. Developments in China and Vietnam could also show ways of combining socialist and capitalist models in a creative manner.**

The clear recognition in Huntington's statement that a great deal of development and related policies such as "structural adjustment" as promoted or imposed by IMF, are "legitimate Western interests", is a good starting point for debate. As such this is a confirmation of Jim Petras' (1993) clear denunciation of the globalization verbiage as a cover for US' hegemonic interests. **Why should IMF fundamentalism, as Third World colleagues jokingly call this policy, not itself be adjusted from serving short term US interests through the "invisible hand", to serving long term legitimate interests of other civilizations and/or those of humankind as a whole? This is one of the issues discussed in recent United Nations documents such as Human Development Report 1992 (p. 75) which clearly states: "IMF and World Bank drifted away from their original mandates". Both are in fact dominated to a large extent by US interests, as Kolko (1988) showed.**

**A most worrying aspect of Huntington's view is his almost self-evident acceptance of a growing conflict between the West and the alleged Islamic-Confucian civilizational alliance. He wants to prevent that alliance by "exploiting differences and conflicts among Confucian and Islamic states". In view of the Frankenstein monsters (Diem, Mobutu, RENAMO,**

Savimbi, Reza Pahlevi, Marcos, Noriega, Saddam to mention a few) that have been created or supported in the past by the West, particularly the US, to "divide and rule" in their former colonies or client states, this game seems not only (too) risky but rather counterproductive, if viewed in a long term perspective. Would it not be more fruitful to seek some form of collaboration or accommodation with these various civilizations rather than either to divide them, or to drive them together by using the civilizational clash and -conflict model? One could wonder if this model could become a self-fulfilling prophecy useful for the armaments industries in the short run. In this respect serious worries have emerged about the policy of the former and present US administrations to supply Taiwan and Saudi-Arabia with billions of dollars of sophisticated weaponry. Is this quick-buck policy that in fact fosters such intra-civilizational contradictions, interfering or not with the inter-civilizational divide and rule politics? Perhaps these apparently self-contradictory policies are indications that divisive forces exist within the Western - particularly US - elites such as short term electioneering and local economic interests against long term civilizational survival.

It is not clear from Huntington's statement what kind of scenario he, and his colleagues in the top institutions of the Establishment have in

mind. One could hypothesize about the interests of the Military-Industrial Complex, at present somewhat in disarray. Or has the increasing competition between Europe, Japan and the US to be brought again more solidly under US hegemony by spotting new common enemies among "the Rest"? These are crucial questions for further analysis. A globally oriented and practical marxist approach should take the blueprints or even proof-balloons of their opponents seriously. Class-struggles are being waged locally but the context is determined globally and the bourgeoisie has made advances which Marx in 1848 could not clearly imagine, though he prophetically-foresaw them. But this advance may have reached its planetary limitations and result in the zero-sum-game that management-gurus like Tom Peters are trying to cope with at present.

The three alternatives for action that-as Huntington implies-are open to non-Western countries are: isolation from the West, following the West ("band-wagging") and "to modernize but not to Westernize". This third option is viewed as being possible by cooperating with other non-Western societies "against the West". If the West rigidly continues with the present IMFundamentalist approach, most Third World societies will in the end, as Abramov - quoted by Huntington - suggests, turn indeed "against the West". But why, one wonders, should the West so rigidly continue to follow that kind of fundamentalism? Is capitalism increasingly becoming self-defeating and irrational, a kind of cargo-cult of consumerism, as I tried to describe in *Econ. Review*, Oct/Nov/Dec 1992? As shown there some measure of panic or at least confusion is emerging among certain leaders and sectors of the Western bourgeoisie.

During the next few decades the various kinds of contradictions outlined above will continue and prob-

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ably become more acute. It appears crucial that Marxists of all continents and civilizations try to get together to assess the influence of these contradictions on the local situations where they come from and are active, as well as on the long-term global trends that form the context of local developments. Following Petras' analysis of the way the Western bourgeoisies (particularly the US) is trying to manage globalization processes to their advantage, one could say that class contradictions have not diminished but have also been globalized and thus become more complicated. Learning from the global strategic analyses of representative spokesmen of the bourgeoisie like Huntington marxists should take into account civilizational, cultural and religious division lines. People's (workers, women, peasants, environmental, civic etc.) movements which try to face the manipulations of the global power elite(s) should be able to find common ground rather than be tempted to fight amongst each other on the civilizational or ethnic fault lines.

As shown by Tim Allen (1992), the cultural and religious implications of global developments -e.g. the Islamic revolution in Iran- have not been well studied and understood by marxists, too much inclined as they were towards materialist political economic explanations. Here lies an important task ahead. Another long-term project is to study the possible fault-lines or contradictions that seem to emerge amongst the bourgeoisie(s): civilizational differences, contradictions between long-term and short-term (quick buck) strategists. Just looking at the struggle behind the scene of the tri-

lateral processes, as studied for some years by Gill (1991) gives indications that here lies a fruitful field for analysis.

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Crucial for marxists in such efforts and investigations is to take the view of a globalization from below, of linking people's movements rooted in their own local cultures. Grass-roots movements can "regenerate people's space" by forming "hammocks". This idea elaborated by Gustavo Esteva (1987) looks a fruitful initiative. Learning from concrete experiences in the Sao Paulo Forum is another way. As described by Robinson (1992) in Latin America a New Left appears to be emerging through the Sao Paulo Forum since the first meeting in 1990 in Sao Paulo of a number of socialist parties from various countries at the invitation of the Workers Party of Brazil (PT). In

addition to the Sandinistas from Nicaragua and the Farabondo Martí Liberation Front of El Salvador there were representatives of leftist parties from Mexico, Peru, Bolivia and others. At that meeting it was concluded that contrary to what happened in Eastern Europe socialism should be democratic and participatory, strongly rooted in a pluralist civil society. The "fetishism of armed struggle" should be abandoned and over-emphasis of "ideology" make place for politics rooted in specific local realities. The transformation of society as a one-class project and the van-guardism and verticalism are of the past. Indigenous communities, women, peasants, trade unions, ecological and religious movements are all working for a new social order. Interesting is the strong influence of radical christians in several of the groups and parties participating in this Forum that has had several meetings until now.

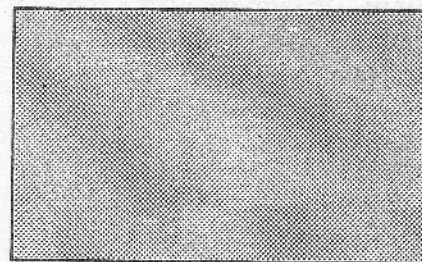
One wonders about the possibility to make this practical marxist initiative a worldwide effort of *globalization from below*. Global marxist theorizing emerge from -or at least be closely related to- local efforts and learning experiences. Not only amongst radical christians in Latin America there is a renewed interest in elements of marxist analysis and praxis but also among progressive sectors of Buddhism, Islam and Gandhian Hinduism. In this respect interesting considerations are presently being elaborated by the Russian economist Stanislav Menshikow (1993), trying to come to an "economy of compassion" in which the irrationality of the mainstream economic thinking is transcended by taking into account the rationality of more encompassing human motivations such as solidarity and compassion. It is most probable that the process of *globalization from below* will not be initiated, promoted and guided by Western marxists. Since the fall of the Berlin wall

marxists in western countries appear to be in disarray if not in a crisis. **The realities in most Third World countries, as noted above, are harsh enough if not deteriorating, so that taking a marxist point of view remains an appropriate approach.** In addition to the Sao Paulo Forum many other initiatives are being employed taking up undogmatic and critically spiritual or ecological positions. The Consumer Association of Penang's 1986 seminar "The Crisis in Modern Science" is an initiative that came to a useful critical assessment of global modernity, and a search for new paradigms (Sardar 1988).

The potentialities of such initiatives could be explored more vigorously in the years up to and beyond 2000 by marxists while at the same time deconstructing the discourse(s) of the bourgeoisie(s) designed to divide and rule.

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# WHERE DO ENTREPRENEURS COME FROM?

## From the "Third Road" to the "Other Path" and Beyond: the Hungarian Experience

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### About the third road

"Third road", "quality socialism", "settlement", "garden Hungary", - these were key concepts of the reform discourse in Hungary during the '30s. Hungary lost two thirds of its territory after the First World War, it was a country of the usual phobia of economic nationalism, a right-wing authoritarian regime, and no readiness to take reforms seriously. The very fact that under such circumstances intellectuals like Laszlo Nemeth and a wide circle of populist writers - working on sociographies and blueprints - discussed vividly social reform alternatives might be surprising.

It was a country where more than half of the active population worked in agriculture and more than two-thirds of them lived in villages, where the concentration of real estates was the highest in Eastern Europe. It was called by social critics a country of 3 million beggars, - the landless layer of peasants "below society".

What did "third road" mean under these circumstances? It meant an alternative to both liberal indi-

vidualism and communist collectivism, to being a dependent state employee and a selfish bourgeoisie. It meant equal distance from the great powers, independence from both German and Soviet influence.

In positive terms it was supposed to provide a solution for the problems of landless peasants. It meant land reform, expropriation and compensation, and settlement of the young landless peasants. It meant quality production, and garden products instead of dominance of great estates' grain culture. The new proprietors were thought to be entrepreneurs and at the same time, voluntary members of a co-operative. In this way the "third road" tried to combine the advantages of both small and the great estates.

The "third road" tried to avoid the bourgeois/civil servant, employer/employee dictatorships by combining them. The "third road" was a **down to earth utopia** combining liberal and socialist values, providing a road of emergence for the lowest layers, and creating a genuinely national middle class. The need for a strong **national middle class** was an im-

portant element of reform ideology. As claimed by Dezso Szabo and Laszlo Nemeth the Hungarian middle class was weak because the noble gentry had lost its political and economic influence while the peasantry had none to begin with. Top civil servant positions were occupied by Germans, so they said, and the private economy was dominated by the Jews (Gombos). According to current historical-sociological researches (Lengyel, Don-Karady) these statements proved to be false or at least overemphasized. What is more important is that the need for a strong national middle class had its origin both in the unsolved problems of the landless peasantry and in prejudice towards aliens. At this point, social critics and the bureaucratic elite shared the values of interventionism and if not xenophobia, then at least an aversion towards aliens and interventionism. Instead of providing a solution for the peasantry, the right wing authoritarian regime took the line of least resistance. With the anti-Jewish legislation of 1939, it restricted the economic positions of Jewry and at the same time it introduced the institutions of a controlled economy.

As far as culture is concerned, the "third road" meant helping the emergence of a new intellectual middle class of peasant origin. The reform blueprints urged opening secondary schools and universities for talented students of peasant origin helping them with scholarships and people's colleges. The reformers wanted to close the gap between official and non-official education by establishing peasant high schools. Certain initiatives actually moved in this direction during the '30s.

The "third road" meant helping to create a new entrepreneurial class by teaching peasant youth the skills of intensive agriculture. According to Laszlo Nemeth the most important institution for this kind of education and socialization might have been the army itself.

The generals, however, were not ready to fulfil this mission. They had already negotiated a secret armament policy in 1939 which led to the huge, one billion Pengos investment plan (the first five year plan as it was called) and eventually led to the participation in the war.

With institutions created for the controlled, war, and planned economies, the social developments took a different direction from the down to earth utopia of the "third road". The war economy restructured production. Agriculture, food, and light industry lost ground, while heavy industry, especially metallurgy and machine industry gained in importance. The forced collectivisation and "anti kulak" campaigns of the '50s pushed the agricultural labour reserve into the industry. In the '60s one part of agricultural population moved to the cities, while another become commuters in the '60s. By the end of the decade, a quarter of the active population was engaged in agriculture but more than half the population lived in villages. [Statisztikai Evkonyv 1986].

### **The other path: the second economy**

From the '60s on in Hungary was not only that the economic policy not only produced a critical mass of state and quasi-state employees but at the same time offered a latent compromise to them. People were obliged to sell their labour in the first economy, but were allowed to utilize the rest of their energies in the second economy.

The overwhelming majority, some four-fifths of the members of agricultural cooperatives, had household plots provided by the cooperative together with certain services such as cultivation, transport or of buying up the products. In a sense, the household plot was latent compensation for forced collectivisation of land and work in the '40s and in the second wave, after '56. This loose system of household plots also compensated for low agricultural wages in the first economy. It served as a basis of consent in villages, where households found their successful strategies of accumulation from the '70s on.

In the early seventies the majority of household plots (almost two-thirds) produced mainly for their own consumption. They grew vegetables and potatoes according to the needs of the extended family, including sons and daughters who had already moved to the nearby city and were employed in industry or service. Household plots provided the corn and feedstuff necessary for the feeding of one or two pigs. Acquisition of deep-freezers begun during the '80s, provided a new solution for food preservation as compared to the traditional means. This meant that pig-sticking might take place two or three times a year, not only in winter, and that the amount of fruits and vegetables devoted to consumption by family might increase significantly as well.

Although the amount of goods devoted to family consumption grew, the proportion of production for self-support decreased as compared to the proportion produced for sale. By the late '70s about three-quarters of the production of household plots was marketed. [Gabor, 146.p.]

In the first half of the '80s incomes in the second economy amounted to one-third of the wages paid in the first economy, while in terms of time budget a quarter of the first economy's work time was being used in the second economy. [Gabor-Galasi 1985] This estimation included small scale agricultural production, self-built construction, private and semi-private activities in trade etc. The total second economy income was estimated to be as high as one-fifth of GNP. The share of small scale agricultural production therefore was in some cases surprisingly high. For example more than half of fruits, potatoes, eggs, grapes and pigs were produced in this sector.

The other significant phenomena which served as hotbeds of entrepreneurship were also connected with agricultural cooperatives and the second economy. These were the industrial and service subdivisions, or subsidiary branches, of agricultural cooperatives. The subsidiary branches in practice were established by entrepreneurs, for whom it was more convenient to use the umbrella-organization of the co-operative in an environment of less and less sharp and effective but still existing ideological campaigns against petty bourgeois mentality and consumptionism. The subsidiary units provided 60% of value added to the cooperatives while the co-ops provided legal status for them. [Rupp 1983].

These semi-private forms also began to spread in the '70s and

provided competitive wages for skilled workers. The comparative advantages of remaining in or going back to the countryside grew significantly, especially if one could combine the advantages of being an employee in the first economy with becoming a part-time entrepreneur in the second. Skilled workers found the purchasing power of the local market appealing and began to work, at least on a part-time basis, on their own account as well. These skilled workers of double status on the labour market had special preferences in the internal labour market of firms. They preferred to remain at the bottom of the internal labour market and maintain a stable wage-effort ratio, instead of maximizing their efforts in the first economy. [Kertesi-Sziraczki].

Families which consisted of both a member of the co-operative and a skilled worker could enjoy the advantages of household plots as well as part time skilled activity in the second economy. This might partly explain why in spite of the deteriorating economic conditions in the country as a whole, village conditions were seemingly getting better. Two storey houses with bathrooms and running water began to spread.

In the '70s, most of the skilled workers of double status provided auxiliary income only from the second economy. But from the '80s on, a growing proportion of them became independent. According to the results of interviews with local entrepreneurs, the most dynamic and successful entrepreneurs today began to work for themselves alone in the early '80s.

The social context of the reform discourse in the '30s and '70s were different in several ways. The political elites of these decades had learned fear. Right wing conservatives of the '30s learned the lessons of the bolshevik 1919 revolution, while the later socialists learned the lessons

*Was the second economy after all a late realization, a reincarnation of the "third road"? In principle it was not. It was not a voluntary association of independent entrepreneurs. Quite the contrary, it allowed semi-autonomy in the framework of compulsory association. It was a completely different combination of autonomy and control.*

of 1956. [Szalai 1989] Both the Horthy and the Kadar regimes were moderately repressive but their ideological contexts and social conditions were different. The first was revanche oriented while the second one was reform oriented. The first could not provide a consistent solution for social tensions and for the lowest strata, while the second provided only an informal solution. The first could not incorporate reform intellectuals or provide a peaceful transition while the second could.

Was the second economy after all a late realization, a reincarnation of the "third road"? In principle it was not. It was not a voluntary association of independent entrepreneurs. Quite the contrary, it allowed semi-autonomy in the framework of compulsory association. It was a completely different combination of autonomy and control.

But in a way, it was also a combination of co-operation and entrepreneurship, a combination of the advantages of the great agricultural units and small household plots. The co-op helped organize the input and the output markets of the market-oriented household plots. The state could control wages in the first economy and, to a certain extent, the size of accumulation within the second economy as well.

Nevertheless, one would hesitate to declare that there was no intellectual connection whatsoever between "third road" and the second economy. The most influential members of the agrarian pressure group of the '60s and '70s brought the intellectual legacy of "third road" with them. There was the idea of reform as a

positive social phenomenon and there were the works of critical populist writers. These were layers of thinking which might have received sharp criticism in the earlier planned economy, but which might be recalled in the reform period of the '60s. There was no manifest ideological reference to, or interference with, "third road" ideas. A still active populist writer criticized the dangers of consumerism ("refrigerator socialism"), on the basis of a traditional peasant ethos in which consumption was supposed to serve work and not vice versa.

The combination of household plots and co-op, the first and the second economy, was not an explicit realization of "third road" utopia. On the other hand the Kadar regime was seeking legitimacy after the '56 revolution. At the expense of extra vigilance it allowed those who were highly motivated to slowly prosper. People accepted this informal alternative.

If the "third road" was a down-to-earth utopia, the second economy in Hungary was an outcome of a down-to-earth policy. It was a policy in which people and different factions of the political elite figured out the institutional framework of hidden compromise. Several members of these factions preserved the intellectual heritage of the "third road".

The "other path", de Soto's famous book, is a realistic analysis of the informal sector in South America, more specifically, Peru. Although it is a scientific piece, it has its ideological message as well, it provides a realistic alternative to the "shining path", an alternative which is moti-

vated by survival and everyday interest instead of by radical politics. [de Soto 1989].

The real name of the "other path" is nothing else than the **second economy**. Both in the Peruvian and Hungarian cases, the main function of the second economy was to correct the pitfalls and errors of the first one. My point, however, is that the second economy also has different functions in the two cases. In the Peruvian case it reacts to the challenge of masses trying to escape from agriculture, settle down and survive in the agglomeration of the capital. In Hungary, it is about those who combine full-time and part-time jobs in the state and private sectors. In the first scenario, urban poverty, in the second case, the rural middle class were the main actors. Similarly, in the first case, the most important watershed was the distinction between legal and illegal activities, while in the second, it was between the state and the private sectors.

In Hungary, the emphasis of the reform discourse was not on illegal economic activities, but on the market, the need for real owners, and property relations. This emphasis helped remove ideological obstacles to the transformation. In 1988, a quarter of the adult population preferred to be entrepreneurs and even those who refused this option, usually did not do so on the basis of ideological values. [Lengyel 1989].

**Beyond the "third road" and the "other path": where do entrepreneurs come from?**

Among the immanent historical preconditions of the post-socialist transition one can count the second economy and the high speed of the changeover of the elites before the institutional changes. Where these conditions are present, they help to reduce the social costs of the transition. [Lengyel 1992/b].

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Hungary is an example where both preconditions seemed to be present in the late '80s - and where suddenly the idea of the "third road" appeared again on the intellectual horizon. Systemic changes had just begun. New movements and parties were in the making, and the works of the reform intellectuals of the '30s become a point of reference once again. "Third road" became a point of crystallization for a wing of the national democratic forces, it came under attack again by the liberal democrats who declared that there was no "third road" to Europe.

Although the very concept of the third road was explicitly refused, the core of it proved to be very viable. If second economy and circulation of the elites were historical preconditions, it seems to be generally accepted that a strong middle class is a structural condition of successful transition. However the context is different again. According to Ivan Szelényi there is danger of unrestricted foreign influence. Foreign capital is seeking short term profit, generates unemployment, produces a comprador bourgeoisie. [Szelényi 1990] János Kornai, without any third road sentiments, also puts the emphasis on the slow, organic development of the new proprietor class. [Kornai 1990].

Yet if this is so, if the recruitment of the middle class is of outstanding importance, where do entrepreneurs come from? There are three theories on the recruitment of bourgeoisie in the Eastern European societies during the transition period. Two of them are diachronic. According to their logic we can find the sources of the future bourgeoisie in the historical past. In other words, the social rules of recruitment are determined by

historical factors. The third theory is synchronous. In this case, the emphasis is not on historical antecedents which determine the chances of getting into the bourgeoisie, but on "here and now" personal conditions.

The first theory might be called the "Long-Term Historical Legacies" or "Social Capital" explanation. The core of this argument is that the new entrepreneurial class will consist of those whose families belonged to the bourgeoisie in the pre-socialist past, whose parents owned land or had employees. An example of this kind of explanation is that of Ivan Szelényi's interrupted embourgeoisement theory. [Szelényi 1988] On the basis of empirical surveys during the early '80s concerning family agricultural production, Szelényi suggested that entrepreneurial activities might best be understood on the basis of family background. The heirs of middle and rich peasant families, those who learned to handle independent economic actions, are the most likely entrepreneurs. They inherited a culture of responsibility and decision making. Their life history is a mediator of family background, but the emphasis is on social heritage.

Another part of this long-term historical legacies thesis has to do with the ethnic background of potential entrepreneurs. If the ethnic background was as important in the early phase of modernization and even in the inter-war period as the historical literature supposed, there is good reason to believe that there are surviving ethnic patterns of economic behaviour.

In the case of our research, the criteria for registering ethnic status

was not the interviewee's declared affiliation or the judgment of the environment but whether any of the grandparents belonged to a national or ethnic minority and if so, which. The question refers to a broader area and is therefore analyzable. The fact that someone keeps account of their grandparents' ethnic background is evidence of a bond but does not mean that the person identifies with the values and norms inherent in this background. It often only means that he has elaborated the question in himself in some way. On the other hand, the question also requires caution because it continues to attract prejudice to this day. Many of the fathers' generation belonging to the above mentioned ethnic groups were subjected to severe political discrimination, the danger of losing their existence and lives on a mass scale, to stigmatization and suspicion. Not quite independent from this but separable for their primary influence are the social ethnic stereotypes and prejudices that contributed to the petrification of minority behaviours by regulating social life and local publicity. In the early period of modernization, the admixture of these forms of minority behaviour and cultural traditions meant that socially mobile ethnic groups hindered in their social advancement drifted towards areas with low prestige but potentially quick material rise or compensation. As a result they were considerably over-represented in certain fields of free enterprise. In the middle of this century, however, both poles of the spectrum of entrepreneurial attitudes showed some relaxation. With the establishment of large corporate hierarchies and increased professionalism the prestige of free enterprise also grew and the importance of family and ethnic relations decreased. On the other side, in traditionally low-prestige areas, such as among buyers-up, hawkers of second-hand goods, marketers, various ethnic groups appeared. This process was cut off by

*Among the immanent historical preconditions of the post-socialist transition one can count the second economy and the high speed of the changes of the elites before the institutional changes*

deportations, forced translocation, and organized intimidation varying in gravity but often affecting whole ethnic groups.

The second diachronic model emphasizes short-term historical legacies. It argues that the most decisive factor in mapping a new social structure is the former power position. Elemér Hankiss's vision about a "great coalition" of the old and new elites found that former cadres played a quite significant role in the making of the new bourgeoisie. [Hankiss, 1989] Another analyst, Erzsébet Szalai, stated that the new managerial elite is recruited from members of the "beal generation". Because they are qualified experts with meritocratic values they are able to keep or transfer their power. [Szalai 1989].

According to the "socialist legacies" theory potential entrepreneurs are those who had the power to accumulate wealth and connections during the previous years. Two diverging hypotheses might be derived from these socialist legacies. One mentioned above is that cadres convert their power into the private business position. The other contradicts the first by stating that former socialist party members are ideologically against privatization and entrepreneurship. The first has a positive while the second has a negative effect on entrepreneurial inclinations. But socialist legacies are supposed to play an important role in shaping the social space of entrepreneurship in both cases.

Finally the third hypothesis states that neither long- nor short-term historical legacies, family background or former political role deter-

mine the entrepreneurial inclinations, but acquired and demographic characteristics.

## Data and methods

The following research findings are based on a nation-wide representative survey from 1988 (3000 persons) and one from 1990 (1000). The second was a sub-sample of the first one, that is the interviewees were the same in the two samples. This provides a unique opportunity for comparing the changes in attitude toward economic environment and the social causes of these changes. This way we can measure the impact of systemic changes on life strategies.

In 1988 there was another survey among 4000 urban entrepreneurs which makes another comparison possible: that of the social composition of potential entrepreneurs and real entrepreneurs.

In the following I briefly summarize the facts concerning the social composition of potential entrepreneurs and entrepreneurs. Then with the help of logistic regression models I test the validity of the three theories mentioned above concerning the recruitment of the bourgeoisie.

## Research findings

In 1988 more than half of the men under 35 expressed their willingness to become entrepreneur, while for women the rate was one-fourth. Or, from another angle, 47% of this age group were men, and two-thirds of young adults with entrepreneurial aspirations belonged to them. This two-thirds rate was either similar, or

even slightly increased, in the other two age brackets, whereas the rate of those wishing to undertake ventures decreased proportionately with age. It follows from this that there was a significant difference between the attitudes of men and women towards enterprise and that this difference did not vary significantly according to age group. It is important to note however, that nearly one-third of active men above 35 would like to be businessmen, and 15% of retired men considered this possibility also.

The one-third proportion of women was the same among the entrepreneurs as well, while the average age was a decade higher than in the basis of recruitment. While typical entrepreneurs were in their late 30's or early 40's, the typical potential entrepreneurs were below 35 or even below 30. This decade of delay might be understood as a period of accumulation of knowledge, capital, and networks. [Kuczi et al. 1991].

Taking a closer look at the relation between religious attitude and the readiness to undertake ventures we find that the weakest inclination for free enterprise (one-eighth) was among the most rigorously religious who go to church once or more a week (9% of the sample). The strongest drive for free enterprise was not found at the other pole among the atheists (7% of the sample) although this group's rate of potential entrepreneurs was somewhat above the average at 28%, but among those (31%) who respect the moral traditions of religion. Nearly half of the potential businessmen (47%) came from the latter category. Religious attitudes obviously had to do with age and gender distribution, since the overwhelming majority of those who defined themselves as being religious were women and belonged to older cohorts.

It is worth noting at this point that the divergence between the sexes

Table 1

| Entrepreneurial inclinations in 1988 and 1990<br>in the per cent of the different groups |        |       |
|--|--------|-------|
|  | 1988   | 1990  |
| FATHER'S OCCUPATION  |        |       |
| worker   | 26.1   | 49.8  |
| white collar, professional   | 21.4   | 46.7  |
| MOTHER'S OCCUPATION  |        |       |
| housewife  | 18.7   | 36.0  |
| active   | 31.2   | 53.0  |
| FATHER'S EDUCATION   |        |       |
| elementary   | 19.6   | 37.4  |
| higher   | 29.8   | 55.1  |
| MOTHER'S EDUCATION   |        |       |
| elementary   | 17.6   | 36.8  |
| higher   | 34.8   | 59.1  |
| ETHNIC BACKGROUND  |        |       |
| yes  | 19.1   | 40.1  |
| no   | 26.3   | 46.2  |
| RELIGIOUS ATTITUDE   |        |       |
| non believer   | 30.8   | 45.7  |
| believer   | 20.4   | 38.4  |
| PARTY MEMBERSHIP (HSWP)  |        |       |
| non member   | 25.4   | 44.3  |
| member   | 22.5   | 43.4  |
| LEADERSHIP   |        |       |
| previous leadership experience   | 30.9   | 49.8  |
| no leadership experience   | 23.7   | 44.1  |
| GENDER   |        |       |
| male   | 37.3   | 53.6  |
| female   | 16.3   | 36.7  |
| AGE  |        |       |
| -35  | 39.1   | 64.0  |
| 36-45  | 30.5   | 58.5  |
| 46-59  | 16.8   | 35.2  |
| 60+  | 8.9    | 20.4  |
| OCCUPATION   |        |       |
| professional   | 26.7   | 41.0  |
| white collar   | 19.9   | 51.7  |
| skilled worker   | 36.7   | 50.7  |
| semi-and unskilled worker  | 16.7   | 33.7  |
| EDUCATION  |        |       |
| elementary   | 19.3   | 43.8  |
| vocational   | 36.5   | 61.9  |
| secondary  | 31.7   | 51.5  |
| university   | 30.5   | 45.0  |
| SECOND ECONOMY   |        |       |
| activity in second economy   | 35.9   | 56.0  |
| no activity in second economy  | 21.5   | 40.4  |
| TOGETHER   | 24.9   | 44.1  |
| N=   | (2819) | (986) |

plays a far less marked role in answers to questions about the economic crisis, in attitudes towards reform, or in the inner distribution of stereotypes used to reject free enterprise. What accounts for this, in our view, is that the question about en-

terprise, unlike most of our questions on attitude, is personal in character. Thus we assume that the divergence in attitude between the sexes is differentiated along a personal/social axis rather than on the concrete/abstract scale.

Compared to the two-thirds rate of active earners in the sample, 85% of those willing to go into business are among the active population. The group of potential entrepreneurs is over-represented among those trained in a trade, and less markedly among those who finished secondary school or among university graduates. When viewed against occupational categories, potential entrepreneurs are over-represented among skilled workers (35%) and leaders (30%).

46% of those with an income over 10,000 forints said they would like to go into business, but less than one-tenth of the sample belonged to this category. The majority of the sample, over 60%, had an income below 6,000 forints, yet one-fifth of them said they would like to become entrepreneurs.

As one can judge from Table 1, in 1988 the deviation from the average one-quarter was higher in the case of social and educational status of the mothers than fathers. The dispersion was small according to ethnic background and party membership and moderate according to religious attitude and former leadership position. Potential entrepreneurs were over-represented among young male skilled workers who received vocational training and had experience in the second economy.

In 1990, the differences according to gender and occupation decreased, while those according to parent's status, age and education grew significantly. Potential entrepreneurs were over-represented among those who received vocational training, belonged to younger cohorts, were active in the second economy, and whose mother had at least a secondary education. The spread of entrepreneurship was especially positive for women and the white-collar strata. On the other hand, professionals became discouraged during this period. While in 1988,

Table 2

| What should be dominant (%) |       |                        |                |
|-----------------------------|-------|------------------------|----------------|
|                             | state | 1988<br>private sector | hard to decide |
| Pot. entr.                  | 25    | 61                     | 14             |
| Non-entr.                   | 37    | 42                     | 21             |
|                             | state | 1990<br>private sector | hard to decide |
| Pot. entr.                  | 23    | 61                     | 16             |
| Non-entr.                   | 42    | 35                     | 33             |

Table 3

| Opinions about the best solution for the Hungarian economy (%) |            |           |            |           |              |
|--|------------|-----------|------------|-----------|--------------|
| The best solution would be                                     | 1988       |           | 1990       |           | Top managers |
|  | Pot. entr. | Non-entr. | Pot. entr. | Non-entr. |              |
| 1. to continue the reforms                                     | 13         | 15        | 11         | 16        | 22           |
| 2. to leave the important decisions in the hands of the state  | 7          | 10        | 4          | 13        | 3            |
| 3. to give the important decisions to the workers              | 16         | 28        | 22         | 29        | 1            |
| 4. to make use of Western experiences                          | 64         | 47        | 64         | 42        | 74           |
| Total  | 100        | 100       | 100        | 100       | 100          |

potential entrepreneurs were slightly over-represented in this group, in 1990 they were under-represented. Professionals are the most sensible strata concerning economic ideological values. If the proportion of potential entrepreneurs decreased in this layer, it might mean that entrepreneurial inclinations peaked at about the 44% of the adult population. [Lengyel-Tóth].

#### Opinions

As far as the attitudes of potential entrepreneurs are concerned, let us concentrate on a few issues of key importance in economic ideology. The

problem of state and private property which is closely related with the issue of privatization is illustrated by Table 2.

Potential entrepreneurs had a clear-cut opinion about the need for dominance of the private sector right from the beginning of systemic changes. This opinion proved to be firm. In the meantime, the proportion of potential entrepreneurs grew significantly. On the other hand, the enthusiasm for entrepreneurship among those who did not want to be entrepreneurs decreased. While in 1988, 42% of this employee strata thought that the private sector should

be dominant and 37% the state, two years later 42% thought that the state must remain dominant.

The proportion of those who share the values of marketization and privatization consistently varies between one-third and one-quarter, and the popularity of privatization slightly decreased. In May of 1991 some 40% of the population thought that privatization of the big enterprises should be avoided. 46% said that these enterprises must not be sold to foreigners and 52% thought that the enrichment of businessmen should not be allowed [Hann-Laki]. The popularity of privatization has decreased in Poland too [Sovinski 1992].

On the one hand the proportion of potential entrepreneurs grew significantly while, on the other hand, the opinions of those rejecting marketization and entrepreneurial values became more consistent. This means that there are growing distances and hidden tensions between the opinions of potential employers and employees.

As for the direction of the economic policy, the opinion of potential entrepreneurs is closer to the views of the economic elite (managers, bankers, top civil servants) than to the rest of the society. In answering the question of what should be done, the most outstanding single option is "to make use of Western experiences". The second best option is worker participation according to potential entrepreneurs, while the elite emphasize the importance of continuing reforms. Although the most popular view among employees does not differ from the previous, less than half of them support the alternative of "Westernization" while a slightly increased proportion (one-eighth) prefer leaving important decisions in the hands of the state.

The employers view is consistent with their above-mentioned evalua-

Table 4

| Estimation of entrepreneurial inclinations in 1988                    |                     |                      |                     |
|---|---------------------|----------------------|---------------------|
| Variable  | Model 1/a           | Model 1/b            | Model 2             |
| CONSTANT  | -1.728<br>(48.3013) | -1.1064<br>(83.3688) | -0.6363<br>(5.3001) |
| FOCCU   | 0.6260<br>(12.2492) | 0.5424<br>(10.6445)  | *                   |
| MOCCU   | -0.7240<br>(14.569) | 0.6530<br>(14.6604)  | *                   |
| FEDU  | 0.0758<br>(10.0541) | *                    | *                   |
| MEDU  | #                   | *                    | *                   |
| ETHNIC  | *                   | #                    | *                   |
| FLAND   | *                   | #                    | *                   |
| FEMPLOY   | *                   | #                    | *                   |
| PARTY   | *                   | *                    | -0.4760<br>(3.9134) |
| LEADER  | *                   | *                    | 0.5321<br>(7.4540)  |
| Model Chi-Square  | 33.011              | 19.836               | 8.82                |
| D. of Freedom   | 3                   | 2                    | 2                   |
| * Variable not included   |                     |                      |                     |
| # Variable not in the model because the parameter was not significant |                     |                      |                     |

Notes:

Logistic regression mode with forward step algorithm. B values (Ward coefficient in brackets)

FEDU - Fathers' education (Nr. of fathers classes when the interviewee was 14 years old)

FOCCU- Father's occupation (1 if father was worker)

MOCCU- Mother's occupation (1 if mother was a housewife)

MEDU - Mother's education (Nr. of mothers classes when the interviewee was 14 years old)

PARTY - Membership of HSWP or HSP

LEADER- 1 if the int. was a leader ever

FEMPLOY - # fathers' employees when the interviewee was 14 years old

FLAND - size of fathers' land in cadastral yokes when the interviewee was 14 years old

tion of privatization. They are obviously concerned with the growing economic uncertainty, unemployment and the fear of being a loser in the marketization process.

The nomenclature's transformation theory has the least explanatory power of all the theories. Party membership seems to counteract entrepreneurial inclinations, but members of the leadership are more inter-

ested in this career pattern. There is a hidden counteraction between these two components. We know from cadre statistics that the overwhelming majority of the economic elite were party members. During the '80s the proportion of party members was lower in the levels of leadership but among members of the economic elite, the proportion of party members was as high as four-fifths. Neither party membership nor leader-

ship position seem to explain to much regarding entrepreneurial inclinations. Former leaders are a bit more interested in becoming independent than the average, but party members are certainly not the main source of recruitment of entrepreneurs. There were well known examples of such kind careers among top civil servants (the former prime minister became vice-president of an international bank for example). Leaders and professionals were vastly over-represented among party members, but all in all, the 800,000 strong party membership did not differ significantly from the average in terms of entrepreneurial potential. This meant that the ideological obstacles of marketization were not very effective among them. A closer analysis could shed light on the inner distribution of the membership of the former ruling party. A small part consistently refused marketization, and economic and social reforms, while the majority supported economic reforms more intensively than the average of non-party people. This might be explained by the educational and occupational composition of this strata. There are good reasons to suppose that this ideological diversity of "conservative" and reformist wings led to the split of the party before the free elections.

In Model 3/a we wanted to test a part of the synchronous theory. Here we took into account occupation, activity in the second economy and income. The second economy, as in the table statistics proved to be significant. Income and skilled worker status also had a strong positive effect.

In Model 3/b we took into account a wide range synchronous variables including occupation, education and demographic status. This model proved to be the most valid. Age, gender, and education explain much more of entrepreneurial inclination than other variables. Even the variables of occupation proved

Table 3

| Estimation of entrepreneurial inclinations in 1985 |                      |                      |                      |
|--|----------------------|----------------------|----------------------|
| Variable   | Model 3/a            | Model 3/b            | Model 4              |
| CONSTANT   | 2.5340<br>(121.9819) | -1.6723<br>(20.2642) | -1.5306<br>(1.7728)  |
| FOCCU  | *                    | *                    | #                    |
| MOCCU  | *                    | *                    | #                    |
| FEDU   | *                    | *                    | #                    |
| MEDU   | *                    | *                    | #                    |
| PLAND  | *                    | *                    | *                    |
| PEMPLAY  | *                    | *                    | *                    |
| ETIDNC   | *                    | *                    | *                    |
| PARTY  | *                    | *                    | *                    |
| LEADER   | *                    | *                    | *                    |
| PROFES   | *                    | -0.8771<br>(5.4004)  | *                    |
| WHITECOL   | *                    | *                    | *                    |
| SWORKER  | 0.4245<br>(1.6215)   | *                    | *                    |
| UWORKER  | *                    | *                    | *                    |
| ACTIVE   | *                    | *                    | 0.7095<br>(1.0436)   |
| GENDER   | *                    | 1.1057<br>(39.1833)  | 1.3108<br>(18.1578)  |
| AGE  | *                    | -0.1850<br>(32.7605) | -0.3850<br>(11.3162) |
| EDU  | *                    | 0.3206<br>(12.9433)  | *                    |
| RELIG  | *                    | *                    | *                    |
| INCOME   | 0.6864<br>(35.9749)  | *                    | *                    |
| SECONDEC   | 0.7744               | *                    | *                    |
|  |                      | *                    | *                    |
| Model Chi-Square                                   | 61.76                | (18.1504)            |                      |
| D. of Freedom                                      | 8                    |                      |                      |
|  |                      | 100.757              | 98.752               |
|  |                      | 4                    | 3                    |

\* Variable not included

# Variable not in the model because the parameter was not significant

Notes: Logistic regression model with forward step algorithm. B values (Wald coefficient in brackets)

FEDU - Father's education (Nr. of fathers classes when the interviewee was 14 years old)

FOCCU - Father's occupation (1 if father was worker)

MOCCU - Mother's occupation (1 if mother was a housewife)

MEDU - Mother's education (Nr. of mothers classes when the interviewee was 14 years old)

PARTY - Membership of NSWP or HSP

LEADER - 1 if the int. was a leader ever

PROFES - 1 if the int. was professional

WHITECOL - 1 if the int. was white collar

SWORKER - 1 if the int. was skilled worker

UWORKER - 1 if the int. was unskilled worker

RELIG - 1 if the int. was not believer

INCOME - Monthly net income (Thousand Forints)

SECONDEC - Activity in second economy (1 if yes)

GENDER - 1 male

AGE - Age of interviewee

EDU - Education of interviewee (Nr. of classes)

not to be significant if three were included in the model.

In the 4th step, we built a complete model where all of the previous independent variables were included. In addition we included an activity/inactivity variable in the model. This was selected, together with demographic variables, and resulted in strong explanatory power for the model. (The degree of freedom is different from the previous one).

This means that synchronous personal conditions were the most important background variables of explanation for entrepreneurial inclinations. But as we saw, the composition of the strata of potential entrepreneurs has changed in the last few years. If entrepreneurial inclinations grew significantly among women and white collar workers, the explanatory power of gender and occupation has changed also.

### Concluding remarks

In the '30s Hungary faced a set of serious social obstacles to modernization. Diverging interests of the conservative elites, a weak middle class, and the obsolete structure of the labour force were the most important elements of these social obstacles. The down-to-earth utopia of the "third road" wanted to provide a joint solution to the problems by persuading the elites that they must fulfil, their historical task, distributing land for landless peasants, teaching them the culture of entrepreneurship, supporting the emergence of a strong middle class, and combining the economic advantages of small and great estates.

The elites in power controlling both war and planned economies did not accept the third road ideologists' propositions. Forced collectivization and anti-kulak campaigns served opposing aims, pushing the labour reserve from agriculture to industry, diminishing instead of strengthen-

*On the one hand the proportion of potential entrepreneurs grew significantly while, on the other hand, the opinions of those rejecting marketization and entrepreneurial values became more consistent. This means that there are growing distances and hidden tensions between the opinions of potential employers and employees.*

ing the middle class. The majority, even of those who had previously worked for themselves, became employees instead of becoming independent economic actors.

From the '60s on, however, an alternative path opened. Household plots and the sub-divisions of agricultural co-operatives provided an institutional framework for semi autonomous economic activity. Dual labour market positions and the second economy spread. The contribution of the second economy to GDP grew significantly and the ambiguous development of a new middle class began. The majority of those who were involved in the second economy maintained their jobs in the first economy, while at the same time, they tried to increase the proportion of marketable goods and services.

Where did these new entrepreneurs come from? Ethnic background and party affiliation, previously thought to be important elements of economic attitudes, proved to be insignificant in our explanation. Family background had some explanatory power; education and occupation of the mother proved to be more important than that of the father, but the historical logic of explanation is less successful than the synchronous or personal one.

In explaining the recruitment of potential entrepreneurs, demographic status, education, occupational position and activity in the second economy proved to be important.

In the years of systemic changes, the proportion of potential entrepreneurs grew significantly, and at 44%

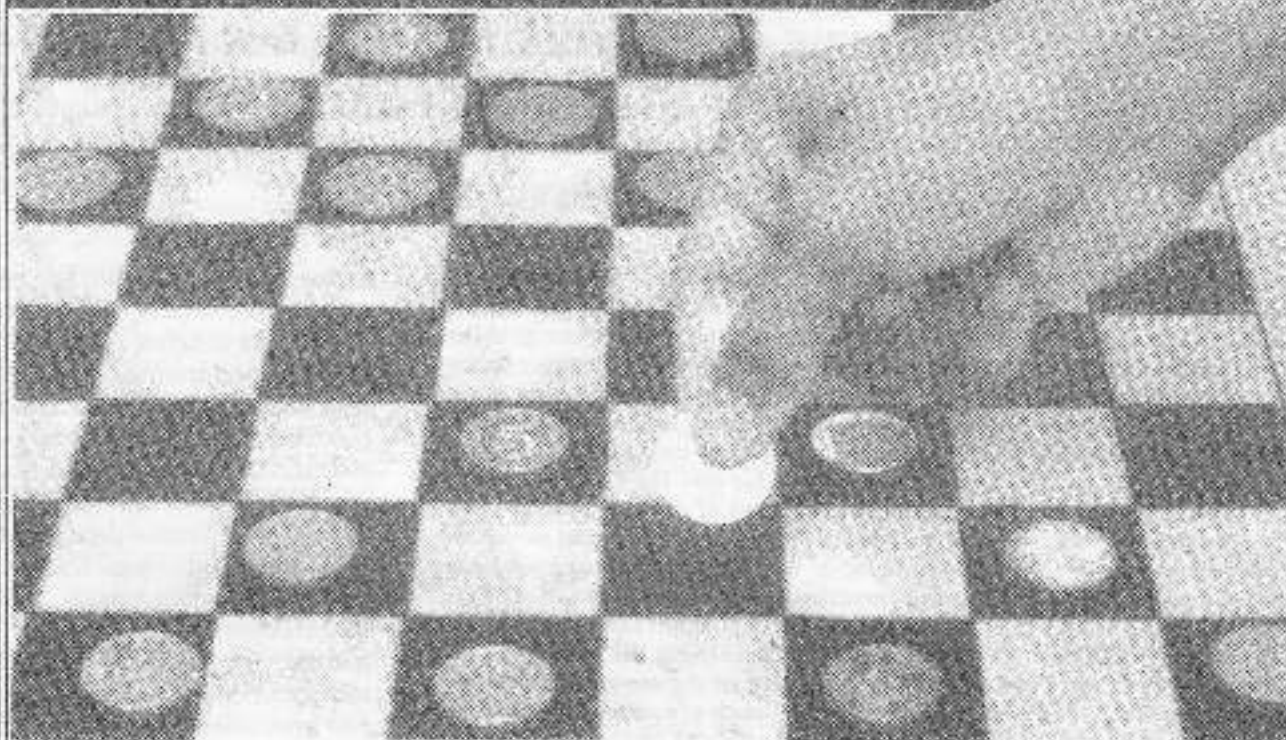
of the active population it seems to have reached its peak.

The most important elements of the explanation remained the same in 1990, although gender distribution became more balanced. In the synchronous model beyond income, age, gender and activity in the second economy, skilled worker position, professional, white collar and leader status proved to be important. Age has even more impact than previously. Although economic attitudes of the sexes became more balanced, gender distribution did not lose its explanatory power. The attitudes of professionals have become more negative toward the private economy in the last few years. Among intellectuals the marketization of culture has had a negative impact on the acceptance of entrepreneurial alternatives, although this strata was one of the most enthusiastic about marketization and privatization just a few years ago.

What is important here is that both personal conditions and characteristics are important elements in selecting the entrepreneurial alternative. Among these conditions second economy played an important role.

The second economy was another path which glaringly reflected the disfunctional state road. The second economy provided a combination of the advantages typically offered by both small and the great estates; in a certain way it contributed to the development of a new middle class. Nevertheless, it was not a late realization of the "third road" blueprint. The "third road" was an alternative scheme of integration of economic processes.

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# CADRES AND MANAGERS

## Changing Patterns of Recruitment of Economic Leaders in the Planned Economy

Gyorgy Lengyel

*This paper is about the criteria of selection of leaders of the Hungarian - and East European - planned economies. It deals with the connections of these criteria with education and career patterns. It interprets the changes in the terms of professionalisation and cadrification. It argues that because these processes are interwoven the emphasis between loyalty and education (or to put it in the immanent terminology of personnel policy: among the categories of political responsibility, professional knowledge and the skills of leadership) has been slightly altered during the decades of state socialism. But behind the delicate balance of loyalty and competence those social variables which were seriously taken into account in the personnel policy have been changed frequently and sometimes dramatically. It is aimed to disclose that despite the basic similarities of socialist industrialization there were differences among the Eastern European societies, concerning the pace of cadre changes and the social - educational composition of the economic elites. It also suggests that one has to distinguish the two levels of economic leadership from the very beginning of nationalization. In the light of empirical evidences the criteria of recruitment in the case of the planners - controllers and in the case of the enterprise managers were different. According to the Hungarian experiences the economic reform supported the process of professionalisation, although the proportion of party members remained extremely high. With the systemic changes party membership lost and networks gained importance in the selection of the elite.*

Despite the signal importance of the question the literature on leaders in planned economies is rather scanty. A greater part of the articles transmits managerial studies, while the empirical works chiefly highlight the small sample surveys of the political elites<sup>1</sup> rather than the leaders involved in the economic control sphere and at the helm of enterprises, a layer which is more difficult to reconstruct empirically.<sup>2</sup>

It is a specific feature of research on Hungarian leaders that mostly uses case studies or interviews.<sup>3</sup>

These methods, though most suitable for exploring the attitudes and

interests of leader, mark out the boundaries of analysis as well. The data and information in the following represent mostly the Hungarian, and partly the Soviet, Polish and Czechoslovakian developments.

### CHANGING CRITERIA OF SELECTION

Although the selection of cadres has been handled as a confidential issue for decades, there have always appeared studies throwing light on certain sociological aspects of the phenomenon. One was A. F. Havin's paper<sup>4</sup>, who used statistics published

in the 30's<sup>5</sup> and his own contemporaneous researches and interviews in an effort to define the patterns of selecting and training heavy industry leaders, a sizeable stratum of the economy, in the first five - year plans. His quantitative analysis foreshadow some regularities and also reveals some general traits of the early phase of planned economy such as considerable fluctuation among leaders, the predominance of worker - cadres and party members, extremely swollen higher education extended with new institutional forms especially in engineering. His portraits of managers expose the peculiarities of campaigns reflected in the careers and the convertible political and economic leading posts.

In Eastern Europe before 1945 the traditional economic elite was a closed social formation. The overwhelming majority of the elite originated from upper and upper middle class families and had higher education. The most important - informal but at the same time very effective - criteria of the traditional mode of selection were the ownership, the class origin and the higher education.

Compared with the previous generations of the elite the economic leaders of the inter-war period showed clear signs of professionalization. The role of higher education has been strengthened in the selection process while the wealth and class origin carried

less weight. Technical and economic higher education were also expanded and the type of manager began to spread. Indirectly the growing role of education and experience has been signified by the fact that the average age of the future leaders in entry level positions and later in managerial positions has increased significantly. These features characterized both the leaders of private enterprises and the leaders and experts of economic policy, whose importance began to increase during the 30s.

In the course of nationalization between 1945 and 1949 strategic decision-making concerning productive units was taken away from the enterprises which resulted a schism between the above mentioned two spheres of the institutional system. One specific feature of this split structure was that the social composition of the leaders of enterprises and that of control institutions became significantly different. While in enterprises the criteria of loyalty were preponderant in selection after the nationalization - certain figures suggest that nearly two-thirds of the newly appointed Hungarian managers had an educational level of six elementary grades or less<sup>7</sup> -, in the economic control sphere loyalty and professional competence were equally considered for eligibility. A telling sign of this is that although the overwhelming majority - nearly four-fifths - of leaders in the control sphere were members of the Hungarian Workers Party, 45 % of them were intellectuals and another 22 % were white collars originally.<sup>8</sup>

Some one-fourth of the control sphere leaders of 1949 had been in the civil service before 1945. The relatively high rate of careers continued after 1945 indicates that despite the fundamental restructuring, professional competence retained its comparatively great weight in the control sphere which produced a specific type of career in the public services.

The distribution at the time of entering into the civil service clearly reflects the recruitment strategy of central economic management. While 70% of those who were in the public service before 1945, originally had some intellectual occupation, their rate kept decreasing year by year among the newly appointed leaders as low as one-fourth in 1949. The rate of those rising from worker to manager status was extremely dynamic, with a considerable proportion of clerical workers as well. The peasantry, however, was practically left out of these processes: the proportion of peasant-turned-managers did not come up to 1 %. The proportion of peasant politicians within the Parliament in 1947 - 49 was 82.9%.<sup>9</sup> This fact gains its proper weight if we consider that in 1949 half of the active population worked in the agriculture.

As far as class origin is concerned the cadre statistics are less reliable because the questionnaires were filled out by the leaders and the distortion was in their own interests. The working-class origin might be certainly - although, owing to the strict control not extremely - overrepresented. Nevertheless the data are useable, if we keep in mind that they throw light on the ideological preferences of the period rather than the real social background.

Those of working - class origin among the leaders of the control sphere had an average one-third share in the second half of the 40s with a high growth rate so that in 1949 half of the new appointees came from worker families. Another one-fourth of leaders originated from clerical worker families. The principle of recruitment in the economic control sphere clearly favoured the working-class and lower middle class origin. According to a 1950 survey of the light industries nearly half of the leaders of the ministries (from divisions heads to deputy de-

partment heads) came from working-class families and some one-fifth from clerical worker families.<sup>10</sup>

The data reveal the following : in the early phase of planned economy social origin, previously an informal criterion of selection became a formal principle: the preferences changed in time favouring those with intellectual background before 1945, those of clerical worker middle class origin in the coalition period and those of a working-class and petty bourgeois origin later ; loyalty was gauged by origin besides political activity

In Czechoslovakia after the February 1948 turnaround 44% of firm managers were replace, and the proportion of worker - managers only came to 30% in 1950. Lenka Kabanova concluded that an estimated 50% of managerial stratum formed by the cadre changes of the 50s were formerly workers.<sup>11</sup> While the rate of the communist party members in the control offices of the economy was raised from 15% to 37% by February 1948, 35% of enterprise managers were members of the communist party already before that.<sup>12</sup> This and - not independently of the political conditions of the inter-war period - the considerably more extensive stratum of loyal technical staff traditionally with left-wing affiliations explains that the pace of cadre mobility was slower than elsewhere. Even so, a mere 10% of managers had higher education against 50% with only elementary training in 1957. This heightened the importance of recruitment from strata with secondary professional education.

More than four-fifths of the 200,000 enterprise managers in Poland were of worker and peasant origin by the mid-50s.<sup>13</sup> The proportion of managers with university diplomas plummeted from 84% in 1945 to 27% ten years later. From the end

of the 50s, however, the level of education grew continuously both among managers and their deputies. While the rate of managers and chief engineers with college degree surpassed 50 and 70% respectively by 1968, it was about 36% among administrative and economic deputy managers and a mere 16% among head accountants. In the early 70s university graduates made up some 70% of enterprise managers and 90% of department heads in ministries.

In Hungary the contemporary leading party paper, *Szabad Nep* (Free People) from the very beginning depicted the image of the new type of leader both as a demand ("Put workers at the head of the nationalized factories!") and as reality ("Typist - turned - ministerial commissar"; "Director from ex-iron turner, engine fitter, baker").<sup>14</sup> Both lines of the positive representation of the new managerial type, the normative and the idealizing, ran all through the coalition period. Significantly, it reported almost exclusively on enterprises, leaving the sphere of economic control unmentioned. The other branch of writings, that of criticism, discussed the traditional stratum of leaders. They equally addressed the enterprises and the control institutions ("Members of counter-revolutionary societies high in the ministry in finance"; "Sneaking reactionaries into the leadership of cooperatives under the pretext of competence"; "Bank directors earning thousands for nothing"), and the tone grew ever harsher after 1947 ("MAVAG general director ex-conspirator"; "Istvan Varga must go"; "Bribery, sabotage, industrial espionage around Ferrotechnika"; Heads of Gamma factory contracted with smugglers"; "The devil take the hindmost").<sup>15</sup> The traditional experts, especially those of engineering, were described in an ambivalent tone. On the one hand, it was declared back in 1945 that the hostile attitude to leaders must be changed and distrust

*By the end of the '80s the formerly ideologically homogeneous elite became segmented. This segmentation was described by Erzsébet Szalai as the disintegration of the coalition between the party-based old elite and the technocratic new elite. It is also a generational feature since the majority of the new elite was recruited from members of the beat generation who prized highest competence, liberalism, meritocracy, but lacked a relevant social sensibility.*

between engineers and skilled workers must be eliminated, and on the other, examples were enumerated to warn the worker-directors to be cautious and keep an eye on the old-time technical engineers intent to sabotage. They stressed the topicality of Stalin's statement, quote: "the most highly qualified segment of the old-time technical experts was poisoned by the germ of destruction."<sup>16</sup> The article entitled "Competence and sabotage" complained that there were factories which accepted "reactionaries" as irreplaceable, enabling such figures to rise to leading positions.<sup>17</sup> The behaviour of the leader was characterized by vigilance and by the concept of "service", indicating a new type of puritanism, that of the functionary, stressed in managerial portraits, memoirs and retrospective interviews.

In the economic ideology<sup>18</sup> service and vigilance appeared in the inconsistent duality of the leaders' attitude towards the idealized class and his immediate subordinates.

The first half of the 50s saw massive cadre mobility. Young experts entered the economic control sphere in considerable numbers. In 1953, for instance, nearly half of the recent college graduates in economics took jobs in ministries and government agencies.<sup>19</sup> As is known from a subsequent party resolution, 40% of the managers of agricultural machine stations were replaced in a single year, and the chief engineers of coal mines remained at the same place for a year at most.<sup>20</sup>

This is confirmed by a report of the Ministry of Metallurgy and Machine Industry (MMMI) on the personnel policy in 1954, which emphasized as a positive feature that only 20.7% of managers had been relieved as against 33.7% in 1953, and the fluctuation of one-fourth of chief engineers and chief accountants seemed to show an improving tendency. Of cadre replacement the report contended that "a part of them is healthy fluctuation due to the promotions of cadres, but the greater part is caused by inadequate cadre work and intolerance".<sup>21</sup> In 1954 90% of the department heads and upper level leaders in the ministry were party members.

Although the differences between ministry and enterprises as regards origin and education got reduced from what characterized the late 40s, nonetheless they remained considerable. 49% of top ministry officials originated from working class and 5.6% from the peasantry as against 73.5% and 7.5% among enterprise managers. This also means that nearly half of the ministry cadres came from intellectual, clerical worker, or middle class families as opposed to one-fifth of firm managers. Similarly, while only 5.3% of ministry leaders had not completed eight years of elementary school, 22.4% of enterprise managers belonged to this category and attended adult education classes.

Between 1953 and 1956 the press struck a more critical tone about managers than technicians.<sup>22</sup> Although the greater part of these writings was concerned with the new

type of leaders supporting socialist emulation, they analyzed the cases of imprisoned new directors as well. Some also enlarged upon the directors increased responsibility and the deficiencies of excessive centralization of industry. Underlying these writings was a resolution by the Council of Ministers (No. 1073/1954/IV.9.) specifying the duties of the directors of industrial enterprises which declared that there were phenomena both in legal regulation and in practice that "curbed the authority of the director, reduced his inventiveness and express unjustified mistrust... Most conspicuous are the excessive centralization of matters, the measure of intervention bypassing the director, the manifestations of bureaucracy and functionalism".<sup>30</sup> The resolution authorized the director with individual responsibility. Though the introductory explanation of the resolution says that the reasons were excessive centralization and the spread of bureaucracy, its detailed discussion reveals that the one-man responsibility of the director meant responsibility to comply with the directives, which was consistent with Soviet practice. Besides conforming to the methodical directives, the director was responsible for the detailed plan of the firm, the fulfillment of the approved plan, the rational utilization of the funds allocated by the central control institutions, the working out of the firm's list of profiles and their approval. It was, however, a novelty that the criticism of bureaucracy was extended to the intermediate level control institutions, that the high number of plan indicators was criticized and the demand for a professional economic approach was stressed. Another novelty, following the XXth Soviet party congress and the resolution of the Hungarian communist party, was the principle adopted by the ministries in summer 1956 that "people should cease to be afraid of the personnel department staff".<sup>31</sup>

After 1956 the criteria of loyalty and competence were reshuffled: social origin lost and political activity gained importance in determining loyalty. The latter is borne out by a 1957 resolution of the HSWP's CC which provided for the old, neglected cadres of the labour movement, proposing that "ministries and government agencies should survey all the areas where reliability is decisive so that the veterans of the labour movement can be stationed on these posts. The line of the councils must be reinforced with the old comrades".<sup>32</sup> Part of the control mechanism of political reliability whose weight had increased was a government decree No. 1050/57. (V.31.) on the setting up of personnel departments. It established that "apart from its several positive features, the former system of personnel control was unable to safeguard the state apparatus from the unreliable elements due to overcentralization, ensuing cumbersome and superficial methods of evaluation".<sup>33</sup> It set as the main duty of a personnel department to supervise the reliability and professional competence of leaders giving preferences, besides "workers, working peasants and loyal-to-democracy intellectuals" (note the epithets that had a limiting-screening role in the given context), to the politically committed sons and daughters of the new intelligentsia. It regarded the political role played in 1956 as an important aspect of judgment but also stressed that beyond this point personal performance must be the basis of evaluation and that the person concerned must be shown the records of evaluation.

Similar was the effect of law-decree No. 66 by the Presidential Council fixing the spheres of activities to be filled by people with certificates of probity or good conduct.<sup>34</sup> In the first half of 1957, 2060 people belonging to the jurisdiction of Ministry of Metallurgy and Machine Industry

(MMM) had to obtain certificates of probity but only 69 were not issued one and in 30 cases the firms applied for exemptions.<sup>35</sup> Thus there were comparatively few people in these jobs who could be declared unsuitable on political grounds. A far graver social problem was posed by those workers who had been dismissed for their political conduct and whose reemployment became so difficult that already in November 1957 the labour minister was forced to intervene. In his communication to the minister of heavy industry the minister stated that "enterprises are afraid to employ such workers and are reluctant to hire them even for lower-grade work".<sup>36</sup> This however, hindered the "re-education" of these workers, jeopardized law and order, and prevented the enforcement of the right to work, the minister reasoned.

The implementation of decree No. 66 dragged on the early 60s; until 1960, for example there were 7666 petitions submitted to the MMM and only in 265 cases were the persons concerned forbidden to fill an important or confidential position.<sup>37</sup> By then the decree had already been criticized because its interpretation of reliability was too narrow. On the other hand, the party resolution of 1957 declared that non-party people could also fill leading posts excepting party functions. It, they claimed, "we prescribe party membership as a prerequisite of any leading position we incur the danger that career elements might infiltrate our party, and on the other side, professionally highly qualified, honest, democratic-minded people will be relegated to the background undeservedly".<sup>38</sup> In keeping with these resolutions, the ministries registered the rate of non-party people at top-level posts. The MMM's report of 1961, quoted above, found that 28% of chief engineers and 50% of head accountants of enterprises were not party members. It is also

revealed that 90% of the personnel department staff came from worker and peasant families, 75% of them having an education of eight elementary grades or less. This was again source of a tension that the people in the apparatus set up to check competence were far less educated than the economic managers they were supposed to control.

A 1962 heavy industry report discloses a similar situation in mining.<sup>32</sup> In this branch more than two-thirds of personnel managers had only eight elementary grades or less, all were of worker or peasant origin and all started their careers as workers. Two-thirds of the division and department heads of the ministry were party members, and the same percentage had higher education; over two-thirds began as intellectuals and clerical workers, and some half of them came from these families.

Although a slight drop in the number of party members can be observed, the data exemplify that the social composition of the leaders did not change considerably from the late 40s to the early 60s. At the same time the distribution of leaders by age did change: the average age rose from 40 to 46; while in 1949 over half of the leaders were below 40, in 1962 only one-third of them. The party document of 1962 referred to above expressed disapproval that in 1954 over half of the central party apparatus was below 30 and in 1956 three-fourths of the entire party apparatus was below 35.<sup>33</sup> This reveals that there must have been an informal selection principle looking at age<sup>34</sup> and besides, there must have been change in selection with a shift to the criteria of competence which implied the consideration, besides qualifications, of the time spent in the professional field, and this, in turn, entailed the increased role of age.

*The changing of the Hungarian economic elite began before the changing of the system. Is this newly risen elite really new? As the above survey reveals, it contains new features regarding its social profile. It is a younger, more closed social formation recruited from groups of higher social prestige than the former elite was. Yet it also displays features typical of the previous economic leadership.*

## CAREER PATTERNS AND EDUCATION

The presumptions of "planned mobility" and "cadrification" were sharply confronted with the values of the primer social groups in the early phase of planned economy and this strengthened the traditionally negative connotations of 'career'.<sup>35</sup> Even in a recent study concerning young economists and engineers we met the phenomenon of aversion towards careers.<sup>36</sup> In these cases, however, the arguments of refusal or hesitation differed greatly from those of the 50s. These young intellectuals were not discriminated against or were not blocked in advancement because of their class origin. A part of them felt that the old, non-educated cadres blocked their ways. Another part just felt that their leaders worked too hard for relatively moderate honour and with too much risk of failure.

Case studies suggested that economic managers in Hungary saw themselves as falling into two characteristic career types: that of "paratrooper" and of "one of us". Although in sociological terms these are certainly crude categories, they conform to real phenomena.<sup>37</sup> The first is closest to that which is described by sociologists as a political career pattern. Interestingly enough, however, researchers agree that it is by no means the most frequent type. The "paratrooper" has to face resistance in his enterprise, especially from white collar workers and he has to counterbalance the resistance with networking skills he has acquired through social and political dealings. The second case stands close

to the continuous professional career pattern, although as we shall see in certain cases the professional characteristics are only illusive.

A comparative study based on a small-sample survey contributes additional elements to the picture.<sup>38</sup> This research into enterprise leaders of four countries (Hungary, Poland, Czechoslovakia and Bulgaria) has revealed that the majority of the leaders are male party members over 40, a considerable part of them with higher education, mostly in technical fields. It appears to be a common feature of all career patterns that the majority of leaders obtained a managerial office - normally at middle level - already before 30. This also implies that out of the four - managerial, professional, political and administrative - career patterns the first (or rather the combination of the first two) is predominant, with significant variations by countries. There are, however, great differences in this regard between the age groups as well: the career patterns other than managerial - professional have a great role in the older generations, the administrative being overrepresented in Hungary and the political in the other three countries.

According to an attempt at typologisation by H. Najduchowska<sup>39</sup> nearly one-third of Polish managers had professional technical careers at enterprises and interestingly enough, the investigation found a positive correlation between the rates of professional-managerial careers and the size of the enterprises. Research has documented a definite shift from technical to economic-social science graduates among

highly qualified managers, an indication of the spread of the administrative career pattern.

The numerical importance of economic leaders with a purely political career is low, yet its weight is greatly enhanced by the fact that political affiliation is an immanent part of the managerial role. This is maybe one reason why, according to the research findings of M. Kostecki<sup>41</sup> in 1974, 76% of leaders in the studied area (Polish chemical industry, where a mere 1% had political careers) were party members, eight times as much as among the active population. One may add that besides their professional work some 60% of the managers filled one or more party posts in the party organizations of the enterprise, town or district during their careers.

The above-described situation is confirmed and further elaborated by the researches of J. Wasilewski.<sup>42</sup>

During the critical revision of the relevant literature he distinguished two main groups of career patterns, continual and "hopscoth" careers. The young leaders below 40 whom he at first studied were dominated by continual administrative and technical careers or their mixed types. "Hopscoth" careers amounting to one-third include, in addition to a significant rate of political and managerial career patterns, a kind of expert careers based on the convertibility of research knowledge and skills. Comparing data on intra- and intergenerational mobility one can find that "hopscoth" careers are frequently induced by mobility of region and origin. However, while among leaders with political careers those with an Eastern region peasant background were overrepresented, the intellectual background was dominant among leaders with regionally equally mobile managerial and expert careers. This also applies to technical leaders born mostly in the capital. The young

managers as a group are found to be politically active from an early time (some three-fourths of them from the very first job they held), and this seems to be especially significant among leaders with "hopscoth" careers both of political and managerial type.

By certain observations in the case of the managerial group the excluding political criteria were still less important than for the administrative and party leaders in the '80s. While 25% of the managers were members of the legal Solidarity, practically no one in the other two groups of the regional elite. One may conclude from this fact that in the case of the economic leaders the education had primer and the political activity secondary importance, while in the case of the other two groups the emphasis was reversed. However these differences are usually gradual and not contrasted.

The contradictory situation of the economic leaders was mostly a result of the fact that they were cadres and managers at the same time. Education, experience and party membership were more or less equally important in the formal and informal social processes of their selection.

A study of the top level leaders of Hungarian enterprises and cooperatives reveals that the rate of leaders above 50 rose from 22% to 44% between 1960 and 1980.<sup>43</sup> It cautions, however, that the cadre changes partly for the purpose of rejuvenating, which gained momentum in the early '80s, did not automatically imply a rise in the level of education: the one-fourth share of incongruent leaders without higher education is firmly reproduced in the younger cohorts.<sup>44</sup> This important finding refers to the fact that the "one of us" - effect was a special type of local political career pattern. On the other hand, there appears to be a close correlation between the long

term rise in educational level and the size and type of managerial position: while 86% of the leaders of promoted enterprises were graduates, only 32% was their rate among 8rd category cooperative leaders. The two outer extremes in this respect were technical and economic deputy managers, 10% of the former and 36% of the latter being incongruent. The incongruence was even higher among the head accountants of cooperatives.<sup>45</sup>

In Czechoslovakia in the early '60s over 70% of the leaders lacked the level of education required by their jobs.<sup>46</sup> There appears to be a positive correlation between incongruence and hierarchical position, and although the proportion of leaders without adequate training was considerably reduced over the subsequent decades, the rule of economic leaders with top-level education was only 43% as late as the early '80s. But newly industrializing areas faced with more difficulties seemed to be more open to the recruitment of more highly qualified leaders.

## THE IMPACTS OF THE ECONOMIC REFORM

The most important element of the first wave of the Hungarian economic reform in 1968 was that in economic and legal terms it put an end to the system of the compulsory plan directions. The strategic decisions concerning investment and business policy came under the jurisdiction of corporations and in this respect they became formally independent units again. Paradoxically, while the formally dependent enterprises had a certain amount of informal maneuvering previously, after the reform the importance of the informal pressures of the party and state organizations has rapidly increased. Although it is hard to verify with the tools of empirical research<sup>47</sup>, the institution of vertical informalism remained an important factor of real processes.

The casual interventions, the pressures of the party and state organizations together with the external market processes created an uncertain and inconsistent economic environment for the enterprises. In this inconsistent environment a large part of the economic leaders were not able to form a consistent strategy. They tended to characterize themselves neither as generalists nor as specialists but as "firemen", whose main task was to fulfill the last request or solve the most urgent problem.<sup>47</sup>

On the other hand the informalism was invariably a tool of the extortion of concessions.<sup>48</sup> There were influential leaders of large enterprises who were interested in the maintaining of the policy of "exceptional cases", while the majority of the managers were interested in the creation of homogenous rules, which was taught to be a precondition of a successful economic transformation.<sup>49</sup>

Although we could give an account of vertical informalism mainly from interviews, the horizontal informalism - which is close to the "clique friendship" concept of anthropology - could have been described by a representative research as well.<sup>50</sup> Leaders of agricultural enterprises found these forms of communication and assistance to be widely used, legitimate and helpful to their work.

In the first half of the '80s there were significant changes in the methods of selection of Hungarian enterprise managers. One innovation was the introduction of competition, which apparently was operationalized by scrutinizing job applicants' past practice, technical professional competence and knowledge of the enterprise.<sup>51</sup> The competitive system greatly expanded the number of applicants for managerial positions and even of their judges. But according to the experiences,

*The changing of the economic elite thus began, but did not end before the political transformations. The emerging new elite is far more inclined to appreciate the market experiences and the meritocratic elements in the selection of leaders.*

the number of candidates with a really good chance remained very low.

Another development affecting the composition of the managerial stratum was the introduction of new forms of enterprise management after the amendment of the Enterprise Act in 1984. This also modified the institutional conditions of the competition system. Enterprise councils were set up in the majority of firm (a small number of firms operated in the form of a general assembly or assembly of delegates, while another small number remained under central control). It was the duty of the enterprise council to determine the firm's strategy, including the appointment of the manager, - a responsibility which formerly belonged to the authority of the relevant ministry. Later the original rights of the enterprise council have been restricted again in accordance with the needs of transformation and privatisation. These developments certainly modified the hierarchical relations within a firm and reformed the relations between firms and central economic control. But data have shown that from the very beginning four-fifth of enterprise council members have belonged to the staff or middle-management.<sup>52</sup> Although in the meantime the importance of the enterprise councils have declined, the institutional changes have reinforced the position of the technocrats who have played a great role in preserving the stability of the firms.<sup>53</sup>

#### CHANGING OF THE SYSTEM AND THE NEW ELITE IN THE MAKING

By the end of the '80s the formerly ideologically homogeneous elite

became segmented. This segmentation was described by Erzsébet Szalai as the disintegration of the coalition between the party-based old elite and the technocratic new elite.<sup>54</sup> It is also a generational feature since the majority of the new elite was recruited from members of the beat generation who prized highest competence, liberalism, meritocracy, but lacked a relevant social sensibility.

Taking the above-said as a hypothesis, I am going to examine, on the basis of the findings of an empirical investigation carried out in spring 1990, the specificities of the new elite in terms of social composition.<sup>55</sup>

In the second half of the '80s the economic elite, first of all the financial and monetarial leaders, was indeed substantially rejuvenated. Especially spectacular was the change in the former group: a more detailed subdivision reveals a striking difference in the age composition of the bankers and the other two groups. While 30% of ministry and enterprise leaders were under 45, the leaders of the reviving banking sphere were much younger with some 60% of them belonging to this age group. Leaders under 35 were four times as many among bankers as the average of the elite.

In 1990, 83% of the economic elite were male. That means that the share of female leaders had somewhat risen over the past 5 years, yet the economic leadership is still predominantly implied by the male role.<sup>56</sup>

Higher education graduates had an overwhelming majority with 95%. Likewise high was the rate of former party members.

By 1990, however, party membership had lost its key role in screening people, which it had performed when proving loyalty. Despite some well-known examples, the economic elite refuses to get involved in party politics through personal membership. A great part of former party members left the Hungarian Socialist Workers' Party in 1989, some did so even earlier, and they did not look for a new party. Thus prior to the 1990 elections, some 1/8th of the economic elite comprised those who changed over to the Hungarian Socialist Party rallying the reformist fraction of the previously ruling party, while just over 1% was the share of those who joined the pro-socialist Hungarian Socialist Workers' Party. A conspicuously low 1% was also the rate of those who joined the parties of the election winner centre-right coalition: the Hungarian Democratic Forum, the Christian Democratic Party and the Smallholders' Party. Yet another one percent of the economic elite subscribed to the parties of the democratic opposition. All this does not mean that the members of the economic elite resign from the informal political channels of asserting their interests, and that there are no positions that imply strict political loyalty. What this merely suggests is that party membership and political activity do not necessarily designate the basis of recruitment for an economic elite<sup>17</sup>.

As regards social composition gauged by the father occupation, the elite can still be considered open: about half of them came from workers' families and some 30% from an intellectual or elite background. It is conspicuous that the group of enterprise managers significantly differs from those of the economic policymakers and bank managers, regarding the proportion of those with an intellectual or elite family background. While in the former their rate is one-fourth, in the latter two it is one-third and 45%, respectively. Particularly high is the rate of the

sons of leaders among bankers (17%). This is probably related to the age composition of this group and the relatively high rate of young leaders. A similar tendency can be registered as to the schooling of the parents. The fathers of one-fifth of enterprise leaders had higher education, while the corresponding rate was one-third among ministry leaders and 44% among bank managers. As for the mother's schooling, 3% had higher education in the group of enterprise leaders, 12% in the ministry heads and 22% in the bankers' group.

Fathers with a higher education diploma had a proportion of one-sixth among managers, and one-third among presidents and general directors, as well as department and division heads. The mothers' education outlines a similar tendency: one-sixth of the managers and one-third of the other two groups had mothers with secondary or higher education.

Our data suggest that there is a greater deviation between the segments of the elite than between levels and positions of leadership. The offspring of white-collar workers are rarer among enterprise leaders than among bankers and ministry leaders, and so are those whose mother was not a housewife. The fathers of 47% of enterprise leaders finished primary schooling or some primary classes. The corresponding figures were 35% for bankers and 30% for ministry leaders. There are even more tightly-knit correlations in the case of the mothers: the mothers of 78% of enterprise leaders, 48% of bankers and 60% of ministry leaders finished the 8 primary classes or less. The mother's position as to schooling and occupation had a closer correlation with the segmentation of the elite than the father's. Nevertheless, it applies to both parents that origin correlates more closely to the segmentation of leadership than to hierarchical stratification.

All this indicates that the economic institutions differ as to the mechanisms of social selection. The levels of leadership do not tally despite all formal coincidences: though formally representing identical levels of leadership, enterprise leaders, bank managers and ministry leaders have different social backgrounds.

But, as has been seen, the correlation between recruitment and the segments of the elite is not independent of the generational distribution. A look at the age groups reveals that 61% of leaders aged 44 or under had an intellectual, a leader, a self-employed or white-collar father (the corresponding rates for bankers and ministry leaders are over three-quarters and 70%, respectively). As regards leaders in the age bracket of 45 years and over, 47% of the fathers belonged to the above categories and there was a negligible difference between the segments. This is confirmed by the fact that the Ganss index of the correlation between the segments and origin was 0.42 for the younger generation and 0.07 for older leaders. Half of the mothers worked and half were housewives. Comparing the worker-housewife distribution of mothers to their level of education, we find that while some two-thirds of mothers finished only 8 elementary classes or fewer, this proportion was 85% among housewives (50% of them finished 6 classes at most). Instead of a middle-class family model, the category of the housewife mother represents a lower status, or more traditional model. Our data clearly show that the rate of housewife mothers is far lower (35%) among the younger leaders than in the older age group (58%). The generational effect reinforces again the differences between the segments in that the proportion of housewife mothers is lower among younger bankers and ministry leaders than the age-group average.

There is an especially strong generational difference in regard to

the parents schooling. As against one-fourth of younger leaders, over half of the older leaders had fathers with primary schooling only. The same applies to the mothers, education, with the corresponding figures being 54% for younger leaders and three-fourths for older ones. Segments vary more widely as regards the schooling of the parents of younger leaders than in the older age group. Especially marked is the deviation between the segments in regard to the schooling of the mothers of the younger enterprise leaders ( $\text{Gamma}=0.6$ ). More than two-thirds of the young enterprise leaders had come of families where the mother's schooling did not exceed the eight primary classes, whereas among young bankers and ministry leaders the corresponding rates were a mere one-sixth or one-seventh.

A similar tendency is demonstrated by the correlation of position and social background by age. Among younger leaders the background variables and position correlate more closely than in the older age group. Among those born after the war there is a more pronounced differentiation as to both segments and positions than among those born before the war. As all indications reveal, position at the same time shows a weaker correlation with origin than with institutional segments. The mother's occupation and education more closely correlates with position than the father (the latter being negligible in the older age group).

Trying to summarize the generational effect, one comes to the conclusion that the new generation of leaders tended to be closer already before the changing of the system, and that the differences in recruitment were larger between the segments of younger leaders than in the older generation. The younger generations of the elite were increasingly more closed socially and more markedly segmented.

*The criteria of recruitment have shifted from class origin to education, experience and party membership.*

As regard career patterns, the great majority - some three quarters - of the economic elite of the 80s had a continuous career. Administrative career predominated the continuous careers (characterizing nearly half of the elite), with a quarter having a hopscotch career and another quarter running a technical or technical-administrative course. As a matter of course, administrative careers principally characterized ministries and banks and technical careers were typical of the enterprises. Distributed relatively evenly among the segments, hopscotch careers were slightly underrepresented in the banking sphere.

Comparatively small is the rate of the hopscotch careers which subdivide into expert's, politician's, manager's and 'big leap' career types. The 'big leap' type of career characterizes those who began as workers and taking one 'big initial leap', they became leaders<sup>58</sup>. According to this subdivision, the expert's and politician's careers are somewhat overrepresented in the ministries and the manager's careers in enterprises.

The 'big leap' type occurs less frequently in the banking sphere than in the other two segments. It was disproved that the manager's and expert's careers presupposed a family background of higher social status, and the political and 'big leap' careers rooted in a family background of lower status. The rate of working family offspring was somewhat higher than average among those who had a manager's or politician's career, while this rate was slightly below average in the 'big leap' career type. This suggests that the initial big leap does not imply the survival of the traditional worker-turned-director type. Instead, in most

cases it indicates the few years before higher education and the usually continuous careers after graduation. Administrative careers were typical of most of the younger elite group, while in the older generation the technical career was more frequent than average. Another assumption that was not confirmed claimed that the political career pattern decreased in the younger group. Political careers had very low share totalling a mere 6%, with a somewhat higher rate in the younger group.

It cannot be declared that the intra-institutional career pattern characterized leaders in the younger age group or those in lower positions. The latter correlation is further weakened by the fact that heads of divisions and departments were only included in the ministry subsample where the local career pattern had a smaller weight. Among the newly appointed there was a below-average rate of those who had risen within the same institution.<sup>59</sup>

The fluctuation of leaders widely differed in the three segments of the economy. While 42% of enterprise leaders had been in their current position for over 5 years, 44% of the bank leaders and 54% of the ministry elite had been in their new posts for one year. This affects the career patterns in so much as the administrative career is overrepresented among the newly appointed and the hopscotch and technical careers are more frequent among those who had been in their current positions for a longer period of time. Over half the leaders below 44 had been in their new posts for just a year or less, with only one-sixth having been in office for over 5 years. The proportion of the latter was over one-third in the

older group. Our investigation did not find that the rate of hopscotch careers decreased going down the hierarchy. There was a relatively stable one-fourth rate for hopscotch careers in various positions.

Segments also differed as to career pattern type in that, taking all the previous stations of career into account, intersegment mobility was chiefly typical of ministry leaders, intrasegment fluctuation characterized bankers and intra-institutional career was most frequent among enterprise leaders.

Administrative careers had a greater share among the vertically mobile leaders (those rising in intersegment mobility), but the political careers among them did not exceed the average of 6%. All this essentially derives from the different specialties of the two dominant groups of economist and engineers. While nearly two-thirds of the incumbents for one year or less were economists, the same proportion characterized the engineers among those in office for five years. Hence, economists were overrepresented among younger leaders and engineers among older ones.

While economists were overrepresented in the inter- and intra-segment career types, engineers had an above-average rate in the intra-institutional career type (careers in one enterprise).

The fluctuation of the Hungarian economic elite largely increased prior to the changing of the political system. In 1990, before the elections the proportion of economic leaders for a year new posts was nearly 40%. In the early 1980s the corresponding rate was one-fourth. As against the earlier 45% of leaders in position for three years at most, their proportion in 1990 was over 60%.

There was an especially vigorous fluctuation in the ministries where

three-quarters of the leaders had changed within three years, half of these leaders within one year, and in banks where the rate of leaders appointed within three years was four-fifth, with 45% of them being in office for a year. Due to institutional changes, this growth is especially large in the banking sphere because in the first half of the 80s there was a below-average fluctuation in this segment, and now it was found to be the highest.

Thus the changing of the Hungarian economic elite began before the changing of the system. Is this newly risen elite really new? As the above survey reveals, it contains new features regarding its social profile. It is a younger, more closed social formation recruited from groups of higher social prestige than the former elite was. Yet it also displays features typical of the previous economic leadership. It continues to be predominated by males, higher education graduates and former party members. A look at the pre-appointment workplace of the elite reveals that more than three quarters of those appointed a year before had worked for the same institution or enterprise in their previous position as well.

This is in connection with the preponderance of continuous, administrative careers. Yet, as was pointed out above, in earlier phases of the careers there was a considerable inter- and intrasegment mobility.

The changing of the economic elite thus began, but did not end before the political transformations. The emerging new elite is far more inclined to appreciate the market experiences and the meritocratic elements in the selection of leaders.<sup>62</sup>

The members of the elite would tend to increase the difference be-

tween the highest and lowest incomes, whereas the employees would give a rise to everyone, decreasing at the same time the difference between the smallest and highest incomes.<sup>63</sup>

At the same time the economic leaders are - seemingly contradictorily to what Erzsébet Szalai said of the social insensitivity of the new elite - more willing than the ordinary people to adopt the view that "all the needy should be supported irrespective of their political ideas or origin".<sup>64</sup> The new elite is not less sensitive socially than the rest of the social strata, but it has a greater social responsibility.

Party membership had lost its significance, being replaced by personal relations - an important asset earlier, too - and institutional multipositional status, as preconditions for managerial success. This characterizes the still predominant state elite and the leaders of the emerging private economy. One of the main findings of a content analysis of advertisements for managerial posts revealed that the requirements expected to be met by Hungarian private company managers were far more similar to those of state enterprises than foreign joint companies.<sup>65</sup>

The act governing share-holding companies stipulated that one person could not fill more than one operative managerial position. One could, however, be a member of the supervisory committee of up to five companies.<sup>66</sup> Party membership is no precondition, but there is a border area between economy and politics where a new type of leader is emerging: that of the "economic policy" entrepreneurs. He is an entrepreneur, a leader in the reviving employers' interest-protecting organizations, as well as in legislation or lobbying. These of his roles mutually generate and reinforce each other. This career pattern characterizes

most of the successful intellectual-entrepreneurs.<sup>65</sup> Interviews and surveys of private entrepreneurs suggest that the entrepreneurs themselves regard the establishment of personal contacts as one of the tokens of success.<sup>66</sup>

## CONCLUSIONS

Surveying the long term changes of recruitment and career patterns of economic leaders in the East European planned economies we could reconstruct the outlines of a slow and contradictory professionalization.

The criteria of recruitment have shifted from class origin to education, experience and party-membership. The original differences between the leaders of the control sphere and the managers have decreased but haven't disappeared. The basis of recruitment in the case of the new generation of economic leaders was relatively wide as far as their social origin was concerned. But if the party membership and education are taken into account, it was extremely narrow, as a result of cadrification and professionalization.

With the changing of the system, party membership gave way to competence and networks as the basic criteria of recruitment. As regards its social profile, a new economic elite is in the making. Its greater part have arrived from the second line, sharing the workplace experiences and career patterns with their retired predecessors. With the systemic changes, privatisation and the spread of entrepreneurial forms alternative career patterns have appeared outside of large organizations. In 1988 25% of the adult population of Hungary showed interest in becoming entrepreneurs. In 1990 their proportion was as high as 44%. Potential entrepreneurs are clearly overrepresented among young intellectuals and skilled workers. While the big challenge of the economic reform was to assign

managerial traits to the cadres, the social effect of the changing of the system can be captured in the fact that it pits the entrepreneurial alternative against state enterprise managers. The roles, however, are not yet clear, the behavioural patterns have not struck firm roots yet.

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# JORDAN - TOUJAN FAISAL

## A Woman in Politics

Melissa Dunbar

Teacher and freelance Journalist residing in Amman.

In the November 8th elections, Toujan Faisal became the first woman ever to be voted into the Lower House of the Jordanian parliament. This was no mean feat in a country where women did not gain the right to vote until 1974 - a country where 77% of respondents in a recent poll said men were more capable of political work and decision-making than women. The same poll, conducted by Jordan University's Center for Strategic Studies, revealed that over one-third of the women who voted in the 1989 elections did so at the behest of male relatives (Jordan Times, September 28, 1993).

Toujan Faisal is a Circassian - member of a minority community in Jordan for whom, like for Christians and Muslims, the state constitution designates a certain number of parliament seats. But she did not run on a communalist platform. Quite the contrary, she joined in the protest mounted by leftist, nationalist and Islamic forces when King Hussein unilaterally amended the election law in August. Previously, Jordanian citizens could cast as many votes as their district had Lower House deputies. The amendment limited them to one vote each.

"One man, one vote" sounds good, of course. In South Africa, it has been a battlecry for majority rule and

mass empowerment. But in Jordan, it was a royal design for marginalizing organized political forces, who had previously benefited from the possibilities of electoral alliances, bloc voting and vote swapping afforded by the multiple ballot system. This year, with only one vote, citizens tended to vote for candidates they knew, i.e. their kin or co-religionists, or whom they felt could provide them with the most services.

Toujan Faisal must probably stood to gain from the single vote formula, since she ran as an individual, not as a candidate for a party or woman's movement (the latter being politically divided and powerless in Jordanian national politics). She moreover had an axe to grind with the Islamic fundamentalists who were the most vocal, though not necessarily the most consistent in opposing the single vote formula. Her poor showing in the 1989 elections was to a great extent attributable to the Muslim Brotherhood, which mounted a vicious smear campaign against Toujan due to her candidly expressed feminist views. Undeterred by such considerations, she vocally criticized the amendment, charging that it made election easier for tribal candidates and the wealthy who could buy votes. "The new law will weaken national unity and turn Jordan into ghettos with each voter

seeking good for his community, not the country," said Toujan Faisal (Jordan Times, August 18, 1993). Since her election, she has stated that reforming the election law is among her priorities.

In actual fact, the single vote formula did propel a majority of tribal and "independent" traditionalist (i.e., pro-government) candidates into the Lower House. It was a main factor in the reduction of parliamentary seats held by Islamic, leftist and nationalist parties. All in all, it depoliticized the election campaign and deflected debates away from national issues, whether the US-sponsored peace process, government development policy or corruption. The IMF conditions for Jordan, for example, were subject to heated debate in the 1989 campaign, but hardly mentioned in 1993. Added to this, open air election rallies were prohibited until the last third of the campaign, while television debates were deemed unaviable by the authorities.

All this gave credence to the opposition's accusation that the monarchy wanted a docile parliament ready to ratify its policies, especially any projected peace agreement with Israel. Indeed, immediately after the elections, the Jordanian delegation signed the joint agenda worked out with the Israelis last year but not previously ratified.

The monarchy moreover neatly sidestepped the possibility that the election campaign might turn into a popular referendum on the Gaza-Jericho First model for Palestinian self-rule, agreed on in August by the PLO and Israeli government. This would have made for lively debates in a country where the majority of the population is of Palestinian origin and roughly half the twenty licensed parties have leftist, Arab nationalist and anti-Zionist roots. But it would hardly have precipitated a revolution in view of the disarray prevailing in the left nationalist camp, and the sense of loss and confusion existing among Palestinian exiles, who see their rights to full independence and repatriation slipping away without any apparent alternative. That the Jordanian political establishment was eager to avoid such a "referendum" shows how vulnerable it feels as the peace process presses onwards to an uncertain final outcome. It also attests to the limits of the democratization process decreed by King Hussein to readjust his rule after the April 1989 revolt among Jordanians on bread-and-butter issues, and the reassertation of Palestinianism with the intifada. Jordan's new democracy, while admirable if compared to the situation in many other countries, can more aptly be labelled a controlled political liberalization.

### Islamic recession?

Media coverage of the November 8th elections had focused on a postulated recession for the Islamics. Indeed, the IAF (Islamic Action Front, formed last year on the initiative of the Muslim Brotherhood) garnered only 16 seats compared to 23 won by the Brotherhood in 1989. However, in absolute terms, fundamentalist candidates gained at least as many votes as in 1989, which indicates that their core mass base remains unchanged. In fact, they gained almost one-third of the total vote, roughly corresponding to the size of

their bloc in the last parliament, though the single vote amendment deprived them of the same number of seats.

Ironically, their new status may not be entirely to the Brotherhood's disliking. They know the next parliament will be called upon to ratify an accord with Israel, which would contradict all their virulent anti-Israel rhetoric. On the other hand, though often portrayed as the main and most radical opposition, the Brothers have privately told King Hussein that they would not actually stand in the way of a peace treaty. They may prefer not to command a parliamentary majority which would make them share responsibility for whatever happens.

For the monarch's part, this is simply a continuation of the policy of inclusion whereby opposition forces are given a voice, but not a decisive one, in order to incorporate them in "the Jordanian family." This benefits the state domestically and in foreign policy terms. The US State Department and other power centers - disturbed by the fundamentalist tide - have been following Jordan's inclusion model with great interest. It rates high in terms of guaranteeing stability - avoiding both the uncertainty and human rights abuses occurring in place like Egypt and Algeria.

And it's not so difficult to include the Brotherhood in the "Jordanian family." It was the only party allowed to operate, in its capacity as a charity organization, in the pre-democracy era after martial law was imposed in 1957. Though it attracts some protest votes from the poor and disenfranchised, it is essentially based in the middle class. It is thus well qualified to be part of the established order in Jordan as it has been over the years.

While the Islamists' parliamentary setback does not signify a dramatic change, what has changed is

the overall political terrain. The world has changed and the Middle East with it, mainly as a result of the Soviet union's demise, Iraq's defeat in the Gulf War and the ensuing Arab-Israeli negotiations. Meanwhile, new fields of political action and discourse have opened up in Jordan itself, at least for the politicized urban population. The people at large have experienced that democratization does not automatically redress their daily social and economic problems, and that the real reins of power remain in the hands of the king and his men, with the parliament serving chiefly as a debate forum. The population is thus less receptive to rhetoric and more politically mature and realistic. Moreover, many now dare to speak out on previously forbidden topics, breaking the previous, shared monopoly of the monarchy and the Brotherhood on public discourse.

A case in point pertinent to this article was the column written by independent Islamist Mohammed Sbeihi in a Jordanian daily November 6th, after he had attended a pre-election meeting where Toujan Faisal and another woman candidate discussed their views. Sbeihi, a founding member of the IAF who resigned in protest of the Muslim Brotherhood's predominance in the front, wrote: "I want to say that the two candidates enjoy very high political maturity and incredible abilities for dialogue and discussions... We men have to admit that we do not like to see a politicized woman in our Parliament, especially if she enjoys a higher level of political maturity and ability than the men.... We have to admit that we hate to see women in Parliament demanding that the Civil Status Law be changed because we feel it takes away from our hegemony over them...." (Jordan Times, November 8, 1993).

### Left in disarray

However, Islamists who hold reactionary views on women, as well as

other social issues, remain a strong organized force. Though they have their internal squabbles and rivalries, these are minimal when compared to the situation of the left and nationalist parties who were the biggest losers in the elections. Candidates from these parties fared better in 1989, though their parties were not yet legalized. At that time, they gained ten seats and formed liberals. However, this coalition had disintegrated well before November 8th, due to sectarian rivalries and differing reactions to the peace negotiations. Only HASID (Jordan People's Democratic Party) and the Unity Party, formed on the basis of the DFLP and PFLP and membership in Jordan respectively, managed a joint list. But they gained only one seat as did one Baathist and one member of the Socialist Democratic Party, an offshoot of the Jordanian CP.

These parties, especially the communists and the Palestinian leftists, were once on the forefront of the struggle for democracy in Jordan. Yet since the advent of political liberalization, they have failed to devise new strategies and organizing methods. Caught in a web of international and regional changes beyond their control, they are also suffering from their own historical failure to concretely link their overall political slogans with social issues and real grassroots mobilization. It is a great irony that the election of the first woman in Jordan's parliament coincided with the demise of radical left nationalism, for in the 70s these groups did afford women space for advancing their political consciousness and role in society. This, however, never congealed into real strategies for their full equality or empowerment.

Dr. Haifa Abu Ghazaleh, president of the General Federation of Jordanian women, did a study of women's status in 12 parties in Jordan. Only two of the 12 said they would nominate women for parliament (The Star, October 6, 1993). In

the event, no party fielded women candidates, but a woman was elected on her own.

### Women candidates

Confronted with the single vote amendment, only 10 of Jordan's licensed parties opted to run in the elections. It was obvious that women also felt deterred. In 1989, there had been 12 female candidates. In 1993, there were only three. For all three, dealing with the fundamentalists' influence was a major issue.

Nadia Bushnaq, president of the Zarqa branch of the General Federation of Jordanian Women, ran on her credentials of 20 years of community service. Zarqa, 25 kilometers north east of Amman, is Jordan's second largest city and main industrial site - home of the closest the country has to a real proletariat. Zarqa residents come from all over the kingdom and various parts of the West Bank.

Not being the homebase of any particular tribe to press for its demands, Zarqa has been neglected by the state. In this void, the Muslim Brotherhood built up an extensive network of social services, amounting to a "parallel government" (Jordan Times, November 4-5, 1993). The Brotherhood gained the majority of Muslim-designated parliament seats for the district in 1989 and the city mayorship in 1990. However, Nadia Bushnaq's rationale for running was that the fundamentalist deputies had done too little for Zarqa, which still lacks a public library, youth recreation center and other facilities. However, as one woman among 53 male candidates, Bushnaq had an uphill battle. Zarqa returned the Islamists to the Lower House.

The two other women candidates, Toujan Faisal and Janet Al Mufti, ran in a completely different scene - Amman's third district, where the electorate is the most affluent and highly educated and among the most politicized in the kingdom.

Due to the vagaries of the ethnic/sectarian divide system, the two women candidates contested the Circassian seat, as did a former deputy and leftist whose radical positions had often led him into de facto alliance with the fundamentalists. Of the three, Al Mufti is most entrenched in the political establishment. She ran on a bourgeois feminist platform and many assessed that she enjoyed the support of the majority of the Circassian community. She had also attracted many more votes than Toujan Faisal in the 1989 voting.

### The primacy of organizing

The importance of Toujan Faisal's victory, then, is not only that she's a woman, but that she's a progressive on both political and social issues. For this reason, she attracted votes from many, men and women, who are disenchanted with left parties and traditional politicians alike. Her concern with left women's issues stems directly from her longtime work as a human rights activist. "When you are a human rights advocate, you are fighting for the underprivileged, usually woman and children," she explained in an interview with The Star, November 4, 1993.

Growing up as the daughter of a lawyer, she took an early interest in the concepts of justice and legislation, and learned that laws are not necessarily just. Prime among the Jordanian laws which she considers unjust and in need of improvement is the Civil Status Code which privileges men over women in rights to health and social insurance, inheritance, divorce, freedom of movement and nationality (men can confer nationality on their children, but women can't). Because this law keeps women weak and dependent on male family members, Ms. Faisal has been calling for its revision for almost a decade. She has a draft for revisions which she plans to submit to the new parliament.

# ON MIGRATION AND THE THEORIES OF LEE AND TODARO

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## INTRODUCTION

Rural-urban migration has been an important phenomenon in economic literature for the last few decades. Labour migration from countryside to towns was considered as a desirable process in which excess rural labour could be gradually withdrawn from the traditional agricultural sector and be used cheaply in the modern industrial projects without causing a reduction in the level of agricultural output<sup>1</sup>. Recently several empirical studies revealed the fact that throughout the developing countries high rates of influx of people from rural to urban areas continue to supercede the rates of urban job creation and thus greatly exceeded the capacity of industry as well as urban social services to employ this increasing flow of labour force effectively.

Thus, migration<sup>2</sup> is creating imbalance instead of helping the development process. This imbalance has two dimensions: one, it is disproportionately enhancing the rate of urban unemployment relative to urban population growth. The main component of migration stream is the well educated young people who tend to increase the growth of urban labour supply in one hand and on the other hand reduce the size of potentially innovative and enterprising manpower of the rural areas. The other aspect of the structural imbalance refers to the difficulties and costs involved in the creation of an urban employment because of the need for substantial complementary resource inputs for most modern sector industrial jobs.

Since all economic policies have direct and indirect impacts on the levels and growth of income of rural and/or urban areas they will influence the magnitude and nature of migration<sup>3</sup>. At the same time migration streams determine economic policies by affecting the direction and magnitude of labour movement, population growth and its spatial distribution etc.

So far, several attempts have already been taken to design comprehensive, analytical and theoretical framework to investigate the cause and effects of migration and its concomitant impacts on other economic variables in order to improve the effectiveness of development policies.

The objective of this paper is to carefully examine two main theories of rural-urban migration: Lee's social theory and Todaro's economic theory (including its subsequent extension by Harris-Todaro model)<sup>4</sup> and then make a critical evaluation of them in terms of their relevance to real world situation. The paper is divided into five parts. Part I explains the theory provided by Lee. Part II reviews the Basic Todaro Model. Part III covers the main features of Harris-Todaro Model which is an extension of the original Todaro model. Part IV examines the pros and cons of the models and the last part concludes the paper.

## PART I LEE'S SOCIAL APPROACH

Everett S. Lee, a sociologist, gave one of the most appealing and concise framework for analysing rural-

urban migration process. His theory is mainly based on Ravenstein's "Laws" of migration. The "Laws" can be summarised as follows:

(a) The rate of migration between two points varies inversely with the distance between these two points;

(b) Potential migrants first move into the nearby towns and then eventually gravitate, to the most rapidly growing cities;

(c) Each current of migration produces a compensatory counter-current. Although rural-urban migration dominates the stream of migration there will always be a counter-stream of urban-rural migration;

(d) The town-dwellers are less migratory than their counterparts in rural areas;

(e) Migration stream has a built-in tendency to increase over time as a result of increases "in the means of locomotion" and a "development of manufactures and commerce";

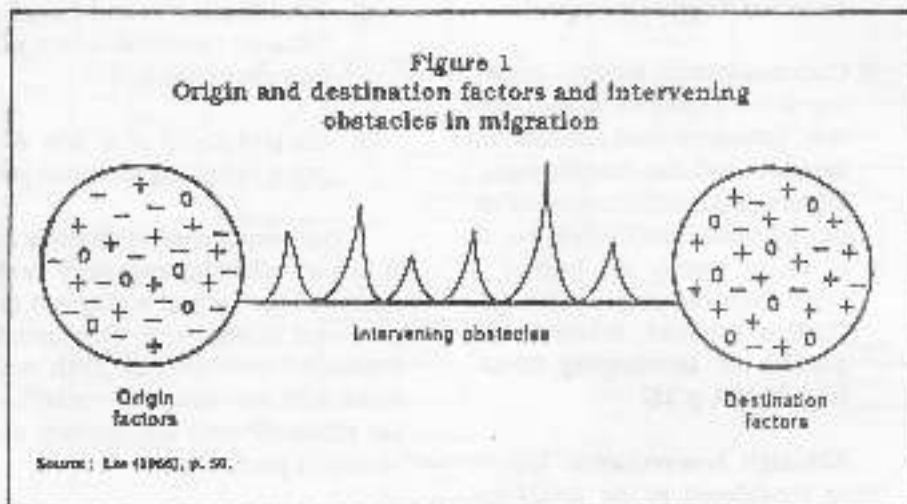
(f) Economic motive always pre-dominant in the matrix of factors influencing the migratory decision.<sup>5</sup>

Lee defined migration as "a permanent or semi-permanent change of residence" and pointed out that "no matter how short or how long; how easy or how hard", every act of migration involves an origin, destination and a set of intervening obstacles. He developed a theoretical framework for analysing the volume of migration, development of "streams" and "counterstreams" and

characteristics of migrants. Lee summarised the factors influencing the migratory decision into four general categories: (a) origin factors; (b) destination factors; (c) intervening obstacles and (d) personal factors.

The first three factors have been illustrated by Lee in the diagram reproduced in figure 1. Every origin

wages, more job opportunities, low crime rate, better climatic conditions etc.) The distinction between the origin and destination is that the people normally possess a better knowledge and information about the origin factors rather than the destination factors. Thus uncertainty, risks and expectations play an important role in the migration process.



and destination has positive factors (pluses in the circle) which attract potential migrants or "pull" them to it; negative forces (minuses in the diagram) which repel or "push" people from it and neutral factors (zeros in the figure) which on the average neither attract to nor repel people from the relevant area. The strength of these "push", "pull", and "neutral" factors vary from people to people and place to place depending on the economic, geographic and socio-political conditions as well as the individual characteristics of the potential migrants.<sup>5</sup>

Thus the '+', '0' and '-' may be defined differently at both the origin and destination for different individuals i.e. one man's '+' (e.g. good educational training) may be an other's '0' (e.g. someone who already possesses that level of education) or even '-' factor (e.g. as a result of local school taxes levied on all residents of the area). But there are some common factors towards which most people react in the same way. (Higher

Although origin and destination factors discussed so far explain a great deal of migratory decision, they are not sufficient. Lee therefore, introduces the concept of "intervening obstacles," some of them may provide only minor friction (distance, transport cost etc.) but others may not be overcome at all (restrictive immigration laws, quotas by national or racial origin etc.). As in the origin the destination factors ("pluses" and "minuses") along with intervening obstacles will tend to exert differing influences on different groups of people. What may be a minor obstacle to one potential migrant (transportation cost for a financially well-off individual) may be a major obstacle to another (e.g. the same transportation cost to a poor person).

On the basis of these origin and destination factors, intervening obstacles and a series of personal factors<sup>6</sup> Lee formulated a number of general hypotheses about migration,

### Volume of Migration:

1. The volume of migration within a given territory varies directly with the degree of diversity of areas included in that territory;
2. The volume of migration varies directly with the diversity of people;
3. The volume of migration is inversely related to the difficulty of surmounting the intervening obstacles;
4. Unless severe checks are imposed, both the volume and the rate of migration tend to increase with time.

### Stream and Counterstream:

5. Migration tends to take place largely within well defined streams (i.e. from a variety of rural regions to regional towns and then towards the major cities).
6. For every major migration stream, a counterstream develops (i.e. there will always be return migrants who find that their initial perceptions did not accord with reality or who simply fail to achieve their objectives).
7. The magnitude of the 'net' stream (i.e. stream minus counterstream) will be directly related to the preponderance of minus factors at origin - i.e. origin "push" factors are relatively more important than destination "pull" factors.

### Characteristics of Migrants:

8. Migration is selective, i.e. migrants are not random samples of the population at the origin;
9. Migrants responding primarily to plus factors at destination tend to be "positively" selected, i.e. they are of a higher "quality" (more educated, healthier, more ambitious etc.) than the origin population at large;

10. Migrants responding primarily to minus factors at origin tend to be "negatively" selected, e.g. most European migrants to North America in the nineteenth and early twentieth century were unskilled rural peasants driven off the land by economic hardship, political and/or religious persecution etc.;

11. The degree of "positive" selection increases with the difficulty of the intervening variables, i.e. the more educated are willing to travel longer distances to find suitable employment opportunities. (Lee, 1966, pp 53-57)

## PART II TODARO'S ECONOMIC THEORY

Migration is a selective process being determined by several economic and non-economic factors. At the same time it is one of the main determinants of the economic conditions and social status of the migrants. The relative strength of economic and non-economic factors in migration process varies widely between nations as well as defined geographical areas and populations. Most of the early research work on migration emphasised social, physical and psychological factors while recognising but not carefully evaluating or qualifying the importance of economic variables. For example, emphasis has been placed on factors and influences as follows:

1. "Social factors, including the desire of migrants to break away from the traditional constraints of inhibiting rural social structures.
2. Physical factors, including climate and meteorological disasters such as floods, droughts and famine which force people to seek alternative living environments.
3. Demographic factors, including the reduction of mortality rates

and the concomitant high rates of rural population growth leading to rapidly rising rural population densities.

4. Cultural factors, including existence of urban "extended family" relationships which provide initial financial security to new migrants and the attraction of the so-called "bright city lights".

5. Communication factors, resulting from improved transportation, urban-oriented educational systems and the "modernising" impact of the introduction of radio, television and the cinema, all of which modify the impact of Lee's "intervening obstacles". (Todaro, Michael. **Internal Migration in Developing Countries**, 1980, p 26).

Although non-economic factors being considered in the social approach of migration analysis are definitely relevant, it is almost a consensus among economists and non-economists that migration process can be explained to a significant extent by the economic factors which include not only the standard "push" from stagnating rural economy and the "pull" of relatively high urban wages and employment opportunities but also the potential "push-back" of high urban unemployment.<sup>8</sup>

Putting more weight on economic factors Michael Todaro developed a more sophisticated model which attempts to explain the migration of rural populations into urban areas in spite of increasing levels of urban unemployment and underemployment.<sup>9</sup>

The basic Todaro model begins with the assumption that migration is primarily based on rational economic calculations for the individual migrant despite the existence of high urban unemployment. The model postulates that migratory decision is made in response to urban-rural dif-

ferences in expected rather than actual income. Migrants as rational decision makers consider the various labour market opportunities available to them as between, say, the rural and the urban sectors, and choose the one which maximises their "expected" gains from migration. Expected gains are measured by:

- (a) the difference in real incomes between rural and urban job opportunities, and
- (b) the probability of a new migrant obtaining an urban job.

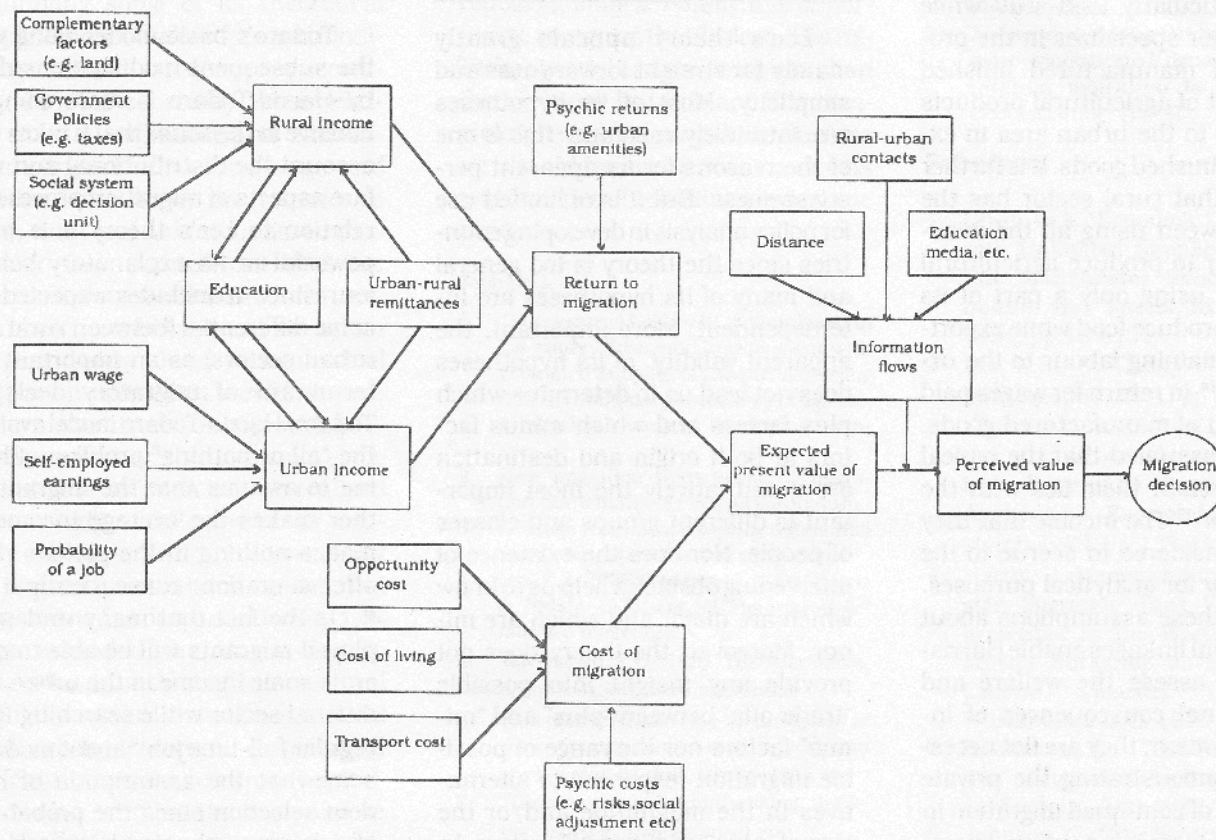
Todaro explained the multiplicity of factors affecting migratory decision with the help of a diagram reproduced in Figure 2. The factors illustrated there include both economic and non-economic variables, the economic ones are however assumed to predominate.

The "thought process" of the model has been elaborated by Todaro with a typical example:

"Suppose the average unskilled or semi-skilled rural worker has a choice between being a farm laborer (or working his own land) for an annual average real income of, say, 50 units per year, or migrating to the city where a worker with his skill or educational background can obtain wage employment yielding an annual real income of, say, 100 units. This more traditional economic models of migration, which place exclusive emphasis on the income differential factor as the determinant of the decision to migrate, would indicate a clear choice in this situation. The worker should seek the higher paying urban job."<sup>10</sup>

This interpretation, however, was originally developed for the advanced industrialized countries with an implicit assumption of the existence of full employment or near full-employment situation in the urban areas. In

**Figure 2**  
A framework for the analysis of the decision to migrate



Source: Byerlee (1974), p. 553.

a full employment environment the decision to migrate can in fact be predicated solely on securing the highest job wherever it becomes available assuming other things remaining same. Simple economic theory would then suggest that such migration should lead to a reduction in the wage differentials through geographical changes in supply and demand, both in areas of out-migration (where incomes rise) and in points of in-migration (where they fall).

Unfortunately this interpretation is not very realistic in the context of many developing countries where there is a chronic and serious problem of urban surplus labour which

results that many migrants cannot expect to secure a high paying urban job immediately upon arrival. Rather it is more likely to happen that on entering into the urban labour market many migrants will either be totally unemployed or seek casual and part-time job in the urban traditional sector<sup>11</sup>. This warrants the modifications of the basic Todaro model.

### PART III EXTENSION OF THE BASIC TODARO MODEL

The basic Todaro model has been

extended and modified by Harris-Todaro Model<sup>12</sup> in order to improve the explanatory power of the model by introducing certain elements of reality. But by and large the fundamental characteristics of the model remain intact until today and they provide the framework for most contemporary econometric migration studies.

Todaro and his colleague John Harris extended the original Todaro framework to construct a two-sector internal trade model of migration and unemployment which made it possible to give explicit attention to the impact of migration on rural incomes, urban and rural output

and total social welfare. The two sectors - rural and urban - are distinguished for analytical purposes from the view point of production and incomes. Rural sector specializes in the production of agricultural goods particularly food stuff while urban sector specializes in the production of manufactured finished goods. Part of agricultural products are traded to the urban area in exchange of finished goods. It is further assumed that rural sector has the option between using all the available labour to produce agricultural goods<sup>13</sup> or using only a part of its labour to produce food while exporting the remaining labour to the urban sector<sup>14</sup> in return for wages paid in the form of manufactured goods. Thus it is assumed that the typical migrants retain their ties with the rural sector.<sup>15</sup> The income that they earn is considered to accrue to the rural sector for analytical purposes. Although these assumptions about intersectoral linkages enable Harris-Todaro to assess the welfare and distributional consequences of internal migration, they are not necessary for demonstrating the private rationality of continued migration in the face of increasing urban unemployment. The crucial assumption for this proposition is once again Todaro's hypothesis i.e. "the rural-urban migration will continue so long as the expected<sup>16</sup> urban real income exceeds real agricultural income at the margin".<sup>17</sup>

The complete Harris-Todaro model then represents a simple extension of traditional two-sector neo-classical trade model. Thus there are variable proportions of agricultural and manufacturing production technologies for the rural and urban sectors, neoclassical behavioural rules for the determination of levels of factor use and output in each sector, and a traditional trade theory mechanism for determining the terms of trade between agricultural and manufactured goods. But it is the migration equation which represents

that unique and most innovative feature of the over-all model.

#### PART IV PROS AND CONS OF THE THEORIES

Lee's theory appeals greatly mainly for straight forwardness and simplicity. Most of its hypotheses are intuitively valid and this is one of the reasons for its apparent persuasiveness. But it is of limited use for policy analysis in developing countries since the theory is too general and many of its hypotheses are interdependent. More important, the apparent validity of its hypotheses does not lead us to determine which plus factors and which minus factors at both origin and destination are quantitatively the most important to different groups and classes of people. Nor does the existence of intervening obstacles help us to know which are major and which are minor. Moreover, the theory does not provide any insight into possible "trade-offs" between "plus" and "minus" factors nor the range of possible migration responses to alternatives in the magnitude and/or the sign of "plus" and "minus" factors. In short, by not specifying the interrelationships between dependent and independent variables within the context of a rigorous theoretical framework, Lee's theory of migration and, indeed, most other "non-economic" social science migration models offer little practical policy guidance for decision makers in developing nations.<sup>18</sup>

Specific policy recommendations can be found in economist's formulation of the migration problem and to econometric methods for evaluating the quantitative significance of alternative explanatory variables. Although the rigorous economic literature on migration in developing countries is a phenomenon of the very recent past, it is a potent literature with important new theoretical insights into the migration process

and the beginnings of a carefully documented, econometric specification and quantification of the most important determinants of internal migration in a small but growing number of developing countries.

Todaro's basic model along with the subsequent modifications done by Harris-Todaro is more comprehensive in the sense that it takes into account the distributional and welfare aspects of migration process. In relation to Lee's theory it is more powerful in its explanatory behaviour since it includes expected income differential (between rural and urban sectors) as an important determinant of migratory decision. Todaro/Harris-Todaro model avoids the "all or nothing" problem of having to assume that the migrant either makes the average income or makes nothing in the periods right after migration; consequently it reflects the fact that many underemployed migrants will be able to generate some income in the urban traditional sector while searching for a regular full-time job<sup>19</sup> and it modifies somewhat the assumption of random selection since the probability of a migrant's having been selected varies directly with the time he has been in the city. This permits adjustments for the fact that longer-term migrants usually have more contacts and better information systems so that their expected incomes should be higher than those of newly arrived migrants with similar demographic characteristics and skills.

However, Todaro/Harris-Todaro model is not free from loopholes. It does not consider the rate of labour turn over and the possibility of the urban employed sharing their income with the unemployed through some form of extended family network. This is pointed out by Johnson.<sup>20</sup> Porter contradicts with the dynamics of the basic Todaro model and attempts to demonstrate that urban unemployment cannot exist in equilibrium if employment in

the urban sector is growing at a more rapid rate than the population as a whole while other factors are unchanging.<sup>21</sup>

Bhagwati and Srinivasan criticised the Harris-Todaro model by identifying some of its theoretical loopholes and weaknesses and modifying some of its major policy recommendations, especially those relating to the migration and employment impact of various wage and production subsidy programmes in both rural and urban areas. In particular they pointed out that the Harris-Todaro conclusion that a (second best) combination of an urban wage subsidy along with physical migration restriction would be necessary to achieve economy-wide production efficiency is not correct since a first best solution can be realised by a variety of different tax or subsidy schemes, without the necessity of physical restrictions on internal migration. Corden and Findlay further extended the Harris-Todaro model by introducing intersectoral capital mobility between the rural and urban sectors in response to differentials in the return on capital. They also examine the comparative static effects of economic growth both in the original Harris-Todaro model and in the modified model with perfect capital mobility and with commodity prices determined externally in an open economy framework. They then explore the policy implications of the modified model and reach a number of conclusions which both support and modify those derived by Harris-Todaro.

## PART V CONCLUSION

In migration theories Lee's one and Todaro/Harris-Todaro models have their own merits and demerits. Lee's theory is more general emphasizing non-economic factors involved in migratory decision. Thus its practical importance and policy relevance is little, while Todaro/Harris-Todaro

model is relatively more sophisticated as it has the power of being tested empirically. It is also more important in developing countries for its policy recommendations and predictions. But it does not mean that it is absolutely free from theoretical loopholes. Finally it is important to recognize that Todaro/Harris-Todaro model is more complete than the Lee's one but it is not "the complete" theory. In using these theories we should be aware of the contexts and their possible limitations in these contexts.

### Footnotes

1. This view was held by W. Arthur Lewis in his paper "Economic Development with Unlimited Supplies of Labour" assuming that the marginal productivity of agricultural labor is zero in developing countries.
2. Here "migration" refers to internal migration particularly of rural-urban nature.
3. Because rural-urban income differential is a major determinant of migration.
4. Lee, E.S. 1966; Todaro, M. 1969; Harris & Todaro 1970. For bibliographical details see references.
5. Ravenstein, E.G. (1885, 1889) for bibliographical details see references.
6. This characteristic may be comprised of their age, sex, color, race, educational level, technical skill, ethnic origin etc.
7. This includes individual's liking, disliking, attitude, temperament etc.
8. This was explained by Lee as overeducation.
9. Thus, this theory is more comprehensive with higher explanatory power.
10. Todaro, M. *Internal Migration in Developing Countries* 1980, p. 29.
11. For the empirical verification of this hypothesis see Hay (1974), table 4.7 for Tunisia.
12. It is also modified by Johnson (1971), Porter (1973) Bhagwati and Srinivasan (1974), Corden & Findlay (1975).
13. Some of which are traded for urban manufactured goods.
14. This may be done through rural-urban migration.
15. Such an assumption is clearly more valid for most African countries than Asian or Latin American countries where migrants' (the rural) sector is less pronounced.
16. Expected income is defined as real wage times the probability of getting a job.
17. This is derived from the proposition that potential migrants as rational human beings are maximizers of expected utility.
18. Specific policy recommendations can be provided by economic models which

quantify the variables in analysing migration process.

19. Some critics instead the original 1969 Todaro article by asserting that the authors failed to take into account the urban informal sector by assuming that the migrant will be either employed in the modern sector or remain unemployed.
20. Johnson (1971), p. 22. For detail bibliography see reference.
21. A somewhat similar but mathematically more sophisticated dynamic model of internal migration is analysed in Hoogengardner (1974).

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help in understanding the policies and theories we are following today.

(iii) The theory of socialism with Chinese characteristics is a leap from the theory of centralised planned economy to the theory of market economy. For a long time, planned economy was equated with socialism and market economy was equated with capitalism. Mao's theory of socialist construction was based on planned economy. Though from the mid 50's Mao and other leaders thought of reforming the planned economic system, they didn't want to depart basically from the theory of planned economy.

The 3rd session of the 12th C.C. meeting of the C.C.P. adopted a document of historic importance: "Decisions of the C.C. of C.C.P. on economic reforms". It pointed out that China's socialist economy is a planned commodity market economy based on public ownership. For the first time this broke with the traditional notion of regarding the planned economy and the commodity market economy as mutually contradictory. This provided a new theory to guide the complete reform of the Chinese

economic system. It was also a significant development of the Marxist theory of political economy and the economic theory of Mao Ze Dong Thought. It was because of this important theoretical foundation stone of planned commodity market economy, that it became possible to transform the theory of socialism with Chinese characteristics into a full fledged theoretical method. Deng said during his tour of South China: planned economy is not socialism; capitalist countries also engage in planning. Market economy is not capitalism; "socialist countries also have markets." People became more enthusiastic as a result of this speech. The theory of **socialist market economy** presented at the 14th congress of the C.C.P. is a development of the theory of **planned commodity market economy** based on Deng's speech. The theory of socialism with Chinese characteristics is an important component of this. It signified a major leap in the history of development of Marxism - Leninism and Mao Ze Dong Thought.

(iv) The theory of socialism with Chinese characteristics changed certain traditional concepts of socialism contained in Marxism - Leninism and Mao Ze Dong Thought.

It became possible to carry out the search for the road of socialist development in a way that is more relevant to China's existing reality and the characteristics of the period.

This is a concrete analysis. Now we will engage in a complete comparison based on the above analysis. During the last 10 years popular conceptions of socialism underwent major changes due to praxis, condensation of theory and specially the presenting of the theory of the primary stage of socialism and the creation of socialist market economy. Various concepts of socialism widely popular previously, became less relevant in our socialist society. These conceptual changes and the uncommittant changes in policies may seem, at first sight, a step backward. But in reality it is a step forward. Many myths were eradicated. Socialism became more rooted in Chinese soil. The basic yardstick in deciding the correctness of a line and policies became the ability of production forces to develop freely. Today China's socio-economic development is taking place, according to this yardstick. The living standards of the populace have improved. China has become stronger, overall. All this clearly proves that the material basis of Socialism in China has become stronger.

economy. Change-over to collective management in industry) *Gazdasag* 1986, No.2 pp.113-133.

54. Erzsébet Szalai, Az új elit (The New Elite) Beszelo, 1989, pp. 40-43.
55. The sample of 371 was made up of three subsamples representing the segments of ministries, bank managers and enterprise leaders. From among the controllers of the economy 102 division and independent department heads and some other senior officials of three institutions: The National Planning Office, the Finance Ministry and the Ministry of Industry were included. The subsample of the banking sphere contained the presidents, general directors, deputy directors and managing directors of the 28 commercial and credit banks,

specialized financial institutes, savings banks and subsidiaries in Hungary. 69 valid answers arrived from the banking sphere, which correspond to a 56% response rate. Containing no systemic distortions, the subsample does not allow for inner divisions. As for enterprise leaders, we created a 16.6% sample taken from companies established or supervised by the Ministry of Industry. The subsample was representative as to branch, gross production value and population number, consisting of 286 general directors, their deputies, managers and chairmen of enterprise councils. The responses of 200 enterprise leaders could be evaluated, corresponding to a responding rate of 70%.

56. Beata Nagy, Nok a gazdasági vezetésben. Bp. (Kezirat) (Women in Economic Leadership) Bp. (manuscript) 1991.

57. György Lengyel. The Small Transformation. Changing Patterns of Recruitment of Managers and Entrepreneurs, Bp. 1991. (manuscript)
58. Andrea Szakacs, Felsőszintű gazdasági vezetők karrieritipológiája, Bp. 1991 (Kezirat) (The Career Typology of Top Economic Leaders) Bp. 1991. (manuscript)
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60. Erika Maizl, A gazdasági elit véleménye a vezetői kiválasztásban szerepet játszó tényezők fontosságáról (The Economic Elite's Opinion of the Significance of the Elements in the Selection of Leaders) Bp. 1991. (manuscript)
61. Erika Repasi, Foglalkozások presztízse (The Prestige of Professions) Bp. 1991. (manuscript)

But can the second economy work at all as the dominant mechanism of integration? In short periods of social shocks and post-war shortages, the savage market could fulfil such a function. But in longer periods, the second economy worked as a complementary sub-system. A side effect of this has affected the composition of the entrepreneurial middle class. The new entrepreneurs learned the rules of economic behaviour in the shortage economy. The majority of them are still interested in maintaining a double status and strive for short term advantage.

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65. István János Tóth, *Gazdasági érdekvédelmi szervezetek és érdekvédelmi módok [Economic Interest - Protecting Organizations and Way of Asserting Interests]* Bp. 1992. (manuscript)
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She also advocates change in the laws on parties and the press which were passed by the last parliament. While these are an improvement over the former situation where parties were banned and the press censored, they leave much to be desired. On these issues, Toujan Faisal has much in common with leftists and other democrats, who have also expressed reservations about these laws and advocate lowering the voting age to 18, as she does.

Toujan Faisal terms herself a liberal but acknowledges her common cause with the left, especially concerning the democratization process. She believes in the private sector and free economy because, in her view, this is what works, but opposes the form of privatization that has been carried out so far as a "present to the privileged few" (Jordan Radio interview, November 19, 1993).

While other liberal candidates tried to get away with expressing only a very vague support to the Palestinian cause - a standard line in Jordanian politics, Ms. Faisal spoke out clearly about the problems she

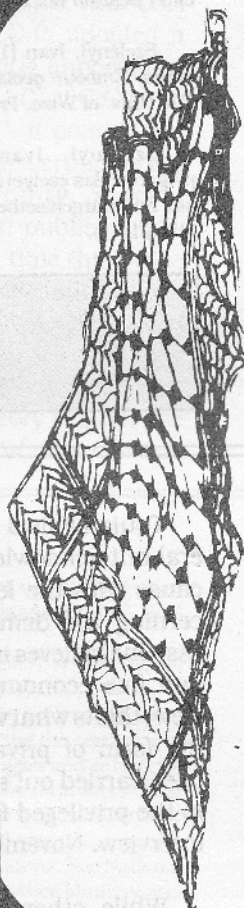
saw in the Gaza-Jericho. First option agreed upon by the PLO and Israel in August: "Israel needed to get rid of Gaza. It can't afford it. The PLO will have to do all the work for the Israelis, all Palestinians will be doing is being police..." (The Star, September 9, 1993). However, she is quick to acknowledge that this is a Palestinian decision and that no other option has presented itself currently.

Another point on which Faisal Toujan distinguishes herself from other liberals is in her stress on

grassroots organizing. Her idea of democracy is not rooted in the parliament but in the public's awareness of their rights and the development of structures whereby citizens can formulate and express their demands and needs. This is crucial in a country where non-governmental organizations, other than those connected to religion, are relatively new phenomena. In Jordan, NGOs have increased from about 60 to over 500 in the past thirty years, but social researchers estimate that only about 10% of them are truly grassroots,

since many have been coopted by the government in their search for funding or just for permission to operate without too much red tape.

Toujan Faisal's most obvious weakness is that she stands as an individual. However, in a situation where the left parties are close to disintegration, her parliamentary voice can hopefully serve as a focal point for assembling progressive opinion and political action.



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Although building this basic strategy for a systemic change for better management and perhaps better governance is what they have the new functions of university and business, such as the JEP of St. Lawrence, the Federation of Universities of Peru. Therefore, in the current period, the strengthening of the capitalist system, even in the hard capitalist environment, could have been done, assuming the United States was

The primary task before us today therefore is the one of eliminating distortions. In his book *1492 and Beyond*, economic historian Barry H. Stein shows how the European dependence on a few raw materials was the only commitment that we later could relinquish and in which, up to the end of the 19th century, we remained. It's only when we freed ourselves from this mania we could, in the 20th century, have been able to develop a new, more diversified and a dominant, large and determined industrial policy.

### Use of the Checklist

The other, and probably more interesting of the two, is a book of travel in London for two weeks, starting for the Third Avenue Hotel, and comprising some 100 pages. George Loring, a French theatrical manager and translator of other plays, and other Southerners, after notices in the press, apparently the various conventional notices of Southerners, and going beyond them. Our other writers include "William Towner Fernald" by Melrose Brothers, an Oratorical and the Theatrical of Love and Tedium by Mrs. M. M. Mallet.



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*"Mao pointed out*

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*that during this period,*

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*politics, economy*

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*and culture will not take*

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*Socialist or capitalist*

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*forms but a transitory form."*

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*- Xing Bishi*

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