Curiouser and Curiouser

With the factional alliances in the Victorian ALP growing curiouser and curiouser, the round of pre-selections in the party last month, which decimated the previously dominant Socialist Left faction, resembled nothing so much as the mad hatter's tea party.

Consider the following. Last October the federal Minister for Defence and most influential numbers broker in the rightwing Labor Unity faction, Senator Robert Ray, declared the Victorian ALP the Albania of the southern hemisphere. His observation was provoked by the foreign policy debate at the Victorian ALP State conference where a Left delegate described Saddam Hussein as "one of the true socialists" and the then dominant Socialist Left (SL) faction used its numbers to pass a resolution opposing Australia's military presence in the Persian Gulf.

Six months later, the Socialist Left is split. Labor Unity delivers the numbers to pre-select hard Left figures as ALP candidates for five Victorian parliamentary seats. In return, a group of seven militant Left unions break with the mainstream leadership of the SL and deliver several seats to Labor Unity candidates. Senator Ray, presumably with a straight face, now tells the Melbourne Herald-Sun he is happy to champion candidates like Ms Jean McLean, a remnant of the hard Left Old Guard (once dominated by ex-state secretary Bill Hartley), despite their ideological differences.

A permanently raised eyebrow now seems the most appropriate expression for observers of the ALP to adopt in the coming months following the unholy alliance between Labor Unity, the hard Left and the Independents faction over pre-selections.

The temptation--to which many in the mainstream leadership of the SL succumbed--is to dismiss this new alliance as an absurdity in ideological terms. But the political reality is that it has produced the most fundamental realignment in the Victorian ALP's internal power structures since federal intervention in 1970 began the process of dismantling the old Hartleyite Left machine.

This new fluidity in Victorian Labor politics is the result of a series of significant intra-factional and inter-factional shifts which have been under way since about 1988. These shifts, in turn, have their roots in the shake-up in the SL during the early to mid-80s.

In the beginning, the SL was a monolithic machine run by figures such as Hartley, a ruthless and formidable factional operator, George Crawford and Tom Ryan. Hartley's group controlled the faction by putting up groups of candidates for the SL executive at general meetings of the faction on a take it or leave it basis. As long as they had more than 50% of the vote at factional general meetings they determined the shape of the entire SL executive.

But in the early 80s there was a push for proportional representation as younger, more moderate Left groups with rank-and-file support in the party branches emerged and sought a slice of the cake. These emerging groupings--associated with individuals like Gerry Hand, Peter Batchelor, Kim Carr, Jenny Beacham and Graham Bird of the Meat Workers Union--coalesced as the so-called New Guard which wrested control of the faction from the Hartleyite Old Guard in the mid-80s.

The New Guard came to be seen as the mainstream of the SL and secured the backing of the key Left unions in Victoria: the Metal Workers, the Miscellaneous Workers, the Australian Railways Union, the Meat Workers and the Liquor Trades Union. The Old Guard forces could only rely on smaller militant Left unions such as the Plumbers, the Theatrical Employees, the Confectioners and the Food Preservers.

But since the New Guard's ascendancy, competing tendencies have emerged within both sub-factions of the SL. Within the hard Left, as the influence of Old Guard figures such as Hartley, Crawford, Joan Coxsedge and Jean McLean waned during the 80s, a loose grouping of younger activists emerged. These are individuals such as Ted Murphy of the Council of Academic Staff Associations, Ian Jones of the Vehicle Builders Union, Doug Walpole of the Electrical Trades Union, Franz Timmerman and Neil Cole. This new group has been known by appellations as various as the Fitzroy Trots and the Democratic Left.

At the same time, divisions emerged within the New Guard over the issue of Hartley's expulsion from the ALP. Figures such as Peter Steedman and Caroline Hogg wanted to confront the Old Guard by supporting the expulsion of Hartley. But the Hand-Batchelor leadership of the New Guard preferred to support Hartley publicly in the interests of holding the SL together, while privately accepting that Hartley had to go.

As a result there is now a significant minority grouping within the New Guard associated with figures such as Steedman and the Socialist Forum discussion group formed by former members of the Victorian state committee of the Communist Party who resigned from the CPA in 1984.

This grouping is characterised by younger activists such as Michael O'Connor and Julia Gillard--activists who cut their teeth in student politics fighting the extreme Left in the Australian Union of Students during the mid- to late 70s.

While they have been critical of the Hand-Batchelor-Carr leadership of the SL and, in turn, have been regarded by the Left leadership with a degree of hostility, this Steedman-Hogg-Socialist Forum grouping continued to give the New Guard the support it needed to reduce the Old Guard to a rump within the SL by the second half of the 1980s.

By the late 80s, then, the New Guard mainstream leadership of the SL had become the dominant force within the Victorian ALP. This was cemented by the collapse of an attempt by Labor Unity to gain control of the branch through the readmission to the party of the four rightwing unions: the Federated Clerks Union, the Federated Ironworkers Association, the Shop Assistants' Union, and the Amalgamated Society of Carpenters and Joiners.

From about 1988, Labor Unity lost control of several of its largest unions as new militant reform groups defeated the rightwing Victorian leaderships of the Clerks Union, the Transport Workers Union, the Hospital Employees Federation and the Australian Workers Union. These losses reduced Labor Unity's strength to something like 35% of the vote on the floor of the Victorian ALP conference and projected the SL into a position of apparent long-term dominance.

While the new militant Left-led Victorian unions did not formally join the SL caucus, the Left leadership could count on their votes on most issues. This, together with the SL's alliance with the small Independents faction of figures such as John Cain and John Button, gave the Left almost two-thirds of the vote at state conference, putting it in a seemingly unassailable position.

But the SL had not reconciled its own internal contradictions. With the departure of Hand and Batchelor for parliamentary careers, the leadership of the SL fell to the faction's administrative secretary, Kim Carr, a former teacher and adviser to Joan Kirner. Carr constructed a network of close personal relationships with influential figures like the Meat Workers' Graham Bird and Wally Curran, and the Miscellaneous Workers' Ray Hogan.

Carr is a highly effective activist. Yet he has a streak of arrogance which has helped to create a coalition of the discontented against the mainstream leadership of the SL on the part of rival tendencies who, rightly or wrongly (and the point is debatable), felt they were being frozen out of the faction now that it had the numbers within the party. This discontent was to be the genesis of the classic unholy alliance between the hard Left, which was a minority within the SL, and Labor

Old Guard to New Guard to ...?

Labor's new Victorian face

For those interested in the numbers behind the pre-selection deal which froze out the SL, this is how they fell on the Victorian ALP's 100-member central pre-selection panel: Labor Unity has a core of 35 votes and can usually rely on another two votes (from Municipal Officers Association delegates); the hard left 'pledge' group of unions has 18 votes; the small Independents faction has six; the SL has been reduced to a core of 36 votes; and the remaining three votes (from Federated Clerks Union delegates) waver somewhat but at this stage go mainly to the SL. As the panel is elected proportionally from the floor of the ALP state conference, these figures are a rough guide to the relative strengths of the various groupings at conference.

The core of the hard Left vote is the new militant 'pledge' union leaderships--so called because of their circulated 'pledge' to oppose privatisation lock, stock and barrel.

For the record, the pledge unions represented on the panel are the Liquor Trades Union, the Vehicle Builders Employees Federation, the Electrical Trades Union, the Hospital Employees Federation No. 1 branch, the Plumbers and Gasfitters Employees Union, the Australian Workers Union, the Transport Workers Union and the Cold Storage Union. Other pledge unions with votes at ALP conference but not on the pre-selection panel are the Australian Telecommunications Employees Association, the Seamens Union and the Theatrical Employees Association. Unions which were originally in the pledge camp but which returned to the SL fold after they discovered they were expected to vote with the Right on pre-selections were the Federated Clerks Union, the Australian Railways Union, the Building Workers Industrial Union and the Hospital Employees Federation No. 2 branch.

Unity which, in turn, was a minority within the Victorian branch of the ALP.

The main hard Left players who stitched up this alliance were Ian Jones of the Vehicle Builders Union, the Victorian secretary of the Electrical Trades Union, Gary Main, and the Victorian secretary of the Australian Telecommunications Employees Association, Len Cooper, who is not a member of the ALP and has been associated with the radical Left Workers Against Imperialism group.

In retrospect, one of the key misjudgments on the part of the SL leadership lay in its dealings with the new militant Left union leaderships in Victoria—unions such as the TWU and the AWU which had left the Labor Unity orbit but never formally joined the SL union caucus. The very phenomenon which had seemed to signal the relegating of Labor Unity to the status of a rump within the Victorian ALP proved to be the undoing of the SL leadership.

Here is how one influential mainstream Victorian Left figure, who did not want to be named, put it:

> What the Left have failed to do over the years is work out how they can relate to these new emerging leaderships of the independent Left unions outside the SL caucus. There has been a rash of unions that have changed their political complexion both through internal Left fights as in the case of the VBU, the ETU and the Liquor Trades Union, and through losses by Labor Unity as in the cases of the TWU and AWU. You can characterise a new type of younger Left union official now who has come up to be in control of a union only under federal and state Labor governments, who is industrially militant, but feels constrained by the Accord and by the leadership of the Left. In a lot of these cases an industrially militant team of officials has taken over and they do not have a primary interest in the ALP and have not been woven into the fabric and culture of how the Left unions engage in political activity.

Meanwhile, in the Labor Unity camp, equally significant shifts in the intra-factional power balance lie behind the Right's willingness to sup with its one-time bete noir, the hard Left.

Senator Ray and his team of highly pragmatic apparatchiks have run the Labor Unity machine now for several years. But, during the mid-80s, the Ray forces had been balanced by a group associated with key Labor Unity ministers in the Cain government.

In the state parliamentary Labor Unity faction, ministers such as Steve Crabb and David White, together with then Labor Unity backbenchers Neil Pope and Michael Arnold, forged a co-operative working relationship with the key New Guard Left figures in the state parliamentary Labor Party which contributed significantly to the smoothing out of potential factional conflicts over the Cain government's policies.

But the 1988 Victorian election introduced into the parliamentary Labor Unity faction several ambitious figures from the Ray grouping, MPs such as Ian Baker (now Victorian Minister for Agriculture), Burwyn Davidson, Michael Leighton and Victorian ALP vice-president Bob Sercombe (who became Labor Unity's caucus convenor). As a result the Labor Unity parliamentary faction was brought into line with the thinking of the dominant forces within the extra-parliamentary Right, the so-called Labor Unity broad group, and the working relationship between the Right and the mainstream Left broke down. The new Labor Unity power brokers, who were being squeezed by the SL leadership in pre-selection negotiations, cut the deal with the hard Left with the support of Ray and the key remaining Right union in Victoria, the National Union of Workers.

The upshot has been a classic example of the cyclical nature of power relationships within the Victorian ALP. History suggests that whenever one group in Victorian Labor has gained the ascendancy, the other groups around it have tended to reshape and realign to bring the dominant group back into line.

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The ANC revises

Back in August I suggested in this journal that the ANC was well on the way to abandoning the commitments to public ownership enshrined for more than three decades in its Freedom Charter. Since that time a number of forces have converged to make major nationalisations in a post-apartheid South Africa extremely unlikely.

Some of these emanate from F W De Klerk's National Party government which continues to dismantle the huge apparatus of state enterprises built up over more than half a century. In a number of key areas De Klerk has been arguing that funds needed for social reform can only come from the privatisation of nationalised industries. In addition to announcing the prospective repeal of the racial classification and land acts in his February speech to parliament, the President also announced a massive package of social spending measures which are to be financed from the sale of state-owned enterprises.

Seasoned observers of the South African scene will have no difficulty in spotting the motives behind this move. Firstly, in the face of continued high inflation and unemployment, some social spending must occur at the bottom end in order to contain township violence.

A second motive is De Klerk's determination to emulate Mrs Thatcher's enlargement of the home-owning working class. In mid-March, the chair of the Independent Development Trust (which is not independent), Jan Steyn, announced the grant of R750 million (A$375 million) to enable more poor black families to buy homes.

Each grantee will receive a direct grant of R7500 towards the cost of a serviced home-site on lands already owned by the government. Steyn is targetting approximately 100,000 households with incomes below a maximum of R1000 (A$500) per month. In other words, money from one branch of the government (the Development Trust) is being passed to other branches of the government which hold land for potential homesites, with the aim of defusing tensions among the urban poor.

This is precisely the sort of scheme that might have been expected of Steyn who formerly headed the Urban Foundation, a business-backed organisation which aimed to fight radicalism by promoting better housing and petty capitalism in the township economies.

In a parallel thrust last month, a White Paper foreshadowed five land bills to be brought before parliament. The part that grabbed headlines was the scrapping of the three principal land acts, including the notorious 1913 act. As the ANC and other critics immediately argued, this will hardly remedy the problems of rural landlessness; few black farmers have the capital to buy into the productive agricultural lands. More indicative of the government's thinking are the bills to legalise squatter camps and shack settlements, to transform 99-year township leases into freehold ownership for about 300,000 black leaseholders and to transfer about 400,000 hectares of rural land to peasant farmer ownership. Again, the aim is to fracture the unity of both rural and urban working classes by giving key elements a stake in the status quo.

At the same time that these various initiatives have been taken by the state, the ANC has been further redefining its public ownership aims. It recently distributed to its membership a discussion paper generated at the Centre for Development Studies at the University of Western Cape (an increasingly important intellectual force on the South African Left). This contains the significant statement that "we need to have convincing proof that nationalising a particular section of the economy carries with it more benefits than costs". The discussion paper goes on to estimate the cost of buying out the gold mines at the enormous figure of 70 billion Rand (A$35 billion). Such an expenditure would saddle the state with a debt problem far worse than those that have

The ANC's support base is under stress.

brought the apartheid state to its knees. Furthermore, not a single new job would be created by the nationalisation. If skilled workers, doubtful of wage rises, deserted the mines, the resulting skills shortage could cause a virtual collapse of the gold industry. The discussion paper concludes that the goals of nationalisation could be more effectively achieved by other means, including taxes and royalties, new safety laws, and state control of mineral rights on a leasehold basis.

All these arguments will sound very familiar to Australians. If they become ANC policy they would put the organisation pretty much on all fours with the Hawke-Keating government as far as mining is concerned. Any old Leftie can readily spot the seeming hole in the discussion paper. Why pay 70 billion? Why not simply seize the mines? The response is that the very prospect of such a seizure would provoke a flight of capital and a desperate round of asset stripping by the mine owners.

The tide has turned dramatically against state ownership in other nations of the region. In newly democratic Zambia, Frederick Chiluba, the leader of the Zambia Confederation of Trade Unions, has just been elected president of the main opposition party. He promises to make privatisation of Zambia Consolidated Copper Mines a first priority if his party wins government. Like the Zimbabwean government of Robert Mugabe, he also proposes to adhere precisely to the IMF plan for economic restructuring. However, by the time he gets to government there may be nothing left to privatise. Zambia has recently hired a Swedish consultant to help it plan the sale of loss-making state enterprises.

White farmers threatened by land reform in Zimbabwe are being actively wooed by the neighbouring governments of Zambia and Mozambique. Both the IMF and the World Bank have recently sent high-profile delegations to southern Africa where they have been given receptions verging on the rapturous by a range of governments and political organisations.

It is not, therefore, surprising that the ANC grows increasingly tepid in its commitment to state ownership of basic industry. And while the rival PAC has, from time to time, boasted of being more socialist than the ANC, it has no firm document on economic policy to point to. In February it went into a confidential huddle with the informal South African business grouping known as the Consultative Business Movement--just three months after the ANC had done the same thing.

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Eternally Indebted

Every third month an International Monetary Fund (IMF) delegation calls on Hungary's economic policy-makers. It is a day of reckoning for the National Bank and Finance Ministry chiefs in Budapest. They well know that their progress according to IMF economic stipulations holds the key to the country's financial solvency.

For Hungary, as for all of the former communist countries, IMF approval for free market transition policies is critical to short-term survival. Should the IMF deem the policy-makers too lenient in the application of its austerity programs, loans may be halted, and the financially-strapped countries forced to default on their looming debts. The IMF's word not only determines countries' access to its reserves, but acts as a seal of approval for all major private and government creditors, as well as investors.

To Eastern Europe's new heads of state, the hard terms of the IMF's tight monetary packages seem the lesser of evils. All post-communist governments, whether IMF members or not, have dutifully implemented the general conditions of the IMF recipe: monetary restriction, price liberalisation, deregulation, privatisation. Top among the demands of the prescribed 'shock therapy' are massive cuts in domestic expenditures--from investment to food subsidies--in order to meet balance-of-payments targets.

While every government in the former Eastern bloc ascribes to the ultimate goal of a free market transition, the question is how radically to proceed. Across the former bloc, the austerity policies have sparked falls in living standards, sharp drops in output, rising inflation and unemployment. The tight domestic budget targets allow for no corresponding programs to address the soaring homelessness, crime and drug use.

If governments hesitate, the IMF simply flexes its muscle. Over the years, Hungary and Poland have both tested the IMF bosses, sending the culprits into arrears and acute financial crisis.

Eastern Europe has accepted the IMF's tutelage because of its massive indebtedness. The IMF contracts guarantee annual loans that supplement debt-servicing costs. The countries then foot the remainder of debt repayments through balance-of-payment surpluses, when they exist. Even the less indebted countries, eager to be in the IMF's good graces, toe roughly the same monetary line.

With the exception of Romania, which pushed its people to starvation in the 1980s to cover its debts, all of the former Eastern bloc countries suffer heavy indebtedness. Poland boasts the largest Central European debt at \$46 billion. Bulgaria, whose foreign debt more than doubled from \$4.7 to \$10.8 billion since 1986, defaulted last spring. Czechoslovakia is in somewhat better shape with $7.8 billion outstanding; Yugoslavia and the Soviet Union owe foreign creditors $16 and $52 billion respectively.

While the circumstances of each country vary, the pattern of Eastern bloc indebtedness has its roots in the early 1970s. The East Europeans, along with the Third World countries, took advantage of rock bottom interest rates until the mid-70s to borrow heavily. The rationale was to switch to import-led growth strategies, fuelling domestic growth through technology and capital imports from the West. In theory, the export of the derivative manufactured goods to the West would cover the accrued debts.

The expected export pay-off on the world market, however, never materialised. Industrial goods were peddled instead to the Soviet Union for roubles, leaving balance-of-payment hard currency deficits. When the oil-price shocks hit, followed by the 1979-1982 world recession, the Eastern Europeans, Africans and South Americans plunged together into an abyss of debt. Interest rates sky-rocketed and with them the debtors' foreign deficits, of which only a fraction had ever been invested. Hungary, for one, had invested only $3.5 billion of the $12 billion that it owed by 1981.

When the debt crisis came to a head in the early 1980s, Hungary and others sought out the IMF for help. The structural adjustments and debt-financing schedules began a vicious circle of borrowing that would double and then treble the East Europeans' debts during the decade. Hungary continued to borrow, paying off its early 1980s principle three times over, while the total amount of its debt doubled. Poland, Brazil and Mexico also paid back their initial debts at least once, as their total indebtedness also soared.

Hungarian sociologist Andrea Szegö sees the dilemmas of the Eastern European countries as classic cases of "international debt trap". Not only are new credits taken out simply to finance the old ones, but the whole economy then becomes geared toward export. "Once a country is stuck in the debt trap it is forced to export at any cost for foreign currency. The forced growth of exports leads to domestic losses that are taken out on the big state enterprises."

Three Apologies to Readers from ALR

ALR's April issue was plagued by disasters: some out of our control; some not.

Apology 1: Due to spectacular mismanagement on the part of our mailing house, subscribers did not receive their April ALR's for more than three weeks after they were despatched by us to the mailing house. If you have still not received your subscription copy of the April ALR, but are reading this, please ring us on 02-281-7668, and we'll send you a copy. Our apologies to readers.

Apology 2: Readers who actually received their April issue may have been confused to discover it marked 'March' on the cover. It was indeed the April issue, as indicated on the contents page and on page folios. The misdated cover was the result of a layout and proofreading oversight. Again, our apologies to readers.

Apology 3: The graph of page 14 of the April issue was unattributed. The graph was courtesy of Andrew Scott; the artwork was courtesy of Social Change Media. Our apologies to both.

Today, the nationalist-conservative Hungarian Democratic Forum (HDF) government grapples with the same tight guidelines as the former communist rulers. The marginal balance-of-payments surplus that financed the $3.9 billion debt-servicing bill last year will not materialise in 1991. The IMF pact stipulates that Hungarian export surplus and tourism revenue must cover the $2.6 billion interest payments in order to receive $2.35 billion in loans to pay off principal.

The president of the Hungarian National Bank optimistically points out that the country's debt service ratio (servicing costs as a percentage of total export earnings) has fallen to "only" 40% from 70% three years ago. Yet the collapse of the COMECON trade bloc and conversion to dollar-based trade with the Soviet Union (particularly for oil) has the government predicting a 14% drop in the terms of trade for 1991. The 10% increase in the volume of 1990 hard-currency exports to the West offset a 25% decline in rouble trade. But as the East now finds itself competing with the West on an equal basis for Soviet markets, the boom in westward exports will not cover its losses this year.

According to IMF rationale, the only recourse is thus harsher austerity measures at home. "The economy is expected to burden higher and higher financing costs from a stagnating GDP," says economist Laszlo Andor of the Hungarian Trade Unions Economic Research Institute. "In the long run, chances of repayment can only be improved if the economy develops competitive, productive industries. But with these restrictive monetary policies there's no chance for development.Internal investment is almost non-existent because everything's going to the debt."

Although the human costs of austerity are daily more visible on the streets of every Eastern European city, opposition to the IMF's rule is nowhere to be seen. In Hungary, the entire spectrum of parliamentary parties backs prompt debt servicing and adherence to the IMF contract's general terms. "There's no alternative" is the common response. The ruling HDF-led coalition has resisted the all-out "shock therapy" that IMF bankers pushed through in Poland. Yet their somewhat more "gradual" approach is only a version of the same economic program.

"It's simply not the case that there are 'no alternatives' to debt slavery," says radical Dutch economist Andre Gunder Frank, recently in Prague to discuss the debt crises. "Debts have come and gone for ages and only rarely have they been paid back."

The most dramatic breakthrough came in March when Western governments agreed to cancel half of Poland's 17 billion British pounds government-to-government debt. Unlike Hungary, which owes the majority of its debt to private sources, Poland's borrowing was done mostly from foreign governments. A bit envious, Hungarian economists wryly note that the banks are not so generous.

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