considered as the whole of the economy. It favors short-term profits . . . and engenders inequalities in the areas of health care, housing, and education, as well as other areas," the statement says. In a society totally oriented to the market, the principle of the "right of the strongest," i.e., survival of the fittest, is imposed on society, and the principle of solidarity is negated. "This is why we believe that the role of the state is fundamental. . . . It is not solely the role of the state to regulate or animate. It must assume its fundamental mission: to guarantee equality of opportunities of general interests, of social cohesion, of new securities and new rights. The state and the public services are producers of social cohesion and create a favorable environment for economic development. It is indispensable that the state offer services in certain sectors which cannot be subjugated to the rules of the market." All citizens must have equal access to these services.

The signators demand a "political contract," "which directs attention primarily to the needs of the general population. We do not forget that the gap between lower and higher income is steadily growing. It is up to us to bring about a balance into this development."

As the document further says: "We have to take up the struggle against social disadvantage. . . . While for many growth means prosperity, the impatience of those is growing, who have the feeling of being closed off from these advantages."

Support for the socially disadvantaged cannot be let up on, and such support belongs among the political priorities of the PSF.

Curb Speculation

In the view of the authors, measures must especially be taken against speculation: "The new economic situation makes improved control of financial capital flows necessary, the consequences of which will be a more just distribution of wealth. . . . For that reason, we must aim at the European and international level to quickly effect the taxation of financial transactions."

While many areas of society need to be reformed in the future, and society has to react appropriately to new technological challenges, the universal values of the Republic have to be defended and be situated at the center of "general interests." Among these are the protection of the family, adequate education and health care, as well as rejection of racial and social discrimination. The document closes with the remark that this economic political orientation proposed for France cannot take effect in France alone. "The new epoch of capitalism has generated new economic and financial inequalities internationally. . . . Europe cannot become a fortress, rather it should become the springboard from which to limit the perverse effects of globalization and to assure regulation of the market for lasting economic development."

Free Traders Losing Friends in the East

by Rainer Apel

One of the most unpopular things for eastern or southeastern European politicians to do these days, is to endorse the policies of Western monetarists. The profound failure of the European Union (EU) to deliver on any of its numerous promises of real economic and financial assistance, and to transfer substantial state funds and private investments into the industry of the East, has done a lot to discredit the "friends of the West" in eastern Europe and in the Balkans in recent months. And many who are being discredited these days, have been longtime loyal friends of the West. In turn, national leaders are letting it be known that they will no longer accept the destruction of their economies by the fanatical backers of the "free market."

Especially in southeastern Europe, signs that Western recommendations for free-market "reforms" are no longer welcome, can no longer be overlooked. For example, big political turbulence was caused by Hungary's Prime Minister Viktor Orban, the showcase politician of the "young generation" of pro-free-trade views in Southeast Europe. On July 12, Orban delivered a surprise attack via Budapest media on the privatization carried out under the previous, Socialist-run cabinet, saying that it was a big fraud which robbed the state of revenue. Orban even threatened to re-nationalize vital sectors of the Hungarian economy, and he mentioned MOL, the giant natural gas and oil group, as one of the companies foremost on his mind. Orban's remarks have "shaken investors" in the West, the European edition of the *Wall Street Journal* wrote on July 13, in an article dedicated to the Hungarian developments, which were appropriately characterized as indicative of the changing policy climate throughout southeast Europe.

And indeed, developments in Romania, a country bordering on Hungary, made that change clear: Romania's President Emil Constantinescu caused even greater political turbulence than the Hungarian Prime Minister, when he took to national television and radio on July 17, to announce that he was dropping out of the Presidential elections in November. He said that he had decided to pull out because he saw no way to fight efficiently from inside the state's institutions against the "mafiosi structures" of corruption and privatization, which reached into the "highest levels of the administration." Constantinescu charged that these

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mafiosi structures were involved in huge privatization scams, in close collaboration with interested foreign circles (mostly in the West), which have "destroyed our banks, the Navy, the farming sector," and other sectors of the Romanian economy.

Constantinescu had been viewed as the foremost "beacon of the West" in the Balkans, after his landslide victory in the Romanian Presidential elections of 1996, in which his liberal-conservative alliance of five parties defeated the Socialist-run bloc of former President Ion Iliescu. His remarks, which insiders know are not only addressed to leading circles of the Socialist government that was in power before 1996, but also to members of the non-socialist present government, have therefore delivered a great shock to the Western supporters of the International Monetary Fund's austerity policies.

Strengthening Government Authority

The situation in Central Europe, notably in the Czech Republic, is also developing in a way that runs into open conflict with free-trade, monetarist policies. In July, in an initiative that cut across party lines, the Parliament voted for a change in the statute of the central bank, that would put it under stricter political control by the government. The new statute, if it receives final approval, would give the government power to appoint the members of the bank's board, and would oblige the bank to coordinate its policies with the government, including on currency interventions, inflation targets, changing interest rates and money-supply policies, and other aspects of national economic policy.

The plan to give the central bank a new statute is interpreted as an act of war in the EU bureaucracy in Brussels, which sees its ideology of "independent" (i.e., independent of the governments, but dependent on the markets) central banking being undermined by Prague. Political sanctions—for example, a postponement of the envisioned Czech membership in the European Union by several years—have already been threatened by Brussels.

But this EU approach will prove counterproductive. And so will the fact that Britain's Foreign Secretary Robin Cook offered the Czechs his government's "expertise" in the deregulation of state-run railways, during his visit to Prague at the end of July. The disaster into which British Rail has been thrown, after deregulation during the mid-1990s, is unmatched anywhere else in Europe. The Czechs would be insane, to adopt this kind of policy.

In the Baltics, the parliamentary opposition parties in Estonia and Latvia have joined forces against privatization. At an ad hoc meeting in the city of Parnu in July, they announced the formation of a joint working group that will oppose the privatization of both countries' power sectors. The *casus belli* that triggered the decision was the announcement by the Estonian government that it would sell the country's Narva power plants to the U.S. company NRG Energy. A letter signed by the Estonian opposition accused U.S. officials of heavy-handedness, stressing that "the initiative of those officials has in our opinion gone far beyond their official duties." At the meeting in Parnu, the head of Estonia's Center Party, Edgar Savisaar, said, "It was a surprise to me that the U.S. interests are coming to the fore not only in the privatization of Narva power plants, but strongly in Latvia as well."

At the same time, in Latvia, the Central Election Commission announced on July 24, that a petition for a referendum against the privatization of the country's power company, Latvenergo, had collected more than double the signatures needed to force the parliament either to adopt the anti-privatization bill or to face a referendum. The petition collected 307,330 signatures, or 22.9% of the electorate. Now, if the Latvian parliament rejects or amends the anti-privatization bill, the issue will go automatically to a referendum. Even the People's Party, a member of the government coalition, has called for legislation that would continue the so-called restructuring of Latvenergo, but would stop the privatization.

Growing Resentment

The deepening frustration among people in eastern and southeastern Europe means that the integration of the European continent on Western terms is losing its attractiveness. In speeches on July 20 in Berlin and Munich, respectively, the Foreign Ministers of Slovenia and Hungary, Lojze Peterle and Janos Martonyi, warned that while a majority of their populations are still in favor of EU membership now, a backlash in popular opinion can be expected. They warned that if by the time of its summit in Nice, France in December, the EU has given no clear indication that Slovenia and Hungary and seven other eastern and southeast European nations would be admitted to the EU in the near future, pro-Western politicians in these countries would be swept out of power.

The growing sentiments against monetarist policy recommendations have also become apparent on the nuclear power issue: The governments of the Czech and the Slovak republics have recently let the West know, that they do not intend to adopt the EU's anti-nuclear guidelines and sacrifice their nuclear sectors. The Czechs even were so provocative as to announce a massive expansion of their national nuclear power program.

Similarly, President of Ukraine Leonid Kuchma embarrassed his German hosts at the German-Ukrainian Consultations in Leipzig on July 12-13, when declaring that, because of threatened shortages in the future energy supply, Ukraine is not in a position to sacrifice plans for the completion of two nuclear power reactors. When German Chancellor Gerhard Schröder told him that Ukraine could not expect money from Germany if Ukraine adopts this policy, Kuchma said that he was aware of that, and that if the other Western countries would not support Ukraine, the Ukrainians would attempt to complete the two plants, at Khmelnitski and Rovno, with loans from private banks.