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CONTRADICTIONS OF CONTEMPORARY GLOBALIZATION: HOW IS SOCIALIST PHILOSOPHY TO COPE WITH IT?

TOMONAGA TAIRAKO

I. The Definition of Globalization

Globalization is a term that expresses a new phase of capitalism since the Cold War ended in 1989, made possible by the rapid development of information technology. Globalization has brought about the transnational movement of people, goods and information all around the world, which makes the nation-state and its established economic system a weaker device for maintaining social unity and order. Nation-states now face a variety of problems.

In the *Communist Manifesto* in 1848, Marx claimed that capitalism created global markets and developed into global capitalism. Wallerstein, famous for his capitalist-world-system theory, argued that capitalism existed as a world system since emerging in Europe in the late 15th century. The current globalization has inherited the global nature of a capitalist economic system. The world capitalist system had developed just on the premise that a nation-state could effectively manage its territory, people and currency until the welfare state system was well established. The system was based on Keynesian policy, but came to an end as a result of the two oil shocks in the 1970s. Thereafter, the modern form of the world capitalist system has expanded beyond the boundaries of the nation-state, and gives rise to much more serious problems than the nation-state alone can manage. There are urgent political tasks such as what form international institutions such as the UN should take and how nation-states can be deconstructed or reorganized. All things considered, modern globalization is a new phase of the world capitalist system.

Globalization has affected almost all human activities- economics, politics, law, society, culture, thought, religion, and so on. Although it is interesting to discuss the theme of “What is the Philosophy of Globalization?” this paper mainly focuses on economic globalization and its problems, not limited to philosophical ones. For economic globalization is enormously important because of its various fatal effects on people’s lives worldwide. Therefore, scholars should attempt to answer the question — how can we be liberated from poverty and other difficulties caused by the current globalization?

II. Global Structure of Economic Crisis

A series of economic crises occurred in many Asian countries in 1997, revealing the dangers of the modern capitalist system. Many East Asian and Southeast Asian countries had achieved stable economic growth since the 1960s, as illustrated by various economic statistics. For instance, the World Bank released a report titled “Miracle in East Asia” in 1993. However, the de facto devaluation of the Thai baht triggered the Asian Economic Crisis on July 2, 1997.
The crisis provoked the crash of currencies and stock markets of many Asian countries, Southeast Asian countries (Thailand, Indonesia, the Philippines, Malaysia), the Newly Industrializing Economies (Korea, Hong Kong, Taiwan, Singapore) and China, and put those countries in peril. Compared to the US dollar, the Indonesian rupiah fell by 84%, the most seriously damaged among Asian economies, the Thai baht fell by 41%, the Malaysian ringgit fell by 39%, the Filipino peso fell by 37%, the Korean won fell by 36%, the Taiwan dollar fell by 19%, and the Singapore dollar fell by 16%. In the stock markets, South Korea experienced a fall of 60%, Malaysia a fall of 58%, China a fall of 50%, Thailand a fall of 49%, Singapore a fall of 46%, Hong Kong a fall of 44%, and Indonesia a fall of 38%. China and Hong Kong were hardly affected by the collapse in foreign exchange markets but suffered serious blows to their stock markets.

The Asian Financial Crisis was not caused by the particular economic structures or failures of economic policies of those countries, but by a series of international financial crises that occurred after the financial crisis in Europe in 1992 and the monetary crisis in Mexico in 1994, and in Argentina in 1995. The Asian crisis of 1997 was followed by the Russian crisis in 1998, the collapse of the Russian ruble on August 27, and the crises in Central and South America, the fall of stock prices. In other words, the world economy entered a new era of contagious global economic crisis in the 1990s.

A financial crisis is caused by large and rapid flows of speculative short-term funds in the private sector such as hedge funds and financial derivatives. Developed countries have accumulated so much money that funds cannot be invested in production due to their own overproduction and overcapacity. These countries have a low-interest rate policy at home. The accumulated money moves globally in order to obtain speculative profits by means of the gap between interest rates or the changes in exchange rates. Hedge funds were originally designed to hedge the risk of foreign settlement that is influenced by changes in exchange markets, namely to reduce the risk of losing in speculation. This system, however, became a target for financial speculation itself. Speculators can obtain large profits from the drops in foreign exchange rates against the US dollar. According to 1998 statistics, the total amount of dollars sold in exchange markets was 1.5 trillion dollars per day, and short-term funds accounted for 95% of the total.

The total amount of trade in goods and service reached 6.5 trillion dollars, which is only 3 to 4 times greater than that of the daily trade in foreign exchange markets. In addition, the total size of foreign currency reserves held by every nation was 1.6 trillion dollars, and this size was slightly greater than that of the trade per day in exchange markets as well. The large and rapid inflow of private short-term funds in 1997 brought about an artificial bubble economy in Asian countries. However, the outflows of funds were so large and rapid that the countries suffered from the collapse of the bubble in 1998 and subsequent economic crises. The collapse of the bubble caused a decrease in the real growth rates of GDP, inflation, high unemployment rates, and a sharp increase in the number of poor people living below the poverty line. The countries that had adopted a policy of liberalization of capital (such as Thailand and Indonesia) suffered more than the others.

Thailand became unable to pay in foreign currency (on July 19), and Indonesia (on October 8) and South Korea (on November 21) followed suit. These insolvent countries asked the IMF for urgent assistance. The IMF thought the cause of the Asian Crisis was due only to the structural defects in financial systems and governments’ financial policies of the countries
(the so-called “fundamentalist argument”), and did not pay attention to any policy to regulate the abrupt outflows of foreign short-term funds that triggered the series of financial crises. As a result, the organization contributed to worsening the situation.

Officials from international organization such as the IMF, the World Bank, and the WTO maintain a right to make decisions in providing assistance, including monetary loans, to developing countries in economic difficulties. They took up the position that if every economic activity is entrusted to free competition in the market, the optimum distribution and economic growth could be achieved. The officials' demands were based on the premise that those countries should realize structural adjustment programs that focused on (the so-called “Washington Consensus”) belt-tightening of finance and fiscal sectors, privatization, market liberalization (including capital markets). This program was originally designed not for immediate economic stabilization of the endangered nations, but for the effects in the middle and long terms regardless of any initial success. The Asian economic crisis of 1997 was caused by the rapid influx and outflows of foreign short-term funds that led to the lack of governments' reserves for foreign payments. Facing the request for loans from the countries in the crisis, the IMF took preventative measures for aggravation, not for recurrence of the crisis. This case can be compared to catastrophic disasters. For example, the measures of the IMF can be compared to preventive steps focused only on how to build houses with earthquake-resisting equipment instead of rescue operations to rescue casualties or prevent fire from spreading. The inappropriateness of this response is obvious at a glance in natural disasters. But the IMF urged the developing countries to follow policies (belt-tightening financial and fiscal policies) that were likely to worsen the crises. As a result, a high interest policy meant that many firms could not obtain loans and inevitably went bankrupt, which led to mass layoffs and an increase in the number of poor. Fiscal restraint policies immensely reduced the expenditure on social welfare to rescue the unemployed and the poor, and on environmental protection. The unemployed cut down trees in the tropical rainforests in Brazil and Asian countries, which gave rise to serious destruction of the environment and extinction of plants and animals. Corporations and people with disarmament are facing the wild waves of global capitalism. International institutions such as the IMF stand in, through policies and artificial methods, with what anonymous power of global markets does.

The progress of capitalist globalization, market principles, and policies based on neoliberalism widened the gap between the rich and the poor. The disparity in income per capita between 20% of the richest and 20% of the poorest in the world widened from 30 to 1 in the 1960s to 74 to 1 in 1997. About 2.8 billion people live on less than 2 dollars a day, and 1.2 billion live on less than 1 dollar a day.

There are already several solutions for regulating globalized capital in terms of how to protect the life of people in a vulnerable position in developing countries. This paper identifies several tasks. The first task is how to regulate the movement of short-term speculative capital, the second task is how to reorganize or to democratize international organizations with mandatory power such as the World Bank, and the third task is how to construct a safety net on a global level, and the final task is how to design a sustainable economic system in consideration of the environment.
III. Political Economics of Global Migration: Why Do People Move Beyond National Boundaries?

Why do people move beyond national boundaries? This section considers this question with reference to multiculturalism and ethnic minorities.

Nation-states can no longer control the movements of capital and people. The developed capitalist economies have pressed ahead with the liberalization of capital, goods and information for several years. At the same time, they have tried to control and limit the influx of labor. Migration from developing countries to developed countries is generally blamed on developing countries because of their poverty and failure to develop. However, the international behavior of capital investment makes it possible to create a huge number of potential migrants on the developing side and to make great demand for low wage labor in developed countries. Saskia Sassen considers that this works as a power to attract a large number of migrants, and recently presented a theoretically framework for determining the mechanism of globalization in migration.

Sassen investigated the fact that from the 1970s to 1980s the main source of immigrants were not the poorest in the South but Asian countries such as South Korea and the Philippines, Caribbean nations, and some of the Central and South American countries that have succeeded in economic growth due to the direct foreign investment by the US. This study made her reject the established hypothesis that local production in developing countries increases employment in the area and controls over the outflows of migration.

Developed countries have begun moving their manufacturing bases to developing countries because of the high costs and strict legal restrictions in their home countries. In addition, governments of developing countries have invited foreign firms through various protection measures such as infrastructures and exemption. The invited companies do not make completed products for the local markets but usually do so-called offshore production: They import parts and intermediate goods from the home countries, process or assemble them and export the partly finished product to their home and other countries. This local production is closely integrated into the production network that positions the investing countries at the center. The production sites are called 'export processing zones'. The global development of processing zones has led to developing countries no longer being exporting counties of primary products, and has remarkably strengthened their character as sites for manufacturing.

Absorbing young cheap labor from neighboring rural societies satisfies the local demand for labor in local plants. This is a risk for the farming community because it imposes a labor drain on the rural workforce. Exporting processing zones employ mainly young women so that many men lose opportunities to have a job. Whenever foreign manufacturers move their production sites, the employed women lose their job as well. Thus, a large number of potential migrants have accumulated in industrializing countries in the course of globalization. On the other hand, as foreign firms from developed countries become established in developing countries, their home cultures such as mass consumption and lifestyle penetrate the developing countries. For local people, American mass-consumption lifestyle has already become part of their daily lives. There are many unemployed people in the central cities who have lost their opportunity to return and they become some of the potential migrants.

On the other hand, the IT revolution created a huge new demand for unstable and cheap
labor in developed countries as well, attracting a massive number of migrants. The relocation of manufacturing sectors is referred to as de-industrialization. But as sectors such as manufacturing, office work, and services are globally allocated, the core managerial functions of multinationalized firms have become concentrated in particular metropolises. This process has increased the importance of the financial sector, and financial institutes have gathered around certain big cities. These developments brought about a new type of city called a ‘global city’. New York and Los Angeles are typical examples.

In a global city, the number of white and blue-collar employees is decreased. Such workers played an important role in the conventional industrial structure. On the other hand, the number of professionals earning a high income is increased. People who work for low incomes in the service sectors and in sweatshops become the new low-income class.

Global cities generate massive new demand for labor in service sectors such as cleaning and managing buildings, and the increase in the number of people in the high-income class creates demand for a variety of services such as housekeeping, baby-sitters, and pet sitters. Although demand for new services is requisite for the growth of global cities, the demand is unstable due to poor and dangerous conditions. Workers in developed countries are reluctant to do such jobs as cleaning and construction, so migrant workers tend to do the dirty and difficult jobs. In the US, the civil rights movements and feminist movements in the 1960s resulted in black people, minority groups and women increasingly calling for improvements in social status, working conditions and income. That led to a severe shortage of workers especially in the low-income sectors in the US. Women’s participation in society has increased recognition, but the average wage has been reduced since the 1960s. These two causes made women’s employment rates rapidly rise. But this in turn created a large demand for domestic services and childcare. Female immigrants, mainly illegal immigrants, have taken on these household tasks.

The fact that potential workers are superfluous at home in developing countries will not trigger the massive migration into developed countries. Rather, the real factor is the demand that could be satisfied just by amenable migrant workers. It is notable that the demand is increasing in ‘global cities,’ which function as control towers of global capitalism.

It is necessary to pay attention to the double-edged role of the developed nation-state. Nation-states in the developed world call on developing countries to liberalize their financing, production, and export and import; in the meanwhile tightly controlling the influx of transnational migrants (a labor power commodity). Considering the fact that there is substantial demand for migrant workers in developed countries, it is difficult to prevent illegal immigrants evading government controls on their immigration. The categories of “legal migration” or “illegal migrations” describe the government’s management of boundaries. Corporate management can, thanks to this control, make immigrant workers work hard in bad working conditions for low wages, and suppress resistance from foreign workers who protest about the unreasonable treatment as a violation of their human rights. In this sense a nation-state is a confederate with capitalism’s interests as an apparatus not for the physical prevention of migration, but for the differentiation of migration domestically.

Compared with the income level in the countries of origin, immigrant labor in developed countries is still in a preferable situation to other workers that were unable to migrate or who work in neighboring developing countries.

Structural differences in the global labor market are determined by the global capital
development. The current phenomenon of migration has a character of labor movement on a
global level that 1) is on the basis of the movement of labor from rural to urban areas in
developing countries, 2) against a background of the movement from low-income areas to high
income areas (A typical example is the migrant or guest workers from neighboring Arabic
countries and Asian countries to oil producing countries in the Middle East, which number
over 1 million. The oil states absorbed some 80% of migrants from Asia during the period of
the 1970s and 1980s) is ongoing all over the world, 3) is with the fact that there are flows of
migration from the highest developing countries to the developed countries. The phenomenon
itself proceeds as global mass immigration. The dichotomy of North and South does not grasp
the hierarchical structure of the labor force on the global level.

Considering the period when capital, product and information freely move in the world,
the movement of people cannot be the sole target for limitations. The modern global migration
spreads out as the global movement of the labor force, and for the developing countries the
labor power commodity is their best ‘export item’ with international competitiveness. The fact
that neo-liberalists force developing countries to liberalize capital and goods and are not
willing to permit the liberalization of labor demonstrates the cunning and inequity of
neo-liberalism.

However, there is growing international acknowledgement of foreigners’ right of perma-
nent residence or multiple nationality, human rights and many political rights, and the
demands and movements for voting rights for foreigners (especially regarding self-
governance). These trends in public opinion are causing revisions and institutionalization of
laws related to the above. In Japan, there have been court battles regarding the freedom of
immigration for foreign residents in Japan, rights of life, rights of public duties, voting rights,
and so on. It is important to support these movements for protection of foreigner’s human
rights. But when regarding the differences in the global structure of capitalism and the labor
market defined by the global capital development, assistant measures based on the nation’s
legal system apparently have limits. The fundamental limitation is that the legal systems of
nation-states do not take account of potential migration accumulated in developing countries.
Another limitation is that the same number of foreigners categorized as ‘undocumented’ or
without any rights is likely to be reproduced as that of people in the specified category who are
given a variety of legal rights by a nation-state. Therefore, civil movements that ask nations to
give equal rights to the foreigners should press ahead with promoting the idea of a global safety
net to support human rights and the right to life of all people excluded from the target lists of
legal protection.

Why is Nationalism Revitalized?

Globalization has left all people on Earth under the structural pressure of capitalist global
changes, and various problems caused by it now directly impact people’s lives. But one
significant property of the current stage of globalization is that the existing system of the
nation-states (including international institutions like the UN) is the only effective institution
in practice to cope with such problems. Under this situation, nation-states are out of structure
or they should be restructured. Groups aiming at escaping the crisis by re-structuring the
nation-state may succumb to the emotional appeals of nationalism to avoid the crisis brought
about by the institutional incapability to secure national productivity and national welfare. But
nationalism significantly decreases the nation-state’s capability to solve economic and political
problems as it ends up building ideological barriers in international diplomacy with foreign nations. The increasing incapability of the nation-states, in turn, tends to intensify the nationalism, or eventually escalate its chauvinistic tone.

IV. Protection of Cross National Human Rights and Philosophical Themes

The most critical goal of globalization studies is to construct resistant discourse against capitalist globalization without falling into the pitfall of nationalism. Globalization studies should go beyond presenting theoretical frameworks and methodologies to describe globalization. Instead, globalization studies should be designed to protect the life and rights of people whose lives and minimum living conditions have been threatened by capitalist globalization.

Global capitalism has caused the current precarious situation worldwide, which includes the expanding gap between the rich and the poor, increase in the number of people living below the poverty line, malnutrition, AIDS and other diseases, destruction of the environment, shortage of water and water pollution, international terrorism and increase in the number of casualties due to retaliations, increase in the number of foreign laborers forming the lowest social class. Such problematic phenomenon is the result of the latest form of capitalist world system, and it represents denial of the social weak’s minimum right to life by the competitive pressures in the system.

Civil wars, ethnical clashes and frequent occurrence of indiscriminate terrorism after the collapse of socialism have often been understood as the clashes of different civilizations. Such argument, however, obscures a serious fact that billions of people suffer from the expansion of poverty and the lack of social safety net. The aggravation of poverty and environmental destruction, in many places of the world, triggers civil wars and escalation of ethnic confrontation which leads to indiscriminate terrorism and massive massacre.

Under today’s capitalist market system, the capital, product and information freely move beyond national boundaries guided by the “invisible hand” of market mechanism. Capitalist globalization also comes to determine the world population and the movement of people, wealth and poverty and natural environment. Thus, the responsibility for such problems is not simply ascribed to the nation-states in developing countries where they break out or chronically devastate the lives of the people.

Together with the establishment of economic institutions to regulate global capital markets as discussed in the first chapter, it is very important to enact international human rights laws and to found relevant institutional bodies so that international cooperation could help suffering nation-states solve the problems. Ever since the world human rights declaration in 1948, the international human rights law have given rise to a number of important declarations, treaties, agreements and resolutions, and international institutions including the UN and social movements have pressured individual nation-states to ratify and conform to them. In international politics, the political potentiality of the international legal system is increasing. But today’s international law system has a lot of problems because on the international legal arena, a nation-state is the only legally recognized agent that has both legal rights and responsibilities like individuals in domestic society. In contrast, the major casualties of war crimes and environment destruction have always been human individuals. Thus, the international legal system has often oppressed the just demands of the most seriously suffered
individuals. Furthermore, it has been shown in human rights diplomacy that international society draws a clear line between the developed countries and the developing countries. In this division, there has been a tendency that the political oppression by political leaders in developing countries has been unnecessarily magnified while the pain and suffering caused by the policies of developed countries are frequently obscured. Limitations of the international legal system also manifest themselves in the fact that political leaders’ capability to cope with critical problems at the global level has been significantly curtailed in the negotiation among nation-states. Therefore, for the international law system to be able to make an effective contribution to the solution of serious structural problems caused by the current capitalist world system, it should be redesigned from their foundation.

The right to life cannot be understood or ensured in isolation and requires the following legal premises: First, the right to life should be understood as distinct from all other human rights such as the right to freedom and the right to pursue happiness. Secondly, the right to life as the most fundamental right takes precedence over all other human rights so that it could be limited only in the case that another’s right to life is endangered. Finally, the right to life should be endowed with primacy in legal interpretation when it clashes against other human rights, and the right to life should not be sacrificed against other abstract public or national interests such as national security.

The main philosophical interest in globalization involves constructing a safety network system to save all individuals of the world whose lives are immediately endangered by direct violence in terms of totalitarian oppression, chronic civil wars, invasion by foreign military forces and so on) or structural violence entailed by the current capitalist system. Replacing the capitalist market economy with a planned economy or constructing an international government by eliminating nation-states are not viable solutions. The problems should be tackled based on an gradual, bottom-up approach of connecting social movements at multiple levels (in local, national, regional like the EU and global levels like the UN) under the current economic and political system.

How could philosophy meaningfully contribute to this cause? It would be irresponsible to prescribe the direction for social movements by ideally (without making any empirical consideration) defining globalization in the name of philosophy. On the other hand, it would not be the task of philosophy to theoretically prove that reality does not change, propagate nihilism and cynicism over the world and, consequently, discourage the people voluntarily participating in various social movements. The role of philosophy is, above all, to sincerely listen to the needs and demands of people suffering from today’s globalization, to keep supporting the social movements for empowering them and to equip them with the sense of human dignity and ethical meaningfulness which grounds on historical necessity. Finally, it is impossible to consider the philosophy of globalization without in-depth considerations of globalization based on detailed empirical researches and social sciences.

V. Contradictions of Contemporary Socialism

By making a brief comment on Chinese socialism and Deng-Xiaoping’s theory, the author would like to join the discussion on the problems of contemporary socialism. The very important role that Deng-Xiaoping played in the prosperous development of the Chinese
national economy since 1978 cannot be denied. According to many Chinese philosophers and social scientists, his theory owes its validity mainly to efforts to set up the theory and the policy of ‘socialism with Chinese characteristics’ and, as a result, the ‘sinofication of Marxism’ was successfully achieved. Although the author agrees with them as far as his theory represents the historical development unique to Chinese culture and tradition, he instead intends to throw light on a universally valid aspect of his theory in which contemporary socialism is deeply determined by the capitalist character of modern forms of production.

One of the most fundamental problems common to all socialist movements under conditions of globalizing capitalism is (1) how to create highly developed productive forces with effective competitiveness (2) without giving up the requisites for a socialist character of the economic system.

What makes the problem more critical is that it is always the capitalist mode of production instead of the socialist mode that determines the contents and the level of effective productive forces indispensable for the construction of a socialist system. Furthermore, we must consider that the capitalist system, by nature, uninterruptedly improves its technology and productivity under the pressure of free competition in the market. The most decisive factor leading to the collapse of the socialist system in the Soviet Union and other East European countries is that the socialist system, constructed as a closed economic system, failed in intrinsically creating productive forces that matched those of the capitalist system.

Contemporary socialism must, therefore, cope with the following dilemmas: (1) the socialist state must, in order to evade the collapse of its regime, adopt an ‘open door’ policy and do its best to introduce and establish existing productive forces that originate from the capitalist mode of production; (2) this introduction, however, inevitably entails the tendency to the social inequalities inherent in capitalism as the widening gap between the rich and the poor and the forming of de facto ‘capitalist’ classes. The construction of a socialist economy must, therefore, fulfill the following double tasks that, to some extent, factually contradict each other: (a) it must, as soon as possible, adopt productive forces created by the capitalist system, (b) it must, at the same time, make the best efforts to realize socialist policies, withstanding the impending risk of reversal to capitalism, without spoiling its systemic efficiency.

This can be regarded as a fundamental contradiction inherent in contemporary socialism. By this, the author means contradictions that can and must be overcome for the survival of socialism but whose successful overcoming cannot be preordained or assured by any socialist theory. Socialist movements must break through these contradictions only through painstaking works on the above-mentioned dual front. Deng-Xiaoping openly puts forward that these contradictions are indispensable for the construction of a socialist system. This is one of his most important contributions to general socialist theory.

Some Chinese social scientists characterize Deng-Xiaoping’s theory as a theory for socialism in developing countries. However, as far as the antagonistic process inherent in the development of socialist movements is concerned, his theory is applicable even to socialism in developed countries.

The whole discussion in this section reminds us of the following remarks by the young Marx:

‘...in der Bewegung des Privateigentums, eben der Ökonomie, die ganze revolutionäre Bewegung sowohl ihre empirische als theoretische Basis findet [... the entire revolutionary
movement finds both its empirical and theoretical basis in the movement of private property, just in the economy)” (Marx 1982, p.263).

“What distinguishes Marx’ socialism from other socialist views is his concern about the qualification of the working class to withstand the injustice brought about by capitalism. We can see that the main idea in the Thesen über Feuerbach, namely, to grasp the object as active praxis, in other words, to bring the subject of praxis into interrelation with the object of praxis, is applied here. Thus, Marx places the agents of praxis into the objective (capitalist) system that is to be changed, and asks how and to what extent they cultivate their abilities to match it in this system.

In general, even under conditions of highly developed capitalism, the motives and incentives to strive for socialism are mainly found among social strata that are more or less excluded from the best benefits of civilization produced by the capitalist system. Their view is more concerned with what capitalism has deprived them of than what it has given them. They usually resort to traditional cultural resources that capitalism threatens to extinguish. As long as socialist movements develop in a spontaneous way, most of their supporters will belong to the social groups that, to apply the phrase Marx uses in his Ökonomisch-philosophische Manuskript (ibid., p.262), ‘have not yet even reached’ the highest level of civilization and education that contemporary capitalism potentially enables them to achieve. This is precisely the reason (1) that socialist movements have until now been destined to fail to overcome capitalism; (2) that they, even after successfully coming to power, have been forced to recruit their leaders and administrative staffs from the traditional dominant classes and intellectuals in order to maintain power. This has inevitably led to the formation of elites like political cadres, technocrats and bureaucrats as privileged dominant classes, and finally to the degradation of socialism.

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