

the London School of Economics, writing in the *New Republic* (Oct. 5, 1998).

Khatami's thinking is on display in two books he has written: *Fear of the Storm* (1993), a collection of five essays, and *From the City-World to the World-City* (1994), a study of Western political thought from Plato to contemporary liberalism. "The latter book," notes Halliday, "is an argument for democracy and freedom, and for open dialogue between civilizations."

Two themes run through the volumes, observes Shaul Bakhash, a historian at George Mason University, in the *New York Review of Books* (Nov. 5, 1998). "First, Khatami sees Islam as a religion and civilization in crisis or, at least . . . no longer responsive to the needs of the times, whether in science, the economy, or political organization. . . . Second, Khatami believes that today 'the world is the West, or lives in the shadow of Western thought and civilization.'" Muslims must acknowledge this reality, he believes, and intellectually engage Western thought.

Khatami—whom many have likened to Mikhail Gorbachev, the reformist Communist who dug the grave of the Soviet Union—has been part of Iran's ruling clerical establishment since the 1979 revolution. Until 1992, when he was ousted as minister of culture for being too permissive, he held important positions in the Islamic Republic.

Since Khatami became president, his "attempt to expand press and political freedoms has run up against strong opposition from the conservative faction among the

ruling clerics," Bakhash observes. Though he has a popular mandate and controls most of the executive branch, conservative clerics outnumber his supporters in parliament. More important, Iran's supreme leader, Ayatollah Ali Khamenei—the successor to Ayatollah Ruholla Khomeini—possesses greater powers. Khamenei controls the military and the national police, as well as the security agencies, Bakhash points out. He also names the chiefs of the judiciary, national broadcasting, and the foundation that controls the hundreds of expropriated industries and enterprises. And he names the principal members of the watchdog Council of Guardians, which "can strike down legislation it deems in violation of Islam."

Islam is not the problem, writes Shireen T. Hunter, director of Islamic studies at the Center for Strategic and International Studies, in the *Washington Quarterly* (Autumn 1998). "Islam is no more incompatible with democracy than any other religion that puts divinely inspired laws above those made by humans," she says. The problem, rather, is that the Islamist ruling class in Iran is unwilling to give up power and "bow to the will of the people."

Khatami and the reformers may be able, if they overcome conservative opposition, to "soften the harsher aspects" of Iran's political system, Hunter concludes. But they cannot achieve the president's proclaimed aims of establishing the rule of law and creating an Islamic civil society without fundamentally changing that system.

A Pilgrim in Kerala

"Poor but Prosperous" by Akash Kapur, in *The Atlantic Monthly* (Sept. 1998), 77 N. Washington St., Boston, Mass. 02114.

It is a land where portraits of Marx, Lenin, and Che Guevara are still plastered on building walls, where small paper flags bearing the hammer and sickle flutter by the roadside. You can get your car fixed (if you are lucky enough to own one) at Lenin's Auto Parts. Is this Cuba? North Korea? No, it is Kerala, a verdant Indian state with 33 million inhabitants on the subcontinent's southwest coast. It offers a model for the Indian future, insists Kapur, an Indian resident now traveling on a fellowship from Harvard University.

In 1957, Kerala installed the world's first democratically elected Marxist government, and Communists have ruled intermittently ever since. Lush plantations of cardamom, pepper, rubber, and tea fill the valleys, criss-crossed by rivers and canals. Land reform in the 1960s gave 1.5 million tenant farmers pieces of this fecund land, and a "generous" minimum wage assures a decent standard of living, at least for those who can find work. Unemployment is high at 25 percent, a result of the fact that industry has largely stayed away from the Marxist Eden.

Kerala is one of the poorest states in one of the poorest countries in the world. The state's gross domestic product, at \$1,000 per capita, is some \$200 less than the Indian average. Yet, according to Kapur, the people of Kerala enjoy advantages usually found only in the industrialized world. Life expectancy is 72 years, and infant mortality rates are low. "Perhaps most impressive," he says, is the 90 percent literacy rate, the result of a three-year literacy drive begun in 1989. More newspapers per capita are read here than anywhere else in India. Keralites are

open to new ideas, Kapur says, citing bookstores he found stocked with such titles as *Text/CounterText* and *Intimations of Post-Modernity*. Ashutosh Varshney, a political scientist at Columbia University, likens Kerala's active civic life to Tocquevillean America's.

Some of Kerala's advantages derive from its history as a cosmopolitan trading state. Its busy port city of Cochin is called the "Venice of India." Other advantages are of more recent



Portraits of Lenin and Marx grace an arch in the Indian state of Kerala, which boasts a communist government.

vintage. Stiff national tariffs on imported crops and remittances from Keralites working overseas help sustain the local economy.

Now, with India's tariffs coming down amid the gradual liberalization of the national economy, Kerala "runs the risk of being steam-rolled" by change, Kapur says. But its example, in his view, should remind Indians that success cannot be measured "merely in terms of income and output."

Love and Taxes in Russia

"Russia's Taxing Problem" by Daniel Treisman, in *Foreign Policy* (Fall 1998), Carnegie Endowment for International Peace, 1779 Massachusetts Ave. N.W., Washington, D.C. 20036.

"Russia's inability to collect taxes is rapidly becoming the greatest threat to its economic and political stability," writes Treisman, a political scientist at the University of California, Los Angeles. The desperate Russian State Tax Service has even aired a TV ad showing a businessman whose libido has deserted him because of anxiety about his firm's tax evasion—"probably the first time in history that an honestly completed tax form has been touted as an aphrodisiac."

Needless to say, the ad did not work.

Federal tax revenues fell from 18 percent of gross domestic product in 1992 to 10 percent in 1997. The Asian financial crisis and plummeting world oil prices compounded the government's financial woes. As a result, public agencies can't pay their bills. Teachers and laborers wait months or even years for their wages. In July, coal miners in Kemerovo protested by blocking the Trans-Siberian Railway for 16 days.

Tax rates were slashed during the "shock

therapy" that began in 1992, but while revenues later bounced back in Poland and other ex-communist shock therapy patients, they didn't in Russia. Russia's problem, Treisman believes, stems from the "perverse incentives" in its evolving federal tax system, which have governments at different levels competing with one another "to conceal and divert revenues that they would otherwise have to share."

Moscow typically is supposed to get 75 percent of the revenues from the national 20 percent value-added tax (VAT), and 35 percent of the revenues from the tax on corporate profits. The regional governments get the rest. In many regions, a few large enterprises predominate, and governors can look the other way when profits are kept off the books—in return for a "contribution" to off-budget funds for local development or to the governor's personal retirement fund.

Most—about 70 percent—of the decline in federal tax revenues between 1994 and '96