

Monetarist shock program rips Poland

Michael Stalla reports on how the made-in-Britain Balcerowicz Plan could doom Poland's experiment in political freedom.

"Such an abundance of consumer goods has not been seen in Poland for half a year," exulted the *Frankfurter Allgemeine Zeitung* on Feb. 10. "A new era of Western-style abundance has broken out with the new decade," reported the *Wall Street Journal* Feb. 22, and described bakeries stocked with cakes, sausages hanging in the butcher shops, groceries filled with bananas, and the "miraculous" disappearance of the queues in front of the stores. The paper did not give the punchline: The merchandise costs so much, no one can buy it any more.

The "shock program" worked out in concert between Finance Minister Leszek Balcerowicz and the International Monetary Fund was supposed to suddenly turn Poland's economy into a British-style free market economy, but in fact it hit like a bomb. Prices for consumer and capital goods were freed of all controls and skyrocketed. Certain rents, public transport fares, and energy prices were drastically raised, with electricity for example shooting up 300%, and rail fares around 200%. The official inflation rate in January rose 73%. In parallel, subsidies to businesses were drastically reduced and taxes raised. Businesses have to show a profit or declare bankruptcy. At the same time any wage increases that surpassed 0.2% of the rate of inflation, were made virtually impossible by draconian taxes of as much as 500%.

As a result, Polish families were cheated in January alone out of 40% in the actual loss of buying power, and since then, probably more than 50%.

The social situation of the population is getting worse every day. People are going hungry and freezing; they live off the hope that living standards will soon improve. According to the National Statistical Institute, 43% of those interviewed do not have enough to eat. Before, American dollars were in hot demand; now, private individuals are selling more dollars to the banks. They are forced to dig into their savings in order to defray urgent costs.

The train stations look like refugee camps, where homeless people seek shelter from the cold. The hardest hit are retired people. With pensions of only about \$17 a month, they are forced to sell off everything they own or go back to work. While at one time the purchase of a car was a much-pursued goal, the Poles are now selling their cars off by the thousands, as they can no longer afford the taxes and the gasoline.

This austerity policy is hitting businesses, which can no longer find buyers for products once in hot demand. The FSO auto works in Warsaw used to have years-long waiting lists for their cars, and now they can be purchased on the spot. A medium-priced car costs a Polish worker more than five years' wages—more than it would cost for a West German worker to buy a Porsche. After the rise in fuel prices and insurance costs, the Poles not only stopped registering cars (90,000 by Jan. 10, 1990) but also tractors.

The result is the predictable—and deliberate—bankruptcy of many enterprises, which are left sitting on their products. Anxiety about losing one's job is spreading fast. Many businesses have already put their employees on short hours and will soon shut down entirely. More than 3 million unemployed are calculated into the shock program.

British accent

The regime of Prime Minister Tadeusz Mazowiecki did not opt for this program totally of its own free will. Decades of communist mismanagement left a bitter legacy to the government, which joined together veterans of the old regime and members of the Solidarnosc opposition. Not only did it inherit an ineffectual industry, a totally obsolete infrastructure, a gigantic bureaucracy, and serious environmental problems, but also the highest foreign debt of any European country—\$40 billion.

In order to reach a debt agreement with the creditors, the government unanimously agreed to try to join the International Monetary Fund. Only then were the Western governments, creditors banks, and international organizations ready to roll over the debt and extend new credits for desperately needed imports.

The other side, is that a clique of monetarists, backed by Western financial circles, succeeded in grabbing the economics, finance, and monetary policies of Poland, and to run roughshod over Solidarnosc's civil rights activists in Parliament and possibly even the Communists. Finance Minister Leszek Balcerowicz is a 200% monetarist ideologue, who studied for two years in the U.S.A. and was also a fellow of the West German Social Democratic think-tank, the Friedrich Ebert Foundation. He sounded like a tape recording of Harvard professor Jeffrey Sachs, who "helped" him develop

Living on potato pie

The Polish periodical *Gazeta Wyborcza* published on Jan. 11 under the headline, "Housewife's Viewpoint," the budget of a working class family in Warsaw. The mother of the family, Anna Luba, speaks:

"My name is Anna Luba. I do not work any more and I take care of the four generations who live under my roof. My husband and my two sons are lathe operators. . . . We live modestly and the future does not look rosy. . . . Yes, prices can rise, but five or six times higher? . . . A lot of people just won't make it. . . .

"I get a pension of 59,000 zlotys. My husband [makes] . . . 502,000, including overtime. My mother lives with us. She is 80 and paralyzed. . . . She needs constant care. She gets a pension of 85,000 zlotys. Our younger son helps us a lot. He works in the Swierczewski, where he earns 600-700,000 depending on the month. Our older son and his wife have their own budget, about 500,000 zlotys. He works at the Institute of Industrial Chemistry and she is a cook at the Grand Hotel. They have a three-year-old daughter.

"We live in a two-room apartment with a kitchen. My sick mother needs one room for herself. The other six squeeze into 30 square meters. The older one is trying to get a studio apartment. . . . They told him recently that he could get an apartment in 30 years, if all goes well.

"Three-quarters of the budget goes for food. The rest pays the bills, electricity, gas, indispensable repairs. The health products I need for mother are costly—soap, bandages, cotton. We older folks don't have the means to buy clothing. . . .

"We are eating worse and worse. . . . We only eat meat on Saturday and Sunday. Sometimes on Monday, if there are leftovers from Sunday. I make soup more and more, potato pie, pancakes. I used to buy 4-5 liters of whole milk, but now I make do with 2 liters of skim milk. Butter is the only thing we still consume as we used to, 125 grams a day, no matter what the price. If only the high prices guaranteed quality—but that's not the case! The bread gets tougher all the time, and the sausage is not what it used to be! . . . My husband works 20 hours a month more than before, to improve our budget. . . . His brigade could produce more, but it does not have the wherewithal: They lack raw materials, the machines are not used, and neither are the people.

"This year will be less painful for people who have a little garden with vegetables, but we don't: We don't have any more family in the countryside.

"In my family, the future looks black, but we won't go begging. We will not go to charity. It is a question of honor. . . . As a last resort, my husband and sons will demand raises at their jobs. This year, it is possible that the workers who earn the least, will strike. . . . But what can the weakest ones do to protect themselves from hunger?"—*Joelle Rosenberg*

his program. Among his advisers, Balcerowicz had Jacek Rostowski by his side, "an economist with a Polish name and a British accent," paid for his work by a fund that Prime Minister Margaret Thatcher set up.

The American "Project Democracy" coven, famed for selling arms to Khomeini's mullahs to fund the drug-running Contras in Central America, has its paws in the pottage too. This is clear from an article by Polish dissident Leszek Kolakowski in the *Journal of Democracy*, which does not shy away from demanding "even undemocratic restrictions" in order to whip through the austerity program in Poland.

The British model is explicitly the pattern for this crowd. The *Wall Street Journal* of Feb. 22 cited Rostowski with the words: "Fear can be a constructive force." The *Journal* went on: "Mr. Rostowski remembers how the British bled when Mrs. Thatcher clamped the money supply into irons, put millions on the dole, scrapped steel mills and coal mines, then privatized everything down to the water supply. States Rostowski: 'The sense of fear was omnipresent.' And Balcerowicz wants to achieve the same for Poland, but faster."

Balcerowicz himself announced his program in the Sejm (Parliament) with the words: "The Polish economy is desperately ill. An operation, deep surgery, by which the inflation that is ruining the economy can be stopped, is needed. . . . The program of fighting inflation is hard for the people. . . . [It] will lead to part of the businesses going under, local unemployment, and a generally downward trend in production. This will . . . cause an overall retrenchment in people's living standards at the beginning of the year."

But even Balcerowicz and his friends might be surprised by the "results" of their austerity program. Industrial production fell back 23% in January. The Polish economy faces a recession, as the German Institute for Economic Research states flatly in its latest report.

Danger for all of Europe

Thirty-eight million Poles are being used—to the degree they have not already fled abroad—as guinea pigs for radical monetarist theories. But the Polish people's anger against the "bloodsuckers" in the government is growing, the patience

of the Poles, which has been seen abroad as almost incredible up to now, could lead to mutiny in the coming weeks.

By early March, three mines in Walbrzych were on strike. The strike broke out spontaneously when the miners learned their wages were lower than the month before. No union started the strike. Strikes were also in progress at the Niwka and Czerowone Zaglebie mines in Upper Silesia.

Support for the Mazowiecki regime is flaking away, even inside Solidarnosc. But what will become of the peaceful revolution in Eastern Europe, if chaos reigns in Poland?

The question posed to Western governments is whether it would not be better to end this gruesome experiment and to encourage a similar economic program for Poland, with aid and credit, to what West Germany is already mapping out for East Germany. Poland needs Western help to modernize its agriculture and industry, to quickly build up small and medium industry, and above all, to get infrastructure under way, from transportation to telephones—which is going to cost plenty.

Such a program, as already sketched out by Lyndon LaRouche in the fall of 1988, is not some charitable throw-away, but will more than pay for itself in the medium term. But this means taking measures which are in part diametrically opposed to the Balcerowicz Plan. For starters, for about a decade Poland will need to import more goods, and especially more capital goods, than it exports, and credit has to be put up for that. The so-called credits which up to now have been given by the European Community, the International Monetary Fund, the Bank for International Settlements, and other countries, were all chained to the IMF austerity package.

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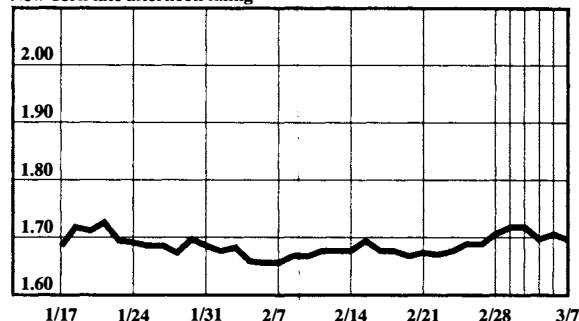
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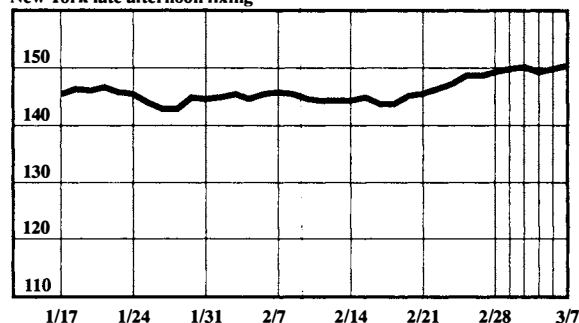
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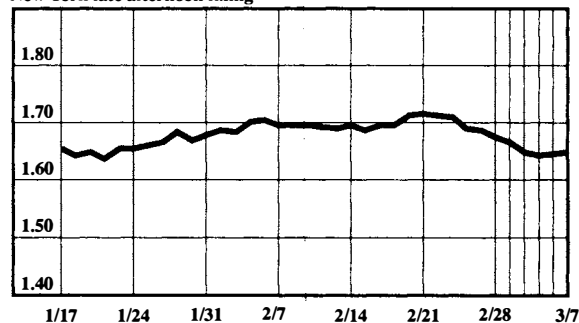
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