Unrest sweeping Poland

A new wave of unrest erupted March 8 when thousands of students demonstrated against the regime in Warsaw, Krakow, Gdansk, Lublin, and Wroclaw. Hundreds were beaten and arrested by the police. Strikes in individual industrial plants, demanding wage increases to offset the huge price increases, have begun.

The backdrop to the latest eruptions is the government's announcement of a series of across-the-board price increases for 1988. These price increases have sparked a further drastic lowering of living standards. Prices in 1988 are expected to grow by an average of 40%; rents, fuel, energy, and heating costs are to go up between 140% and 200%; basic food products will go up by an average 110%. To calm public alarm, the government is saying that inflation will "level off" in 1989 and after 1990 fall to a 10% rate. Nobody believes such nonsense.

An additional factor that guarantees continued high inflation rates, is that the prices of more than 50% of all products, including many consumer items, are not directly set by the government, but through "agreements" between producers and retailers—both controlled by the government. These "prices by agreement" usually rise as quickly as, or even faster than, the "official prices."

The Polish government's unveiling of the new austerity course coincided with the publication last August of the World Bank's "Report on Poland." Even government spokesman Jerzy Urban admitted that the price increases met with World Bank approval and are deemed "essential" if Poland is to secure Western help.

The 1988 price increases are the latest and largest in a chain that has devastated Poland during the 1980s. In 1982, prices for food and energy rose by up to 400%; in 1984, food rose by 10%; in 1985, there were 10-70% price increases for meat and fats, 20-30% for fuel, etc.

A recent study on the Polish economy published by a West German think tank, the Deutsche Institut für Wirtschaftsforschung showed that from 1979 to 1986, the cost of living increased by 527%. Adding the 1987 and 1988 price increases, by the end of this year, the cost of living increase over 1979 will have been ten-fold.

The Polish independent press agency Przeglad Wiadomosci Agencyjnych testified to the effects of such a policy, revealing that "at least 25% and perhaps even 33% of society lives in poverty," and "the whole society is undernourished." They report that only a small part of the population spends as much on food as a sufficient diet demands. The Polish diet has been drastically affected by the long-term economic crisis. Since 1982, consumption of meat has drastically declined, and even bread, milk, and egg consumption is, for the first time, getting lower.

Food production, thanks to the Rockefeller Brothers Fund and grain cartel scheme, will be increasing. No one in Poland, however, will be able to taste the results.

Peru's Alan García initiates war economy

by Valerie Rush

In a March 8 address to the nation, Peruvian President Alan García announced an "emergency war-time economic program" which imposes strict restraints on the consumption and spending of the middle and upper classes, while guaranteeing a subsistence wage to the great majority of Peru's poor. The President himself views the program as at best a necessary evil.

Having reached the limits of his plan to boost the nation's productive potential through employment of previously idle industrial capacity, President García is now in a desperate situation. His defiance of the murderous policies of international financial institutions toward indebted nations, by putting a ceiling of 10% of foreign exchange earnings on debt repayment, never received meaningful backing from the rest of the continent. Peru remained isolated, under assault from the U.S.-backed international usurers and Peru's oligarchy within.

García's efforts are now primarily directed toward maintaining the maximum possible independence of the International Monetary Fund, under conditions of siege which include one of the most massive narco-terrorist onslaughts ever to hit any nation.

The economic program announced, among other things, includes significant price increases on a variety of critical items such as gasoline, an increase in certain interest rates, stricter exchange rates, and a variety of new taxes. It also includes an increase in the minimum wage of 60%, and a 40-45% general wage hike, designed to keep buying power ahead of inflation. García did not order a devaluation of the Peruvian inti, which even the Central Reserve Bank had predicted would be 41%.

Finally, the economic package includes a legalization of private exchange houses which were shut down by García one year earlier in a drive to stamp out Peru's vast infrastructure of drug money-laundering. García's stated intention, to force importers of luxury items and tourists to pay for costly dollars on the "parallel market," in fact represents a desperate measure to relieve the pressure on Peru's international reserves. Such a measure could ultimately hand the economy over to the same drug cartel that García has repeatedly risked his presidency to combat.

Opposition provocations

García's economic package, for all its flaws, brought a halt to the "information terrorism" that the opposition newspapers unleashed prior to the presidential address, provoking panicked buying and a speculative wave that threatened to wreak further havoc with the already seriously weakened economy.

The essential point stressed in Garcia's message was that the economic re-ordering represented continued resistance to the genocidal conditionalities of the IMF. García told the population that while austerity was required, this sacrifice was necessary to safeguard national sovereignty. "There will be no traumatic measures; it is true that the crisis exists and that we have problems, but we will in no way fall into adventurous experiments, nor will we sacrifice the people to pay the foreign banks."

His re-ordering of the economy—what President García dubbed "selective growth"—is designed to restructure the productive apparatus to do away with the fundamental flaw of the Peruvian economy, namely its overwhelming dependency on foreign supplies for nearly all branches of production. "The structure of our economy has a crisis within itself; when it grows a little, it exhausts itself, and to sustain continuous growth of the economy as it now stands, we need an enormous reserve of dollars, which we don't and won't have."

García attacked the inefficient and corrupt financial sector, which has been the principal mechanism for the monstrous draining of national reserves in recent months. On this, the President offered specifics. "A poor country like Peru cannot afford the luxury of spending $1.17 billion in luxury trips abroad. . . . We think it might be better to direct that money to agriculture, clothing, health, and exports."

García went on: "Now we must adopt a severe economy, a war-time economy, and if something must be adjusted, it will be everything that is non-essential, not urgent. Food, clothing, health, or housing must continue to grow, since that is the selective growth we propose over the long term." Interest rates for priority agriculture were kept at 0%, and preferential rates maintained for other key productive sectors.

The IMF drum-beat continues

With his measures, García has at least temporarily aborted the "Operation Reconciliation" with the IMF promoted by the monetarist opposition forces and by elements within the government itself. Foremost among the latter has been Prime Minister Guillermo Larco Cox, who is an advocate of rapprochement with the international creditor community to "repair Peru's international image." He also wants to end "excessive subsidization" of the Peruvian economy.

But the agents of the international financiers have by no means abandoned their campaigns. Pro-IMF Manuel Moreyra wrote in the daily *La República* of March 9 that García had "clearly rectified his previous policy. He has announced devaluation, interest increases, and large price hikes, all of which make up a package perfectly financeable by the IMF." He then proceeded to attack the "instability" of García's thinking.

On March 10, former Prime Minister Manuel Ulloa said that García's efforts to "rectify" his policies were laudable, but that the government's "economic policies do not work anymore. There has been a reactivation of the economy at huge cost, more than $1.6 billion, which the country doesn't have and cannot spend." Ulloa specifically charged that President García had instilled a "consumerist" model that "our economic reality cannot sustain"!

Ulloa, whose early-1980s premiership under the Belaunde administration was dedicated to fostering the growth of the drug economy in Peru, insisted that what Peru needed was a "recomposition of the team that designed and carried out the heterodox program, which has been a failure." He also criticized García for failing to alter his foreign policy. "He has stopped saying whether he will pay the World Bank, the International Development Bank, and other countries, which seems to me unfeasible. A foreign policy is necessary that can reconstruct" Peru's image—in the creditors' eyes.

Ulloa's successor under former President Belaunde, Luis Percovich, similarly denounced the government's policy as "artificial, with ephemeral positive effects," and predicted hyperinflation.

Most striking, however, were the comments of Senator Javier Silva Ruete, a member of the Inter-American Dialogue, which proposes "selective legalization" of drugs as a solution to Ibero-America's ills. The senator split with the APRA party alliance when García proposed a bank nationalization which was originally intended to end the drug money-laundering of the banks. After urging that Prime Minister Larco Cox be handed control over the economics ministry "for the purpose of adopting serious and coherent measures in light of the serious crisis facing the country," he went on to urge the legalization of the drug economy.

"One should not close one's eyes to the evidence of the not-contemptible amount of . . . dollars stemming from the drug trade, which are injected into the national economy through a flourishing market that uses the green [dollar] bill as its official currency. . . . It would be better for the state to seek mechanisms for capturing those dollars, which are necessary and are to be found on the national market. . . . In this regard one could cite the Colombian precedent. . . .

"We are not proposing, mind you, the legalization of the drug trade in our country . . . but it is undeniable that part of the dollars of the informal market come from the fact that Peru is one of the coca-producing nations."