Eastern Europe: the flank for deindustrialization

It doesn't usually happen in socialist Eastern Europe, but early this month, environmentalists in the Polish city of Krakow shut down a factory that produced between one-quarter and one-half of Poland's aluminum—an unprecedented event for socialist Eastern Europe. The chief perpetrator was the Mayor of Krakow, who announced that the plant was "dangerous to the environment."

Polish Minister of Metallurgy Zbigniew Szalajda ventured to criticize the damage Krakow's decision will do to the Polish economy, but there is much worse in store.

The devastation of the Polish economy since last summer's strikes and the overthrow of the Edward Gierek regime is a story every bit as dramatic as the labor turmoil that grabs the headlines. It is a dream come true for the scenario-writers of the Club of Rome and other think tanks of Malthusian deindustrialization. They have succeeded in opening a flank in the Soviet Union's most closely guarded back yard, Eastern Europe.

The Polish leaders who ousted Gierek in September 1980 warned that drastic cutbacks in industrial investment would be enforced. Now they are carrying out this plan.

An 80-member team commissioned by the government to draft an economic reform program has released its preliminary proposals—a blueprint for austerity as harsh as International Monetary Fund conditionalities and as much a shock to economically stagnant Poland as the 1979 Volcker interest rate hikes were to the United States.

'Market socialism'

A keystone of the reform is the adjustment of the prices Polish enterprises pay for imported raw materials to world market levels, reducing government subsidies. Each enterprise will then fend for itself: seek financing, raise productivity, negotiate with the "free trade union" local on wages . . . and face shutdown if it fails to turn a profit in these new circumstances.

To be appproved by a communist party congress in March or April, this plan is set for implementation in several phases during 1981. With it there will be industry cutbacks determined from the top, such as decisions not to allocate funds for certain new, large projects in the nuclear and steel industries.

Who are the brains behind this "market socialism"?

The Polish reform commission worked in considerable secrecy, but its draft closely reproduces the project called "Experience and the Future," or "DiP" for its Polish initials. DiP, exposed by *EIR* as a front for British intelligence and the international "anticapitalist" and "anticommunist" movement called "solidarism," was an incubator for the post-Gierek leadership. Its stars were Stefan Olszowski, now the Politburo member directing economics, and Mieczyslaw Rakowski, a powerful newspaper editor and party figure.

Taking its cue from British economists like the Polish emigré Wlodimierz Brus of Oxford's All Souls College, DiP produced a "small is beautiful" prospectus for Poland two years ago.

The pedigree of the Polish reform can be understood also from the case of Hungary. The Hungarian experiment in market socialism, called the New Economic Mechanism, is less in the headlines because it could be put in place without labor unrest—thanks to the peculiar makeup of Hungary's economic policy establishment.

Hungary's quiet experiment

Certain officials of the Hungarian National Bank assumed their posts directly from jobs in the financial institutions of pre-war Austria and Hungary—banks of the continental European oligarchy! Since they did not greatly revise their policies, it is not surprising that National Bank director Dr. Janos Fekete has publicly offered his "personal opinion" that Hungary should join the International Monetary Fund.

In the meantime, Hungary has announced that its currency will be made convertible over the next few years, leading to an adjustment of prices to world levels—similar to what Poland's reformers want to do in one fell swoop.

The Hungarian government was reorganized in December: all specialized industry ministries were abolished and their functions taken over by a single, smaller Ministry of Industry. In Hungary, too, companies are now awarded more autonomy to gear toward "profitable" operations like production for export.

These Poles and Hungarians have cothinkers in the Soviet Union who would like to direct the Soviet economy in the same way, bringing the entire socialist bloc into line with deindustrialization in the rest of the world. But the industry, military, and science community opponents of any such plan are very strong in Russia, so that this will be an area of hot dispute among Soviet leaders at the party congress they will hold in February 1981.