Poland makes a new beginning, after two years of shock therapy

by Frank Hahn

Two and half years ago, Poland became the first former East bloc nation to take the plunge into the cold water of the so-called western market economy. Under the "shock therapy" regime concocted by Jeffrey Sachs, the International Monetary Fund, and the World Bank, all initial hopes for a better life for the majority of Poles in the post-communist era turned into the nightmare of falling down a bottomless pit. Since then, once every three months the prices for rent, electricity, and gas have been drastically raised, along with all rates for public services. Prices for consumer goods have now reached western levels, whereas wages have hardly budged above their former levels. Industrial production has collapsed by 50% since the beginning of 1990, while unemployment has passed the 2 million mark, and is currently running at an official 11.4%.

This "Polish model," which is so highly praised by Anglo-American banking circles, is now being foisted upon the republics of the Community of Independent States (CIS): The deregulation of prices in Russia is part of this deliberate strategy to bankrupt these nations. A phalanx of hard-core arch-monetarists, ranging from Harvard's Jeffrey Sachs to the Swedish economist Aslung, has been hard at work in Moscow over the past few months. Also in this connection, then-Polish Finance Minister Leszek Balcerowicz, model student of the IMF and architect of the "Polish model," was brought to Moscow no less than six times in order to be celebrated and passed around as the boy wonder who in two years had brought Poland onto the track of capitalist success.

It is against this background that Poland's current strategic significance for the further development of all eastern Europe becomes clear: If the Polish government under Prime Minister Jan Olszewski acts to dump the plans of Balcerowicz, Sachs, and the IMF, this would give a clear signal to the CIS and the other countries of eastern and central Europe, not to permit another unnecessary repetition of the Polish disaster. Indeed, the full discrediting of the "Polish model" within Poland itself, seems to be the precondition for motivating the other reforming nations to build up their infrastructure, industry, and agriculture, instead of letting dirty money flood into the country and forfeiting all their productive capacities in exchange for a one-dollar bill.

As of this writing, it looks as if the new Olszewski government is becoming active in precisely this direction. A glance at the biographies of some of the key members of the new government team will help the outside observer get a better understanding of the situation following the announcement of the new administration on Dec. 23.

Prime Minister Olszewski maintains very close ties with the Catholic Church, and is a personal friend of the chairman of the Christian National Union and current President of the Parliament Chrzanowski. In 1980 Olszewski worked as a legal expert on the program of the independent trade union Solidarnosc. He currently belongs to the Christian Democratic Center Alliance (PC).

In a recent interview Olszewski explained why he sees the economic sector as the chief preoccupation of his government: 1) The course embarked upon by Finance Minister Belcerowicz can not be continued. 2) Massive investments must now flow into industry, because after the last two years of catastrophic collapse of production, this has become a question of "to be or not to be" for Poland's economy. 3) Poland's population is now beyond the threshold of tolerable pain, and so the main task is to redistribute income such that those with high earnings are more strongly encouraged to make a financial contribution on behalf of the weaker parts of society.

These programmatic points indeed signal a new beginning for Poland, and represent an unmistakeable break with the "Polish model" enforced under the previous regimes of Tadeusz Mazowiecki and Jan Bielecki.

Jerzy Eysymontt, the new minister of economy, industry, planning, and foreign trade, is now functioning as a "superminister" with powers way beyond what he enjoyed as planning minister in the previous government. Like Olszewski, Eysymontt belongs to the PC and had worked on Solidarnosc's original economic program 12 years ago. He was educated at the Warsaw University in economics and information theory, and has already succinctly announced a turnabout in Poland's economic policy. The state, he says, must more aggressively intervene as a guiding influence, and credit must be made immediately available at attractive rates, especially for industry, in order to turn around the current depression. Eysymontt is scheduled to present the Olszewski government's official economic program this coming March.

Gabriel Janowski, the new agriculture minister, has taken a similar stand. Two years ago, as chairman of the Rural Solidarity party, he campaigned for energetic support for farmers, and his party, along with the Christian National Union, was among the sharpest critics of the Balcerowicz plan. Now that he is a minister, hopefully he will have the opportunity to realize his ideas. The first measures he has called for, include the issuance of credit to farmers at preferential rates, protective tariffs against cheap agricultural imports, and a guaranteed floor on producer prices. These steps are in fact urgently necessary, since at this point Polish farmers are earning on an average 63% of what an industrial worker earns—and that is the equivalent of $150 to $220 a month. One must also especially consider, that 28% of the Polish population is sustained directly from agriculture, and that about 30% of industrial is also directly dependent on agriculture. Merely consider the example of last year's bankrupting of the Ursus tractor factory, whose Warsaw plant alone is capable of churning out 60,000 tractors each year—assuming the farmers could afford to invest in new machinery.

Janowski has become a special target of the neo-liberals, whom he derisively describes as Balcerowicz's "spoiled children."

The new finance minister, Karol Lutkowski, has likewise announced a turn away from the program of his predecessor.

Christian economy gains strength

A few months ago, even before the Polish elections in October, *EIR* had issued the optimistic prognosis that just as Poland had become the first formerly communist country to embark on the mistaken course of liberal shock therapy, so it would also be the first country to abandon it. Our reason for expressing that hope, had been the revolutionary spirit which was spreading in the wake of the visit of Pope John Paul II to Poland in June, and the publication of his encyclical *Centesimus Annus*. And in fact, one of Poland's greatest strengths has turned out to be that here, in contrast to many other European countries, Christianity possesses a bastion of undiminished strength. The influence of Poland's third strongest party, the Christian National Union, can be felt in many areas besides economic policy. For example, as his first act in office, the new interior minister, Macierewicz, set a clear tone by announcing a drive to outlaw abortion and pornography.

On the whole, we can wish Poland's new government the best of success in its work, and we can hope that over the coming months these signals from Poland will have beneficial effect in the rest of Europe. And we can hope that what one Polish observer said back in November of last year, will turn out to be true: "When Olszewski becomes head of the government, this will mean that [Lyndon LaRouche's] 'Productive Triangle' plan will be put through in Poland."

State budgets shrink, jobless lines grow

by H. Graham Lowry

With nearly half the nation's states facing major deficits for the coming fiscal year, many are already announcing a new wave of budget cuts which will only intensify the depression conditions. Worse yet, the brunt of the cuts will fall on the helpless poor, especially on welfare and Medicaid recipients.

This obscene strategy ignores the fact that hundreds of thousands of people added to the welfare and Medicaid rolls each month were lately counted among the unemployed. While allowing ruinous economic policies to continue, state governments let their tax bases dwindle, with each week's appearance of nearly half a million more workers on the unemployment lines. At current rates of collapse, today's unemployed skilled workers are tomorrow's "welfare bums," whose very means of existence is threatened by each new round of cuts in social programs.

On Jan. 9, California's Gov. Pete Wilson, presenting a budget for the next 18 months, declared that California can no longer afford to be the nation's "welfare magnet," and proposed to slash welfare by 25%, while spending most of the "savings" on education. Last year, he tried to *cut* state aid to education by $500 million. California already projects a deficit for the coming fiscal year of $6.1 billion. Its tax base collapsed with the loss of 414,000 jobs during 1991. Unemployment jumped to 7.7% in December, with over 400,000 jobless in the Los Angeles area alone. Yet Wilson's budget proposal assumes that the state economy will *grow* by 4.7%—and still requires borrowing $6 billion and carrying a $1.3 billion deficit into the next fiscal year! If unemployment continues to rise, the resulting revenue collapse—and increased welfare caseload—will produce a deficit beyond any budgetary remedies.

The cost of unemployment

In Illinois, which declared itself "technically bankrupt" on Jan. 2, the latest unemployment figures indicate why. December's jobless rate soared to 9.3%, nearly a full percentage point higher than November's figure, and the highest rate among the nation's 11 most populous states. Except for an increase in retail employment for the holiday season, Ilinois's jobs in manufacturing, construction, transportation, government, and services all declined. More than 565,000 Illinois