

Sachs's shock therapy and Moscow are ripping Poland apart

by Konstantin George

Poland and its economy are being torn apart by an International Monetary Fund- and Soviet-imposed austerity that is ensuring incalculable social and political explosions which may begin as early as the latter part of April. The Polish economy has already been looted to the point of physical breakdown by a combination of usurious interest rates dictated by Western creditors, and Soviet-enforced pricing policies that took out Polish products at prices below the cost of production and pumped in Soviet energy and raw materials at artificially high prices. Starting in September 1989, the disaster started becoming a potentially irreversible catastrophe, when Poland's new Solidarnosc government under Prime Minister Tadeusz Mazowiecki accepted the IMF "shock therapy" proposed by quack Harvard economist Jeffrey Sachs.

Sachs had gained acceptance of his ruinous program by devising a "clever" sales approach, taking full advantage of an understandable syndrome in both the Solidarnosc leadership and the Polish population, who were filled with hatred of 45 years of communist rule, that "anything is better than socialism," and "we've suffered for 45 years, so if we have to suffer a while longer to make a 'painful' transition to a Western economy, then we'll bear it." Sachs told the Poles that the "transition" would be extremely painful, bringing with it hyperinflation, mass unemployment, and drops in living standards—a "long, dark tunnel." But, he lied, it was one with the light of prosperity at the end. Poland is now in that "long, dark tunnel" of shock therapy, with no lights in sight, and indeed with no way out unless policy is changed, drastically and rapidly.

Mass unemployment is the real story

The Polish economic crisis is far worse than the official unemployment figure of 266,000 released April 1 by the Polish Labor Ministry, or the Labor Ministry's conservatively estimated future unemployment projections, would indicate. The Polish Labor Ministry projected unemployment to reach 400,000 by April 30, and an incredible 1.7 million by the end of 1990. The dizzying rate of increase can be seen even in the official figures to date: Feb. 1: 56,000; March 1: 152,000; April 1: 266,000.

Real unemployment however, both permanent and temporary layoffs, had already passed 1 million by April 1. Temporary layoffs which began on March 15, have taken the form of four to six weeks of enforced "vacations" at 80% of wages. This hidden unemployment is the result of plummeting demand caused by the collapse of purchasing power, under the hyper-inflationary spiral launched by the Sachs shock therapy model. The collapse of individual and family purchasing power has led to the situation where Poland's food-processing industry is producing at only 50% of capacity in a hungry country, where *real* demand, in terms of actual human needs, is higher than ever. The story of the food-processing industry is typical. The enforced "vacation" closures of production capacity, because of the "collapse of demand," have struck across the board in enterprises which produce for the internal market.

To survive this nightmare, the Poles have become a "nation on wheels," with a large part of the "vacationed" and unemployed workforce taking off for the West, mostly to West Germany, Austria, and West Berlin, to work "off the books" at any job they can find, for one, two, or three months, reducing non-food expenses to near zero by sleeping in their cars or tents (Polish "car parks" and tent encampments are now part of the Western Europe landscape). With the money earned, a family in Poland can live for the rest of the year. Added to this, both in Western Europe and in Hungary and Czechoslovakia, are the Polish "export" and "import" statistics which no ledger book records—the huge volume of goods and currencies that change hands at Polish "flea markets," another current feature of the West European landscape, especially in the big cities.

An insight into how big the gray and black market volume is, by which the people of Poland, having no other choice, have been able to eke out a survival, is provided by the official statistics on arrivals of Polish "visitors" in the West in the period from Jan. 1 to March 31. Over 1.5 million arrived in both West Germany and Austria, and an incredible total of over 1 million for the city of West Berlin alone.

The horrors of shock therapy are a bottomless pit. The first permanent closings of entire enterprises have now be-

gun, and the pace will accelerate. In many cases, the enterprise or economic branch being hit is the main or even sole means of livelihood for an entire town. Close the plant, and the town dies. The first town to get the axe was Sanok in southeastern Poland, where the main employer of the town's workforce, a bus-manufacturing plant, was shut down. The next victims will be small coal-mining towns in Lower Silesia, scheduled to be shut down before the end of April.

Looting escalates; the revolt begins

The joint looting of Poland by the Soviet Union and the IMF, which has escalated on both fronts during 1990, has created a tinderbox which is close to exploding. In this regard, an anti-austerity revolt within the ranks of Solidarnosc has already begun.

A gauge of the stepped-up looting by Western creditors has been the huge increase in food and goods exports to the West to meet debt payments. In the first quarter of 1990, mostly through *food* exports, Poland achieved a "record" trade surplus of \$780 million. This was a prime factor in triggering the beginning of a Polish revolt against usury and looting.

The revolt broke out into the open April 3, when, in a front-page interview in the Solidarnosc daily *Gazeta Wyborcza*, Polish Foreign Minister Skubiszewski, disgusted with his own government's irrational fear and hysteria over a united Germany, revealed he had "spoken out" at a cabinet meeting to call for the creation of a "Polish-German community of interest" and for Poland's close association with Germany and the European Community. Without a close economic association with Germany, Poland does not have a chance to escape the pincers of IMF and Soviet looting.

The outbreak of a public fight over policy toward Germany was soon followed by the first public condemnations by Polish cabinet ministers against Russia's brutal looting of Poland. On April 7, Justice Minister Bentkowski, speaking at a rally in the town of Rzeszow to commemorate victims of Stalin's wartime and postwar mass deportations and murders of Poles, declared that Poland will demand from Moscow "at least 4 billion rubles" in compensation for these crimes. This demand has become Poland's riposte to Moscow's latest demand that Poland *further increase* its flow of artificially low-priced goods to the U.S.S.R. to cover Poland's accumulated 4.5 billion ruble trade deficit with the Soviet Union.

Bentkowski was no "voice in the wilderness." *Gazeta Wyborcza* revealed on April 8 that Polish Foreign Trade Minister Marian Swiecicki, in Moscow days earlier for trade talks, had told the Russians bluntly that "low-wage forced labor contracts for Polish construction workers in the Soviet Union" throughout the 1970s had cheated Poland of 3 billion rubles, and, by "adding on the interest," Moscow owes "4 billion rubles," roughly equal to Poland's so-called accumulated trade deficit with the U.S.S.R. The statements by Swie-

cicki are very revealing as to how deep the popular mood of revolt against Imperial Russia is. Swiecicki, now with no party affiliation, was, until its dissolution in January, a member of the Polish communist party.

The Polish message to Moscow was clear: The limits of your looting us have been reached. The April 9 *Gazeta Wyborcza* quoted Swiecicki further that during his talks in Moscow, he had denounced the Soviet policy of imposing artificially low prices on Polish goods exported to Russia. Swiecicki declared that Russia has been receiving goods from Poland at prices averaging only "one-third of the cost of production," causing Poland losses of 3-4 billion rubles per year, which was the *sole* reason why Polish trade with the U.S.S.R. is in "deficit." The Russians have used the "deficit" as an excuse to slash their exports of oil to Poland. Russian oil exports to Poland for the first quarter of 1990, measured in tons, were 28% lower than in the same period of 1989.

Russian brutality

Russia's response to the Polish revolt against Soviet looting, and to Poland's support for independent Lithuania, has been swift and brutal. On April 10, the Soviet Union unilaterally, and without warning, lowered the price it will pay for Poland's spring potato harvest from 320 to 150 rubles per ton, calling the move a "sanction" against Poland for its support of Lithuania. At this time of the year, the sale of early potatoes is the main income for Poland's private farmers, and the only markets have been the Polish state, private purchases within Poland, and exports to the U.S.S.R.

In one stroke, Moscow has forced Warsaw to either buy up at a fair price the *entire* crop or to face a revolt of Poland's farmers. Rural Solidarnosc, the mass organization of Polish farmers, already enraged at the Warsaw government's shock therapy policy of low prices paid to farmers for their produce, juxtaposed to skyrocketing prices for farm machinery, diesel fuel for tractors, fertilizer, and other farm inputs, issued an ultimatum to the Solidarnosc government: If the government does not purchase the entire potato crop by April 20, the 500,000 farmers of Rural Solidarnosc will begin blockading roads all over Poland in protest.

The mass social revolt now brewing against shock therapy will not be confined to the rural sector. A trade union revolt within Solidarnosc, against the policy of wholesale closure of plants and mines, is growing by the week. If the Solidarnosc government continues to implement the IMF-dictated austerity, political explosions will follow the social explosions. As editorial statements in *Gazeta Wyborcza* by its editor-in-chief, Adam Michnik, have warned, the economic and social misery generated by the government's implementation of IMF-dictated shock therapy is threatening to split Solidarnosc into two or even three "parties" by the summer, creating unpredictable consequences for Poland's future.