Behind Poland's government crisis: Soros and the IMF

by Frank Hahn and William Engdahl

How is it possible that an electrician, who became President through an unusual set of circumstances, could bring an entire nation to the brink of disaster? And what is he doing it for? For a Mercedes 600, a night in bed with the queen, or only for a promise to be invited to Henry Kissinger's 80th birthday, ten years from now?

Lech Walesa, who was hailed as a freedom fighter during the 1980s, has now quietly led a second "revolution" in Poland, making himself the dictator. Over the weekend of May 29-31, the government of Prime Minister Hanna Suchocka lost a parliamentary vote of no confidence, only to be temporarily reinstated by Walesa, who simultaneously dissolved the Parliament, pending new elections in September.

Walesa's dissolution of the Parliament is part of a coherent strategy on the part of himself and his foreign financial backers. A series of wage strikes by public teachers and hospital workers during May, led by the government-linked Solidarnosc union, was used to create the staged crisis and to give Walesa the pretext to impose an interim "rule by decree" under Suchocka. Informed Polish sources expect that this interregnum without parliamentary opposition will be used to force through the privatization of state enterprises on a massive scale, which until now has been politically risky for the government. The period around July, when the government's new value-added tax on all sectors of the economy goes into effect, will be critical, as many state sector firms will become de facto bankrupt through the added tax burden, while the government has exempted privatized firms from taxation for periods up to five years.

The imposition of such dictatorial "rule by decree" in Poland, is to be the model for the rest of eastern Europe and Russia.

Walesa himself is just acting as a pawn, an instrument in the hands of those who want to destroy Poland from outside. Such forces include:

- "Project Democracy," those friends of Oliver North, who specialize not only in the arms-for-drugs trade (Iran-Contra), but have also become "experts" in the destabilization of regions and nations. These circles play an influential role in the privatization of Polish industry—as, for example, the case of Robert Polland, who founded the U.S.-Polish Business Foundation. He comes from "Project Democracy" circles and has been trying for months to eliminate a large chunk of Polish shipbuilding through privatization.
- George Soros, that big fish among the financial sharks, who last year not only made a pure profit of $280 million by speculation against the Italian lira, but also was responsible for wrecking the European Monetary System, pocketing between $1 and $2 billion in the process (see *EIR*, Feb. 5, 1993, "The Spreading Web of George Soros"). Soros is demanding the destruction of industry in eastern Europe, and also in Russia. The unemployed there are purportedly able to get along on $6 per month, and this money can supposedly be easily scratched together in the form charity from the West—that, in essence, is the so-called Soros Plan. Soros is the real brains behind the so-called "Polish model" of shock therapy, which he introduced back in 1988 with communist government leader Mieczyslaw Rakowski. The dirty work of putting this program into action, whereby Poland's living standard was cut in half, was left by the communists to the governments of the post-communist era, starting with Tadeusz Mazowiecki in 1989.

The deindustrialization of Poland

The entire course of Polish economic policy since the 1989 power-sharing agreement of the so-called Roundtable

Talks between the communist regime and the opposition has followed a blueprint outlined by Soros. According to knowledgeable reports from Poland, Soros, through his Stefan Batorj Foundation in Warsaw, held secret talks with the communist Rakowski government, together with the Solidarnosc "opposition." The result was a plan for the privatization of Polish state-owned enterprises. Under the plan, the government would set about to deliberately load state enterprises with huge, unpayable debt, with 100% or more levels of interest, combined with added tax burdens. The "bankrupt" firms would then be put onto the international auction block to be sold for a small fraction of their true value to western investors, where there would be no restrictions on layoffs or the breakup of companies.

In 1989, Soros introduced his friend, Harvard "shock therapy" economist Jeffrey Sachs, to advise the Polish government, in order to give the entire looting scheme the aura of credibility and economic "professionalism." Subsequently, multinational agencies including the International Monetary Fund (IMF) and the World Bank have been brought in to further this privatization scheme. World Bank officials were given full access to the most sensitive information on the entire Polish coal-mining sector over the past two years, including wage levels, working conditions, and the status of technology.

Now the IMF and World Bank are demanding, based on this information, that the government shut down large portions of profitable, high-quality coal mining, at the same time that they are demanding "openness" from the government to foreign imports.

'Worse than Stalinism'

The core of the IMF-mandated shock therapy is privatization, which amounts to a mechanism for laundering drug money and exploiting healthy enterprises in order to use the speculative profits from that to prop up the western financial system. "In Poland, we call this 'thief's steel,' " said an aide to one senator, who had fought in the underground against the communists.

Professor Balcerek from Warsaw, whom nobody could accuse of sympathy with the communists, said it bluntly: "The forced privatization is worse than Stalinism; Stalin at least built something!"

In the coming months, a great blow is to be struck against the still-existing state enterprises. If these businesses in the areas of optics, electronics, airplane construction, steel, and shipbuilding are liquidated in forced privatizations, then Poland will effectively cease to exist as a nation.

An example from the coal industry: The Polish government has decided, at the behest of the IMF and World Bank, to cut its coal exports in half in two to three years, to lay off 180,000 workers, and to shut down 50-70 mines—and even to flood some of them. Now Poland is beginning to import coal from Australia, which is cheaper than transporting domestic pit coal from Silesia to the port at Gdansk!

Careful observers of the Warsaw situation point out that the establishment of the "Walesa Dictatorship" is intended to lead, in the next three to four months, to pushing through the privatization program and the destruction of the coal industry without any parliamentary opposition.

This is the context in which the strikes must be seen, which Walesa's pals at Solidarnosc launched at the beginning of May. The strikers did not put forward any political demands, but were just seeking higher wages, which is unrealistic without a fundamental change in economic policy. This necessarily led to a confrontation with the government, and eventually to its collapse. All of this was planned, in order to push through the current dictatorship. Now, Solidarnosc is threatening to call a general strike. The chairman of Solidarnosc, Marian Krzaklewski, is an outspoken supporter of the IMF.

The situation in Poland is particularly ominous in view of the fact that the same tendency toward emergency rule can be observed throughout eastern Europe—especially Hungary and Ukraine, as well as Russia itself.

It is also important to take into account that the desperate economic situation in Silesia is being used by various groups that are demanding either autonomy for Silesia, or direct annexation to Germany. Trade unionists from the Silesia coal mines are already talking about how Silesia could become a second Yugoslavia. Along with the threatened explosion in Russia, a domino effect could occur, threatening to plunge not only eastern Europe, but also western Europe, into a maelstrom of violence and civil war, as the destabilization of Italy and Germany is rapidly escalating.

Policy alternatives discussed

There are alternatives to this horror scenario. In Poland itself, the independent trade union Solidarnosc 80, as well as the "industry lobby," are fighting for an economic program based on construction projects. At the end of May, the authors, representing the Schiller Institute, addressed a conference of Solidarnosc 80 in the village of Pogorzelica, on the Baltic Sea.

Frank Hahn told the group that it will be necessary to save Poland from outside, since it is being destroyed from outside. He presented Lyndon LaRouche's program for a Eurasian economic recovery, centered around the concept of a Paris-Berlin-Vienna Productive Triangle.

William Engdahl analyzed the privatization program, comparing it to that of the Margaret Thatcher government in Britain, and showing what a disaster it has been wherever it has been implemented. "In the Mexican *maquiladoras,*" he said, "300 textile companies went bankrupt, because of cheap textile imports from China!" In the United States, he explained, the current economic crisis was created by exactly the same radical free-market ideology, which repudiated the American System of political economy upon which the nation's industrial strength was built.