
Interview: Bogdan Pek

Free market economic model is a fallacy

Pek is a member of parliament, from the Polish Peasant Party (PSL). He was interviewed by Anna Kaczor Wei in Warsaw, on May 9.

EIR: During our last meeting, we discussed Lyndon LaRouche's Presidential campaign, and the debate it has sparked in the Democratic Party, around such people as Senators Ted Kennedy, Tom Daschle, and others. Do you think that this debate could help you in Poland to escalate discussion about the disastrous effects of free market reforms?

Pek: We have to be honest with ourselves, that, although Poland is in Central Europe, a country with 40 million inhabitants and over 1,000 years of history, it is not strong enough to influence world politics. Any change, any effort to reject concepts that have been popularized over many years, will be possible if the kind of ideas, which you just mentioned, win in the U.S. and among big powers. Is it possible? It will not be easy, but it is important that such a debate has started at last, and that serious politicians are starting to talk about such problems; and secondly, that LaRouche is no longer isolated in his pursuits, that he is starting to get wider political recognition. All these are, in my opinion, positive signs.

I think that much depends on the economic situation in the U.S., and a relationship between a united Europe and America, as well as on the situation in the countries of the Far East, China, Japan, and so-called "Tigers" [the economies of Thailand, Korea, Taiwan, etc.]. If there are further signs of a global economic collapse, it will be much easier to convince voters in the U.S. and western Europe of the necessity for philosophical change in the whole economic model.

EIR: When we were meeting with you in Krakow, Mr. LaRouche was in Moscow, where he participated in a meeting with Russian economists [see *EIR*, May 31, 1996]. Many of them criticized the policies of the International Monetary Fund (IMF) and free market reforms. One can also sense a deep disillusionment with the West among the Russians, who feel threatened and cheated. In such a situation, all the talk about NATO expansion is only heightening the tension inside Russia. Would you agree that a better way to secure stability in this part of the world is to stop Darwinian free

market reforms and start implementing such programs as the Euro-Asian land-bridge, which we have discussed many times?

Pek: I would like to stress one thing: The free market economic model which has been imposed on us by certain political groups, big financial institutions, various groups from Western Europe as well as the mass media, is a sort of intellectual fallacy. First of all, because there is no free market, especially in Europe. European Union countries use free market rhetoric, they talk about the free flow of capital, information, investment, free trade, but, in reality, they use various protective measures to secure their interests, such as tariffs, quotas, and so forth. This also relates to the interests of the huge supranational corporations, and we have no idea where their real controllers are.

The second matter: objective circumstances in which we live and the necessity of improving the Polish economy, demand that we pick one solution and think through what final goals we want to achieve. While working on a model for the future, we have to think about Poland's place in various international and military structures. . . .

One has to carefully study all the proposals which are presented to Poland, in order to make a strategic decision on following issues: Do we want to join a European commonwealth, which is forming one state called "Europe"? Shall we support the idea of a federation of Euro-regions? Or do we want to have a Europe of the Fatherlands, which means an association of nation-states that keep their sovereignty, at least to some degree? The Polish Peasant Party and I definitely support this last option.

We are aware of the fact that the world financial system is described by some as a blown-up, speculative bubble: Only a small percentage of foreign exchange constitutes a turnover of physical goods, and over 90% is a speculative turnover of obligations, bonds, and that sort of transactions. This makes it difficult to decide what the right choice is for Poland, because this situation creates a framework that limits us.

Although I would like to say something good, I must admit that, till now, as a state, we have not formulated a model, which would take into consideration our national interests. This is due to how our governments have been working, as well as our parliaments, including this one, where, in my opinion, the majority thinks more in supranational than national terms.

EIR: I have a question concerning privatization of Polish economy. *EIR* readers have already had a chance to learn about terrible effects of free market reforms in Poland, especially privatization. Could you say something about your personal involvement in combatting some of these bad privatization policies?

Pek: There is no doubt that ownership restructuring is a key element of reforms, now under way in Poland, and I

must say with regret that, till today, the way this process has been going on is far from what PSL would accept, and with what would be congruent with rationally understood reason of the state, considering all external and internal conditions. The present coalition of SLD and PSL came to life as a result of 1993 elections, when both parties' election programs advocated an introduction of significant changes in the process of privatization: for example, reviewing transactions which had been concluded up to that point; reviewing them in an honest, Christian way, drawing conclusions and making those who were guilty of serious mistakes in the past take responsibility.

After the elections, it turned out that the SLD, which has taken over the ministry of ownership restructuring in the person of Minister Kaczmarek, not only lost interest in any significant change, but even created obstacles, preventing the possibility to review what had happened in the past. In practice, we see a continuation, with few modifications, of this line, which we criticized so strongly, and which is identified with Minister Lewandowski. This is a liberal, supranational line that does not consider negative effects of ownership restructuring, and, above all, does not take into account a certain phenomenon, which I call the shrinking of sovereignty of the Polish state.

Interview: Krzysztof Młodzik

True reform begins with infrastructure

Mr. Młodzik is the regional chairman of the Upper Silesia Solidarity trade union of miners and energy sector workers. The following is abridged from his interview with Anna Kaczor Wei in Katowice on April 23.

EIR: What is your analysis of the Polish economy after six years of free market reforms imposed by such institutions as the International Monetary Fund (IMF)?

Młodzik: I think this question should be directed to the prime ministers, who headed the Polish governments from 1989 on. I can talk about this as a trade unionist and a citizen, who observes various enterprises, especially coal mines and power stations. Our economy is being drained; we did not start our reforms with what should be considered first, that is, building infrastructure, which we discussed earlier [at a Schiller Institute seminar], namely railroads, communication systems, highways and so forth; reforms in

state administration, health care, and social security systems are also important. Instead, we started with matters which should have been reformed at the very end.

I can illustrate this problem. The Balcerowicz Plan assumed that coal mining would serve as an anchor, holding down inflation. Balcerowicz liberated prices from the control of the administration for all the enterprises related to coal mining. They started to function on a free market basis, while the price of coal stayed fixed. Mines had to buy supplies and machinery at free market prices, which led to huge debts. As a result, coal mining has been falling into a ditch.

In my opinion, the only thing those reforms achieved was to fill up shops with foreign goods, which people had no money to buy. There was a special tax on excessive wage increases, leaving enterprises afraid to increase wages beyond a fixed limit, since that would force them to pay a tax, which they could not afford. So, there were goods on the market that people had no money to buy. From this comes a saying: "Western prices, Eastern wages."

Presently, we are wading in the same direction. So far, no government has had the guts to start reforms by improving infrastructure: That would mean removing bottlenecks to allow capital to move, developing railroads, highways, etc. And, we have plans to build highways, but, at the same time, we are selling our cement plants.

Another thing about privatization: I always point out to the chairmen of the coal mining companies, and the ministers: "What sense does it make to sell enterprises which are making a profit? You should privatize those entities which have losses. Foreign capital should go there, to modernize the coal mines, the textile industry, which has collapsed, or former state farms." Instead, they sold "Wedel" [a well-known confectionery factory], and now plan to sell copper mines. The National Investment Funds consist of the best Polish enterprises [that are being privatized].

I blame our governments for not representing the interests of the Polish state. Instead, they surrendered to the diktat of others. In the discussion with the representative of the World Bank, we accused him of trying to control us. He denied it, saying, "No, we only propose things, and you agree." I did not have any arguments to counter him, because he was right: If our government did not utter a word in opposition, then World Bank people can claim that we simply accept their propositions.

What I learned from organizing as a trade unionist—I have been active in the political life of our trade union for seven years—and from studying economics at the university, meeting various people, including abroad, allows me to say that everything is moving in the wrong direction. President Kwasniewski, who promised a lot during his campaign—building new apartments for people, creating new jobs—will have big problems with young people, because there will be no new jobs, if the present policy is continued, because it reduces work places in production! You may have