

Solidarnosc warns IMF austerity can cause civil war in Poland

by Luba George

The failure of the West to launch an effective aid program to stabilize and develop the Polish economy is already threatening to plunge that country and its new Solidarnosc government into an economic, social, and political catastrophe.

On Sept. 28, Poland's deputy Finance Minister Marek Dabrowski, announced to Solidarnosc parliamentarians in Warsaw a series of drastic price increases to take effect Oct. 1, affecting the two most socially sensitive sectors of the economy, food and fuel. He announced the removal of all remaining state subsidies on food prices, thus ensuring by mid-October at least a five-fold increase in the price of milk, milk products, bread, and the few remaining categories of meat products whose price controls have been maintained until now. On the energy front, with the severe Polish winter fast approaching, prices were doubled for coal, heating fuel, natural gas, and electricity.

Dabrowski further announced that living standards would have to drop, and that there was no hope of any economic improvement for at least another year. "It is nonsense to say that the shock of deflation can take place without difficulties. That would be over-optimistic. It must also be accompanied by a drop in the standard of living," Dabrowski said.

In July, Poles could purchase one-half pound of butter for 350 zloty; On Aug. 1, the same amount cost 700 zloty; and on Oct. 4, following the the announced price increases, it went for for 3,000 zloty—a nine-fold price increase.

Responding to the latest price hikes, a young worker called into the Polish television station complaining that with his monthly income of 52,000 zloty he can now buy the following: 1 kilogram (2.2 pounds) of ham (17,200 zloty), 10 loaves of bread (350 zloty per pound); and 10 packs of butter—and nothing more! An elderly woman, living on 32,000 zloty a month, bitterly exclaimed: "What can I buy with that? To be concrete, only 1-2 pounds of butter." It's no secret that more than one-third of all Poles already live at below poverty level, including about 8 million people who live on pensions, and about 5 million who are social welfare cases.

These measures came on top of other news that Poland—again bowing to the dictates of the International Monetary Fund—will have to impose strict wage controls and begin to shut down what are termed the unprofitable industries, thus creating mass unemployment.

Immediately following these announcements, Solidarnosc leader Lech Walesa told a news conference in Gdansk: "If someone fools around with prices, they do so at the expense of this government. I warn that if there are more price rises, we will not be able to keep people working normally."

Walesa categorically demanded that the Solidarnosc government, despite enormous pressure by the IMF and Western creditors, not go along with the policy of austerity through price increases. He spelled out the gravity of the present situation in these terms: "The situation is getting hot and it may turn out that we will not be able to contain the people [in their anger]. . . . This concerns not only Poland but the socialist camp, and especially the Soviet Union. . . . The system has cornered us in a *cul de sac* and I don't know whether we can save ourselves from civil war. This is how dangerous it looks to me."

The tragedy of Poland is such that, in order to receive any Western assistance under present conditions, the new Solidarnosc government of Prime Minister Mazowiecki is compelled to institute drastic price increases as a condition, dictated by the IMF et al., for the limited assistance being given by the West to Poland. into which Moscow wants to lure the Solidarnosc movement, before it moves in to destroy it and all other nationalist movements within its empire.

1,000% inflation by year's end

Former French President Valéry Giscard d'Estaing, in an interview with the daily *Le Figaro* Oct. 3, upon his return from a visit to Poland, echoed Walesa's warning, stressing that Poland is on the verge of entering a ruinous Weimar-style hyperinflationary spiral: "The situation is very grave. The most disturbing element is inflation, which could reach the astronomical level of 1,000% by the end of the year."

"I really believe the West does not understand that it's an economic earthquake," he said. He proposed the creation of a "Euro-Polish Bank"—an emergency fund to modernize Poland's enterprises "responding to the needs of the country." But it remains to be seen what form that this "emergency" aid will take, and how fast it will be provided.

Whatever help Poland does receive, especially in the next critical weeks and months, will have to come largely from

Western Europe. The initial amount pledged by the U.S. Bush administration is a pathetic \$100 million. Bush's Oct. 4 announcement of an additional \$200 million—which, Bush added, will be conditional on Poland implementing “the reform program” required “by the IMF”—in quantitative terms is still woefully insufficient, and, given Congressional approval requirements, would not begin to reach Poland until sometime next year.

The Western European response so far has not been much better. On Sept 26, the European Community (EC) announced a 300 million deutschemark aid package for Poland in 1990. The package consists of direct food aid to Poland, aid for the production of agricultural machinery to modernize Polish farming, granting Poland easy access for its exports to EC markets, easing of Western investments in Poland, and training of Polish managers in the West.

Food shortages in Poland are expected to get significantly worse in the coming months. A source close to Rural Solidarnosc told *EIR* that Polish farmers are facing severe fodder and fertilizer shortages. As a result of the fodder shortages, livestock herds are shrinking rapidly. Meanwhile, food exports, especially dairy products, to the West have been increasing. This is a dual tragedy. One of the pre-Oct. 1 austerity measures was a 20% devaluation of the Polish zloty against Western currencies. Thus, a 20% increase in agricultural exports to the West is now required simply to maintain the current level of export earnings. The Polish government announced Sept. 27 that two further zloty devaluations would occur before the end of the year.

The chain of austerity horrors is endless. On Oct. 1 an eight-fold increase in import duties was imposed, making the import of badly needed food and capital goods, especially agricultural machinery, much more expensive.

The amount granted by the EC is a drop in the bucket compared to what Poland urgently needs. Appearing at the IMF annual meeting in Washington on Sept. 26, the new Polish Finance Minister Leszek Balcerowicz told the gathering that runaway inflation “gravely threatens” to cause social unrest in Poland. He called on Western governments for “immediate support,” requesting that they put up a \$2.7 billion stabilization loan to Poland, plus an extra \$500 million from Western governments to cover essential imports, including food and medicines in the fourth quarter of this year.

His appeals, so far, have fallen on deaf ears, and a Polish winter of discontent, perhaps the worst in 40 years—with its unpredictable consequences—now confronts not only Poland but the entire West, and Western Europe most directly.

The pathetic Western response to this grave crisis unfortunately confirms the warnings issued by Lyndon LaRouche, who last year had already proposed a massive “Marshall Plan” approach to solving Poland's problems, in exchange for a withdrawal of the Soviet occupying forces. On Aug. 31 of this year, LaRouche observed that “What seems to be the case is, the United States is sacrificing Poland in order to

give subsidies to the Soviet Union under this understanding which is supposed to be reached between Secretary of State Baker and Soviet Foreign Minister Shevardnadze in an upcoming Wyoming meeting.”

Indeed, following the U.S.-Soviet talks in Jackson Hole, Wyoming in September, Soviet Foreign Minister Eduard Shevardnadze, in his speech before the United Nations General Assembly, said that for the time being, the Soviets will “tolerate” the new non-Communist government in Poland. But, he said, “It is no secret that we were not enthusiastic about the election setback of the Polish Communists, nor should it be a secret that we hope that they [the Communists] can overcome the crisis.”

This “wait and see” line was repeated by the Soviet weekly *New Times* in its Sept. 19-25 issue. “Most Poles believe the new government will overcome difficulties as an authentic cabinet of national hope. True, some give this government no more than two, three, at best six months. That the Mazowiecki government is not in for an easy time is unquestionable. Members of the Federation of the Light Industry unions from working-class Lodz say that unless the situation changes before this month is out and there is no more ‘chaos, lawless price formation and mounting poverty . . . we shall act in line with the Law of the Trade Unions.’ That, as Poles know, will mean a new wave of strikes.”

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