Poland: Neo-Liberalism Is Now a Dirty Word

by Rainer Apel

When Lyndon H. LaRouche told the Poles, during his May 2001 visit to Warsaw, to break with monetarism and neoliberal "reforms" or face economic and social hell, he sparked a debate on the future direction that Poland's economic and financial policies should take. After repeated political interventions by the LaRouche movement in Poland since then, a number of remarkable initiatives have emerged, including a public memorandum from the Farmers Party (PSL) demanding a change in national bank policy, in January.

At that time, Poland gave the impression of closely pursuing Argentina in the parameters of collapse. The PSL, junior partner in the new government coalition, proposed that the "independence" of the Polish Central Bank be curbed, and that the "stability-oriented" monetarist policy of the Central Bank's Governor, former Finance Minister Leszek Balcerowicz, be changed in favor of physical economic priorities. The PSL proposals included changes in the Monetary Policy Council (RPP), and a mandate requiring the Central Bank to give the fight against unemployment, and the promotion of economic growth, priority over stability-oriented monetarist measures. Especially the high-interest-rate policy of the Central Bank was to be changed, the memorandum recommended.

Last but not least, the PSL launched a debate about the Central Bank's direct obligation to report to the government and the Sejm (parliament), before any important monetary policy decision. This implied a change at the top of the Central Bank, held then, and still, by Balcerowicz, whose staunch monetarist views have earned him the unenviable reputation in the West as "Mr. Polish Reforms."

However, Balcerowicz's reputation as "Mr. Polish Disaster" is increasing among a majority of Poles.

'Crisis Summit' Failed

The half-year since the PSL first pressed ahead with this memorandum, has been one of economic and social turbulence, and calls for a drastic change of Central Bank policy and status have been issued by other forces. Even Prime Minister Leszek Miller, of the majority SLD Party in the coalition government, has been prompted to join the campaign for a change. On June 2, Miller met with President Aleksander Kwasniewski and presented him with an appeal signed by the presidents of 100 Polish industrial companies, who criticized the Central Bank's monetary policy. A "crisis summit" of party leaderships was held in mid-June, but was scuttled, because Kwasniewski would not engage in serious debate about the Central Bank's status.

Meanwhile, the acute solvency crisis at the Szczecin Shipyard forced the government to intervene and declare a halt to its privatization. A collapse of the biggest industrial enterprise in northwestern Poland would have pulled down 1,500 medium-sized and small firms in the feeder industries. The government launched an emergency program to secure the core functions of the shipyard. Already plagued with an official jobless rate of above 18% nationally, the government could not tolerate the tearing up and shutdown of the shipyard, and the decision was endorsed by a majority of citizens.

The decision was met, however, with angry commentaries in the monetarist media inside and outside Poland, which called it a "declaration of war" on reforms. Economics Minister Jan Piechota responded that the shipyard crisis in Szczecin highlighted the general crisis of Polish industry; therefore the government had no alternative but to intervene on behalf of national economic interests.

The next act in this dramatic shift was the decision of the Polish cabinet on July 2, not to stick to the projected government budget deficit of 40 billion zlotys, but to add 3 billion to the deficit for special labor market initiatives and economic incentives, and for payments of wage arrears. The decision widened the deficit to 5.5% of GDP and moved further away from the European Union's "Maastricht Treaty" precondition of 3.0% for Poland's future EU membership.

The only cabinet member to oppose that decision was Finance Minister and Vice Premier Marek Belka. He also turned out to be the only remaining supporter of the Central Bank's policy, and he announced his resignation from office at the end of that cabinet session. Belka is said to have fiercely opposed the PSL initiative for changes in the Central Bank's status, and always insisted on a balanced budget perspective, but he came to recognize that not even Central Bank Governor Balcerowicz's international campaign to rally support for continued "reforms" helped him much. William McDonough of the Federal Reserve Bank of New York, who arrived in Warsaw to deliver an address of solidarity at the Central Bank on July 3, came too late to secure the Finance Ministry for monetarism.

Neither did the move by influential players on the currency market to drive the zloty's value down 4%, sway the cabinet. On July 5, Prime Minister Miller appointed Grzegorz Kolodko as new Minister of Finance. Kolodko has been known for his criticisms of Balcerowicz's policy, and during his earlier tenure as Finance Minister (1994-97), he risked numerous clashes with the Central Bank over budgeting policies. Kolodko's appointment confirmed that the Polish government may now go further, cutting into the Central Bank's autonomous status, and maybe even replacing Balcerowicz.

Thus the first steps to improve the economic situation in Poland have been made.