

Money Can't Buy Me Love: A Report on Poland's Economy

by ~~Steven William~~ *Collin Carrigh*

ON THE NIGHT of December 11, 1981 martial law was declared in Poland by Premier and Party leader Gen. Wojciech Jaruzelski. This is all too well known by now. So are the official reasons: the steady deterioration of the political and economic situation of the country, the growing threat of "civil war" and the need to avert intervention by Poland's "fraternal allies."

However legitimate these reasons may be for a governing body to protect itself, many questions arise in the case of the Polish government. The most important, and most difficult to answer, concerns the legitimacy of the Polish government. Is the Polish Workers Party the true and authorized government of Poland in the eyes of its people? Many would say not; the current government has no right to take such drastic actions. But if it has acted with a plan for solving the country's current crisis, the government may well gain the respect of its people.

To correct the current situation in Poland, the Polish Workers Party must resolve two crises: economic and social. In addition to a faltering economy, the Polish people harbor a centuries-long desire for social and political freedom. In recognition of the social unrest, Jaruzelski couched his crackdown in nationalistic terms; he acted to save the country. And surely a solution to the economic dilemma would make great strides toward greater national freedom. At least this was the case before December 11. The following economic analysis will demonstrate that only a drastic overhaul of the Polish economy will pull the country from the tide of red ink that is now engulfing it.

THE "socialized enterprises" of the Polish economy "are finding themselves in a critical situation." Such a statement hardly would be necessary in Poland, where food rationing and long queues for virtually all goods have become a way of life. Poland is a country of extreme shortages.

It was not until recently that the state of the Polish economy officially was made public. The quoted statement is from a Polish government report dated November, 1981 that has been released to Western creditor governments.

The document, titled "Second Draft

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Report on Poland's Economic and Payments Situation," reports "while costs have been rapidly growing, revenues from the sales of goods and services have been declining. As a result, the overall financial accumulation of enterprises (the surplus of sales revenues over costs) dropped from 231.6 billion zlotys in the first half of 1980 to a mere 17.3 billion zlotys in the first half of 1981, whereas the second half of this year will see a deficit estimated at 146 billion zlotys."

Because Polish enterprises are state owned, the entire economy will show a deficit in 1981 estimated at over 200 billion zlotys. This is compared to a 26 billion zloty deficit in 1980 and a surplus of 41 billion in 1979. The Polish economy rapidly is going bankrupt.

But bankruptcy at home is only half the problem. Poland owes Western financial institutions an estimated \$25 to \$26 billion, including \$2.3 billion this year. Yet, as the report makes clear, Poland does not have the hard currency to pay. Table One lists Poland's hard currency reserves in millions, not billions, of American dollars.

Table One

	12/30/79	12/30/80	9/30/81
Gold	267.0	303.0	210.0
Convertible reserves	287.0	1.0	18.0
Total	554.0	304.0	228.0

TO COMBAT this balance of payments problem, Poland has applied for membership in the International Monetary Fund (IMF) and the World Bank. It is generally

believed Soviet consent was needed for the application. Poland had been an IMF member until 1950, when it withdrew to join the Council for Economic and Mutual Assistance (CEMA), the Soviet Union's response to the Marshall Plan.

Poland's application is significant because it demonstrates the inability of the Soviet Union to bail Poland out. Economic troubles in the USSR are probably responsible for what amounts to letting one of the most important Soviet bloc countries join Western economic assistance organizations, an action that in the past would have been denounced as joining "agents of imperialism."

According to a recent article in *Foreign Affairs* by Seweryn Bialer, a professor of political science at Columbia University, the Soviet Union "will face a secular decline in the growth rates of its economy in almost all sectors." Although the USSR still dominates Eastern Europe politically and militarily, "it has ceased to draw economic benefits from that empire and must even support it economically," Bialer states. Economic support will not be possible in the 1980s if the Soviets are to keep their current standard of living.

Thus the Soviets allowed the Polish IMF application despite the conditions it entails. If a loan request is small, no conditions are attached. But large loans require the applicant to change its economic policies to assure repayment. Also, the IMF reserves the right to monitor the country's economic progress. This could be the West's greatest leverage on the Polish government, provided IMF loans are approved. But leverage also could be applied through the

debt itself. Rather than reschedule loan payments, the West could throw Poland and the USSR into crisis by demanding immediate payment; the message surely would be received.

Poland's balance of payments deficit is so large that some economists do not feel the IMF can be of much assistance. Paul Marer, professor of international business at Indiana University, says "Poland would have to borrow such large amounts the IMF is in no position, even if it goes to the extreme limit of what would be reasonable to lend a given country—two or three times the total quota—it would not make a difference. Poland is in such a desperate situation right now."

POLAND'S economic troubles are not of recent origin. Since the war, a string of years mark the outbreak of violence over economic dissatisfaction: 1956, 1970, 1976, 1980. These outbreaks suggest the rebuilding of the economy after the war as the beginning of Poland's current economic disorders.

The Red Army liberated Poland from the Germans in 1945. Behind it came the Soviet political and economic system. A facade of democracy existed only until the 1946 elections, when a Communist-dominated government firmly took hold.

The new government turned to the Soviet Union for help in rebuilding the war-devastated economy. The model for industrial development was that of the Soviet Union: rapid industrialization with emphasis on heavy industry and collectivization of agriculture. As a result of this strategy, economic decisions are made by a group of planners in the central government, not the market.

It is generally agreed among Western Soviet historians that the Soviet Union used its newly-gained empire to rebuild its own badly damaged economy. Poland is said to have suffered extreme economic exploitation by the Soviets until 1956. All exports of Polish machinery and raw materials went to the USSR, usually at cost.

Because of the general freedom gained by Eastern Europe after the death of Stalin in 1953, the Polish press began to report cases of economic mismanagement and exploitation. Low wages, little food and few consumer goods worked with mismanagement and social factors to cause the 1956 Poznan riots.

The need for political and economic reform was obvious after the Poznan riots, but the Party was split over the issue. Eventually, Wladyslaw Gomulka, who was purged by Stalin in 1949 for his nationalist tendencies, returned to power. The "revisionists" had won.

Given that the government has had sole control of economic decision making since World War II, the conclusion that its policies are at fault is not unfair.

The mainstays of Gomulka's economic reforms were de-collectivization of agriculture and a re-tooling of industry toward consumer goods. As a result, seventy per cent of Polish agriculture is in private hands today. But this industrial reform was short lived as the policies of the past returned.

Workers' wages rose during the Gomulka period, but the availability of consumer goods did not. Instead, food prices rose. The consequence of Gomulka's policies became apparent at Gdansk in December, 1970 when bloody worker riots broke out.

After the December riots, Gomulka was replaced by Edward Gierak as Party First Secretary. Gierak's "new development strategy" consisted of modernizing Polish industry through an infusion of Western credits. Initially, he was successful, but the Western recession of 1973 and the instability in world markets that resulted dashed his hopes. Poland's huge debt accumulated during this period.

Food price increases sparked the discontent in 1976 and 1980. On August 14, 1980, the Lenin shipyard at Gdansk struck; the entire Baltic region followed. As a condition for settlement, Poland's independent trade union Solidarity was born.

EMPHASIS of heavy industry, at the expense of consumer goods and agriculture, is the strain that runs through Polish economic history. Marer considers this evidence of the planners' "consistent mismanagement of the Polish economy." The development policies of the 1970s have led to what Marer, in a paper published in the *Congressional Record*, characterizes as "an almost indiscriminate expansion of industrial capacity."

Little attention was given to the inability of the "inflexible bureaucracy" to absorb Western technology. "The planners were over-optimistic about what the economy could achieve and lost control of macro-economic aggregates (foreign debt, import/export ratio)," he says.

Poland's past borrowing policies have

thus forced its economy into a downward spiral. Planners have cut imports of raw materials and food because there is no currency to pay for them. Goods needed internally must be exported to raise money to pay interest on loans. The two feed on each other to create shortages at home. "The outcome," Marer writes, "is a rapidly spreading under-utilization of production capacity."

In addition to severe shortages of consumer goods, Poland has severe food shortages. This situation seems strange, given Polish agriculture is in private hands and not subject to planner mismanagement. "It is not the ownership which fundamentally matters, but whether or not the incentive system is appropriate for private farmers," Marer explains.

According to Marer incentives are lacking in three ways: 1) There is a limit on the amount of acreage and assets a farmer can own. 2) Polish leaders announce periodically how they are going to change the ownership structure of agriculture by returning to collectivization. 3) Farmers who do make investments cannot find the appropriate machinery, fertilizer, seeds and tools. Agriculture inputs either are not produced or are not produced in the right quantities. "There is very little relation to demand and the supply offered," Marer says.

The most important reason agricultural production is low lies in the government pricing system. "The government set the prices in such a way," Marer says, "that it was not profitable for farmers to produce given the high price for inputs and the low price at which the government was willing to buy these (agricultural) goods from the farmer."

THE figures above demonstrate that the Polish economy does not work. Given that the government has had sole control of economic decision making since World War II, the conclusion that its policies are at fault is not unfair. In the past, the government has attempted to solve the problems

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It's dark now but the sky is still lit because the sun is shining on the next mountain. Something catches my eye on the mountain peak. I see the sun shining on the bell of a trumpet and then a procession. Mariachis are in the lead on palominos. Charros are behind them, followed by women dressed in layers of black, their clothes billowing and flapping in the wind.

People walk behind them on foot and one of them is leading Rozinante. The Mariachi trumpeter leading them is skipping like a grammar school kid, playing *Mack the Knife* like Louis Armstrong. They cross the peak and disappear.

I reach the peak and see the valley below is one vast cemetery of rolling hills. It looks just like Arlington cemetery except that there isn't any grass and in the middle of the valley is a huge cross wider than a red wood tree and taller than most of the mountain peaks around here—taller than the tallest smoke stack in Steel City. The Mariachis have set up their amps under the cross and they are playing without a drummer. The violin and trumpet players are snapping their fingers and bobbing their heads, while the guitar players scream into the P.A.:

WELL SHAKE IT UP BABY NOW
shake it up baby
TWIST AND SHOUT
twist and shout

Abduction from the Seraglio

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embodied as it usually is. Still, the orchestra and the conductor were situated in more or less the usual way. In Mozart's time, the players faced the stage and the conductor stood between the stage and the instrumentalists. The balance between singers and orchestra would be markedly different if the orchestra used original instruments and played with their backs to the audience; it would have been interesting to hear this, and to see what effect the players' improved ability to see and hear the singers would have had if they had faced the stage.

What Porter and conductor Thomas Baldner have achieved is not an authentic performance, but a modern performance shaped by the spirit of the late eighteenth century. This means focusing not on elaborate, choreographic staging, but on beautiful singing, expressing idealized passions directly to the audience. As a result, the dignity of the stage presentation matches the elegance of the music, and the stars are not the stage director or the conductor, but the rightful ones: Mozart, his music, and the talented musicians who performed it.

**The San Luis Potosi linen feels cool against your back
and the red and green embroidery feels rough.**

**The pills make you feel tired
and your mother, who is sitting beside you on the bed,
smiles when you begin to fall off.**

COME ON, COME ON, COME ON
BABY NOW
come on baby
COME ON AND WORK IT ON OUT
work it on out

Ma is there and when she sees me and Panza coming she yells over the music, "Gabriel, you're late! You almost missed the funeral! We're taking a plane home as soon as it's over!"

YOU KNOW YOU GOT ME GOIN NOW
got me goin

JUST LIKE YOU KNEW YOU WOULD
like you knew you would
OOOOOOOO!

"Poppi is dead. Then you lied Ma."

YOU KNOW YOU TWIST YOU LITTLE
GIRL

twist little girl
OOOOOOOO!

"No, no, no. God, I mean the past is dead. That's all!"

AH—

AH—

AH—

AH—

WOW!

YEAH!

BABY NOW—

SHAKE IT UP BABY, NOW

shake it up baby

TWIST AND SHOUT

twist and shout

"It'll be over soon!" she screams over the reverb and looks down at her diamond watch. "It's a terrible thing, a real tragedy!"

"Bah!" I yell back at her, tapping my foot, "Good riddance!"

SHAKE IT, SHAKE IT, SHAKE IT BABY
NOW

shake it, shake it, shake it, shake it

SHAKE IT SHAKE IT SHAKE IT SHAKE
IT

shake it shake it shake it

A Report on Poland

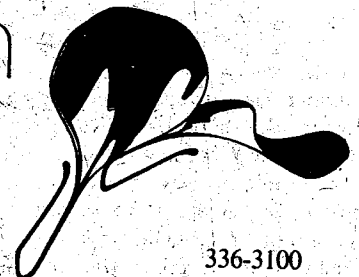
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of its own making on its own. And it has failed. Will the results of this current attempt prove more fruitful? Probably not. News reports do not suggest the government acted with any economic restructuring plan in mind.

The rise of Solidarity gave hope to the Polish people (and indeed the world), that a workable economy could be achieved. But in all fairness, Solidarity did little to remedy the situation through its confrontation tactics. It offered no concrete solutions of its own, but at least the initiative had been taken.

The talks between Solidarity, the Polish government and the Catholic Church were a start toward a consensual solution. These talks were an example of the type of cooperation that is necessary for Poland to restructure its economy; the interests of all must be taken into account. Through an inclusive dialogue, the Polish people could develop a new, uniquely Polish, economic system; they would not have to struggle with "socialist" and "capitalist" hand-me-downs. In doing so, a great step toward political freedom would be taken. But for governments, it always is easier the old way—even if the past shows otherwise.

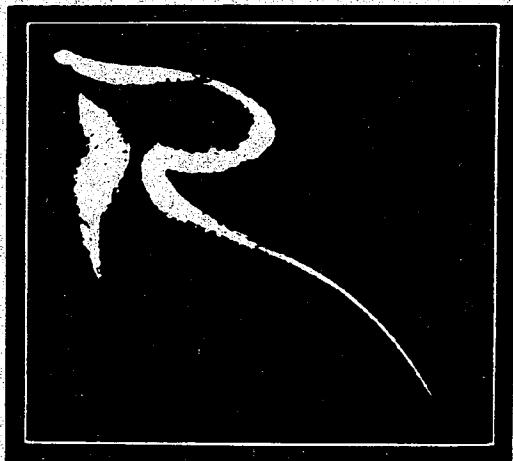
argentum
Jewelry



on the corner of
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THE BLOOMINGTON FREE RYDER



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