

By Franek Michalski

Cabinet's painful task: reform crisis economy

IF NOT FOR POLAND'S GASPING ECONOMY, NEW Prime Minister Tadeusz Mazowiecki would have good reason for optimism. After a turbulent summer of negotiations, he has managed to put together a Cabinet that balances Solidarity, communists (Polish United Workers Party, or PZPR) and two smaller parties, the Peasant Alliance and the Democratic Alliance.

The PZPR has submitted to a power-sharing arrangement, though not without reserving key posts for itself. Gen. Wojciech Jaruzelski retains the strong office of president, Gen. Florian Siwicki and Gen. Czeslaw Kiszczak hold, respectively, the portfolios of

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defense and interior (security police) and other communists hold transportation (considered important to the Warsaw Pact) and foreign trade.

The Peasants and Democrats, until last month loyal allies of the PZPR in a rubber-stamp parliament, now support the Solidarity caucus in the first non-communist-led government in the Soviet bloc. The arrangement has the tacit approval of Mikhail Gorbachov, godfather of reform in Moscow, who seems too preoccupied with his own problems to interfere with the relatively orderly political changes in Poland.

Entropy and emigration: The economic problems facing Mazowiecki are formidable. Ten years of depression, decapitalization and debt have battered Poland's physical plant and its labor force. From 1979 to 1981 Poland suffered a 25 percent drop in GNP—a catastrophic slide matched only by the 1929 Great Depression. It was the result, in part, of misapplied and misappropriated foreign loans during the '70s. To recover, the Polish government tried to raise prices (with an ensuing general strike that gave rise to Solidarity), tried to impose longer working hours and stiffer productivity schedules (under martial law) and, later, tried to push through anti-inflationary schemes (the price rises that led to the 1988 strikes that re-legalized Solidarity). But as debt service mounted, there was less and less money for basic infrastructure maintenance. Roads, trains and factory and mine equipment have been, quite literally, driven into the ground.

Emigration—political exile as well as the search for hard-currency jobs—has depleted and demoralized the labor force. Ten years of endless daily queues for shoddy and insufficient basic goods have piled insult on injury. In 1980 waiting in line was accepted in a spirit of camaraderie. An etiquette of "keep my place" developed, and the rights of seniors and the handicapped to cut ahead were respected. Now one hears frequent stories of frustrated citizens pushing aside people on crutches, accusing them of not wanting to wait their turn.

The new government must not only find a way to halt this desperate downward spiral, but to do it while dismantling a state-owned command economy. The most recent attempt at reform, the outgoing Rakowski government's unfreezing of farm prices at the end of July, failed on all counts. Consumers complained because costs skyrocketed without increasing supplies. Workers struck for the 80 percent indexation (cost of living raises) they had been promised. And farmers

withheld taxes, demanding parity with the incomes of "indexed" workers.

The farmers' plight shows why raising official prices is not enough. Allowing agricultural prices to rise should be an incentive to production. But farmers, as well as urban family-owned businesses, are still bound to the rest of the economic chain: manufacture and distribution of tools and supplies, bank loans and tax policy and retail regulations. Each of these institutions, along with the local administrations of towns and counties, are hierarchically subordinate to central control and staffed under the party patronage system called *nomenklatura*.

In this system unfreezing prices leaves "private" entrepreneurs subject to the petty tyrannies and graft of county chiefs, while enriching those with the best *nomenklatura* connections.

The debate within Solidarity on the political implications of market reforms divides into three camps: laissez-faire liberalism, social democracy and just muddling through.

The liberals preach the minimalist state, private property and an unconstrained market. One highly publicized proposal called for a customs-free zone in the city of Krakow in which foreign capital would be invited to develop industry in an unregulated and untaxed environment. The plan reached the floor of the Krakow city council but died there when it became clear that, among other innovations, it would have turned the medieval city's old town section into a theme

park of tourist hotels and fast-food restaurants.

The muddle-of-the-road position, which regards itself as pragmatic rather than ideological, hopes that help from the West, hard work and a little bit of luck will make it possible to avoid both rapacious capitalism and the dotting, inefficient welfare state. Symbolic of this approach is the bailout of the Lenin shipyards in Gdansk now being negotiated with millionairess emigré Barbara Piasecka-Johnson. The Lenin yards were one of the few enterprises in the Gdansk

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region that didn't join in the one-hour general strike called by Solidarity on August 11. The action successfully demonstrated widespread support for the Walesa-Mazowiecki reform process and was directed as much against wildcat wage strikes as against management.

Own and groan: The social democrats support marketizing reform but recognize the pitfalls of privatization and seek to soften

its social costs. Jan Jozef Lipski, Solidarity senator and leader of the newly revived Polish Socialist Party, pointed out in the *Solidarność Weekly* newspaper August 11 that "state" property could not, in fact, be re-privatized because, for the most part, Poland's factories had been built from the ground up after World War II. They were paid for by a general lower standard of living for everyone. No privatizing reform will be accepted by working people that does not confront the issue of social property, Lipski warned.

In practical terms, this means converting "nationalized" enterprises into either joint stock companies or worker-managed firms, or to make the state a sort of holding company. Yet each of these schemes presents difficulties. Leaving factories under state control seems a non-starter because management would still not be accountable for efficiency. Self-management is attractive as a solidaristic solution, but, unfortunately, the historical examples leave key technical difficulties unsolved. Shares of stock? Selling them openly to the highest bidder would be painfully slow in a capital-poor country, or would mean lopsided debt-for-equity deals with foreign capital. A more egalitarian proposal would have the total of nationalized property distributed, one time, in the form of shares to all Polish citizens of legal age.

Reports from the Warsaw region indicate that workers accept the need for privatizing reform in general, but very few are happy with the way experiments toward that goal have been carried out in their workplaces. Uncertainty about ultimate legal status has led some managers to jockey for position, sometimes without consulting factory councils (which by current statute must approve all changes). Some enterprises have leased

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Will U.S. stinginess force Poles into grim Romanian-style 'belt-tightening'?

George Bush could just about lock up the Polish vote for the Republicans if he would only come across with some decent financial assistance for Poland.

Instead, U.S. aid policy might be described as the "trickle-over" theory. Or, in the words of Brent Scowcroft, Bush's national security adviser, "What Poland needs is not airlifts of money." Why the stinginess to the Poles, who greeted George Bush more warmly than anyone else on his European tour last July?

Here's a short list of arguments against aid to Poland:

- **The U.S. has problems of its own.** True enough, though the image of the president of the United States turning out empty pockets in place of political leadership is embarrassing. In terms of foreign policy objectives, the by-now-proverbial "one half of one B-2" could hardly be better spent than on a stable, democratic member of the Warsaw Pact.

- **The money will be squandered yet again by the bureaucracy.** If the Mazowiecki government is not proof enough against this argument, it should be very easy to target credits to the agricultural sector. Polish farmers would gladly produce more in the next growing season if they had access to tractors, seed and fertilizer. And they are a good bet for quick repayment.

- **"Poles will die for Poland...but few will work for it."** This could be dismissed as an ethnic slur except that it appeared in an economist's op-ed piece in the *New York Times* of July 6.

- **Well, maybe some aid, but Solidarity has asked for \$10 billion!** This figure, it is claimed, is simply the statutory maximum a country might receive in emergency credits from the international financial institutions in three years time. And no country has ever received the maximum for one year, much less three.

This deserves a closer look. The \$10 billion request was made by Walesa to Bush in July, and it appears in line with the "global Keynesian" perspective on international debt outlined by Harvard economist Jeffrey Sachs, among others. He argues that bankruptcy of a country like Poland, or its ruin by unmanageable debt, destabilizes the world economic system. Hence, debt forgiveness or measures easing the debt burden are in everyone's interest. Bankers, however, do not agree. Neither, apparently, does George Bush.

- **"There's no free lunch." Belt-tightening is necessary pain for past mismanagement.** Anyone preaching this Calvinist "poverty is its own punishment" doctrine to Poland ought to be clear on the consequences. The Poles believe that

they have austerity now. The next step is not the risks of free enterprise, but the methods of Romania's Ceausescu.

For it is Romania that is the true hero of "belt-tightening." Seven years ago its leader, Nicolae Ceausescu, promised to repay a \$10 billion foreign debt. Since then the country has been run as a nightmarish experiment on 23 million people. Electricity is turned off in entire cities for hours at a time, and coal deliveries are shut off in winter. Romanians have the tightest food rationing in Eastern Europe, the highest infant mortality rate, the most brutal and effective secret police and the fewest strikes. Ferocious industrialization has been accompanied by a "systematization" program in which huge tracts of land are leveled by bulldozers to build collective living complexes and clear space for "rational" cultivation. But the debt has been paid.

It is possible that Poland could turn off its lights and begin a national auction in an effort to meet International Monetary Fund criteria of fiscal responsibility without installing a demonic dictator. But a democratically elected parliament is likely to have more concern for a social safety net.

Bush should choose his friends carefully. He'll be known by the company he keeps.

-F.M.

Attempt to escape the tourist trap finds more than the Western model



By Diana Johnstone

MOSCOW

BACK FROM HIS DACHA AT THE END OF THE summer, the Moscow reformist intellectual was worried about a lot of things. But his adherence to Mikhail Gorbachov's reforms was unwavering.

Like most people, Professor V. was worried about consumer-goods shortages. He was worried that the European Community single market was going to lure West German capital away from investment in Eastern Europe. Most of all, he was worried by the separatist movements in the Baltic States.

"Nationalism in the Baltic States poses the biggest problem," he said. This was a week after the human chain across Estonia, Latvia and Lithuania in protest against the Hitler-Stalin pact of 50 years before and the subsequent incorporation of the three Baltic States into the USSR.

Gorbachov and his supporters originally welcomed the political ferment in the Baltic States as a step toward democratic life in

the Soviet Union. But the Balts' demand to leave the Soviet Union altogether are felt as a threat to the whole process.

The human chain demonstration, with demands for secession, was followed by an exceptionally strong statement from the Soviet

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Communist Party Central Committee rebuking "nationalist hysteria" and opposing demands by Baltic nationalists to limit the voting rights of Russian, Ukrainian, Polish, Jewish and White Russian residents and oblige them to speak the local language.

Professor V. thought the Central Committee had overreacted and hoped its alarmism would prove unjustified. The situation was particularly tricky, he noted, because the Baltic States had been essentially agrarian societies whose industry and the working class came mostly from outside, and especially from Russia. The social and national questions are intertwined.

Universal out of joint: But right away

the national aspect prevails. This is the perplexing surprise for Gorbachov and the liberal Moscow intellectuals who support his bold policies. Aside from the risk of provoking some sort of crackdown to restore order and save the union, the mounting nationalisms must be disheartening because they deny the core concept of Gorbachov's "new thinking": the supremacy of universal human values.

The priority of universal values over national, class or ideological particularisms is fundamental to Gorbachov's argument in favor of disarmament and international cooperation. Nationalism at home risks undermining the reformists' basic philosophical optimism.

What is left is computer envy, the desperate need to catch up with computerized Western society. Computers and "the market" overlap as techniques to rationalize inefficient Soviet consumer production and make supply correspond to demand. Soviet democratization is not in response to popular demand. It is the response of the intellec-

tual elite to the realization that complex modern systems cannot be controlled and regulated from the top, but can work only through decentralization.

But how do Soviet citizens respond to the new freedom? The hope has been that they would take greater responsibility for their work, for their productive contribution to society. This need for "creative, intense and sustained work" was stressed by Gorbachov in his postvacation television speech.

Individual Soviet citizens may prefer to use their new liberty in very different ways, ways that do not necessarily improve the overall situation. For the tourist arriving in Leningrad, the first sign of greater freedom is the boldness of illegal moneychangers asking to buy hard currency.

It used to be said that travel broadens. It might now be said that tourism narrows, offering only a narrow crack to peer through for fleeting glimpses of a vast and varied land.

The trouble is, a tour is the only way most people can see the Soviet Union. Real travel is too expensive. That is why we went on a cheap French tour, two weeks of everything for the price of the airfare alone.

The tour box: The tourist longing to make contact with real people has an identity problem. She/he is no longer herself/himself, but a "tourist." This means a bearer of hard currency. For the host country, the purpose of the tour is to bring in some of that hard currency, and the only reason for local people to approach tourists is to buy hard currency in order to shop in the *beriozhka* stores, where rubles are not accepted. This very fact causes proud citizens to resent tourists and sometimes even to show it.

Still, speaking several languages and a smidgeon of Russian, it is possible from time to time to engage in snatches of simple conversation. There is a wedding party in our third-class hotel, and we are invited to drink to the happy couple. What do the members of the Leningrad wedding party think of Gorbachov? They shake their heads and say, "No good." Why? ask the Gorbiphile Westerners, disappointed. Shortages of soap, sugar, everything. Speculation and corruption are flourishing. Sure, Gorbachov is smart; he's fine for London or Frankfurt. But "the bad people obeyed Brezhnev. They don't follow Gorbachov." The Gorbiphile Westerners protest defensively that one man can't do everything, that it's up to all the citizens to reform the country. "Czar Peter the Great changed Russia all by himself," comes the answer.

Gorbachov's Soviet Union also has an identity problem.

"You must get it out of your heads that we here in the Soviet Union are living in a socialist society," Professor V. tells us didactically. "We are in a pre-socialist, developing country. We realize more and more clearly that socialism can begin only when productive forces reach the level of the most advanced countries. When we say we need a market economy, it's because it's the fastest way of reaching that level."

There is no "real existing socialism," and communism is a distant utopian ideal.

Moscow intellectuals can look ahead to such a distant utopia by way of a complex detour through the Western model, picking up democracy and the market on the way, and perhaps eventually sharing utopian ideals with the West. The Gorbachovian intellectuals are frustrated political people, of a particular generation, who worked up their exceptional political courage through the long period of stagnation. To frustrated polit-