

# What the banks did to Poland

written by Sam Marcy

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Pope Jean Paul II and President Ronald Reagan in 1987. The Catholic Church was a crucial imperialist tool for undermining Poland's socialist government.

*Sam Marcy, a leading Marxist thinker and fighter of the second half of the 20th century, died 25 years ago on Feb. 1, 1998. To mark the occasion, Struggle-La Lucha is publishing a selection of Marcy's articles that show the breadth and depth of his*

*analysis and strategic thought on behalf of the workers and oppressed, while also providing insight into today's struggles.*

## **Editor's introduction to 1988 pamphlet**

In April 1988, thousands of workers in steel, shipbuilding, and transport went on strike in cities throughout Poland. The strikers demanded higher wages to keep pace with price increases that had been imposed on food and other basic items as part of a new economic reform package introduced by the Polish government.

The article featured in this pamphlet was written by Sam Marcy while the strikes were still in progress. Marcy contrasts the 1988 strike wave, which he characterizes as a spontaneous movement of workers seeking economic relief from regressive price hikes, to the rightwing, pro-imperialist "Solidarity"-led movement of 1980.

While noting vast differences between the movements of 1980 and 1988, Marcy explains that the cause of both crises stems from the "profound and decisive influence on the Polish economy of the International Monetary Fund (IMF), the World Bank ... and most importantly of the government of the United States."

How could a socialist country, a neighbor and ally of the Soviet Union, come under the "decisive influence" of the capitalist countries and international finance capital?

Part of the problem comes from the fact that Poland sought massive loans from Western capitalist banks and turned to the capitalist world market in an effort to accelerate its industrial development.

The big capitalist banks and the U.S. government, in spite of their hatred for socialism, eagerly granted \$35 billion in loans to Poland. Their goal was not to "help develop" socialism, but to ensnare Poland in the same neocolonial vise, popularly known as the "debt trap," that has taken hold of Brazil, Mexico, Egypt, and other developing countries today.

The capitalist banks first granted massive bank loans and then, a few years later, pushed the Polish government to impose austerity plans designed to raise capital to meet the debt payment, including extortionate interest.

The debt service to the banks is paid for by lowering wages, raising prices, and cutting social programs in the debtor country. It wasn't the failings of socialism, as the Western media claims, but the imperialist-mandated reforms that caused the economic hardship prompting the Polish workers to fight back.

Marcy writes that the strike struggle was the consequence of the relationship between imperialist neocolonialism and a weakened socialist state, and he asserts, "the two cannot peacefully coexist for any length of time ... one or the other will have to give way."

Marcy wrote extensively about Poland for over three decades. A more comprehensive collection of his writings appears in "[Poland — Behind the Crisis.](#)"

### **Causes and consequences of the Polish crisis**

May 19, 1988 - It's about time that the public in the world and in the United States be told the truth about the crisis in Poland.

What needs to be revealed is not some deep, dark secret fortified by unpublished documents or unavailable data. It's all in the public record here and in other leading capitalist countries as well as in Poland. The fundamental problem is to distinguish the causes of the crisis from its effects.

The cause of the crisis lies in the profound and decisive influence over the Polish economy of the International Monetary Fund, the World Bank, several hundred West European and Japanese banks, and most importantly, of the government of the United States.

## Last October's reforms

The most recent problem convulsing Polish society arose from a series of economic reforms and some political changes announced by the Polish government on Oct. 10, 1987. Details of these reforms were reported in the New York Times on Oct. 11, 14 and 17 of 1987. In the Oct. 11 article, the Times characterized the reforms as a "package of far-reaching governmental and economic changes mixing capitalism with socialism which would bring higher prices and increased unemployment, but would also create the conditions for advance."

But it didn't say how the advance would take place.

"The measures," wrote the Times, "appear destined to change Poland's centralized communist economy drastically and many economists and officials say they pose a crucial test for the government of General Wojciech Jaruzelski."

Not reported in this account, however, is that these reforms as they are called were tailor-made to meet the demands of the international capitalist bankers and the government of the United States. That's the cause of the crisis.

The strikes of the Polish workers and the social chaos are the social effect of the Polish government's attempt to implement the arrogant demands of the imperialist banks. To blot out this truth, to obscure it with a heavy volume of anti-communist capitalist propaganda completely covers up the real situation in Poland.

Of course, the Polish People's Republic has made a gross miscalculation, first in going along with the demands and then by trying to implement them in a way that has caused deep social and economic chaos and forced the workers out on strike.

Let us see precisely what these reforms are and just how the government is trying to implement them.

## **Breakup of Poland's banking system**

The first and most important reform, which is made little of in the capitalist press, is the breakup of the Polish national banking system. Assuming the plan goes through, it would put Poland's banks on the road to a return to capitalist competition and free them from virtually all government control.

As is well known, each one of the imperialist states has a centralized monetary and financial system which the imperialist governments control on behalf of the bankers. There are also, of course, independent banks, some small, some large, that compete with each other as part of the capitalist system.

Under imperialism, the banks are so tightly linked to industry and agriculture that Lenin defined this complex intimately tied together by the banking system as "finance capital."

The Polish banking system had been tied to the development of socialist industry and agriculture. The attempt to break it up into small competing units more or less independent of the government divorces it from industry, from the socialist sector, and gives it the upper hand in relation to the socialist sector of the economy, particularly the heavy industries which are its core in Poland.

The second aspect of this breakup of the banking system is to permit the banks to lend more liberally to the private sector, which has grown enormously in the last few years.

Another aspect is to make access to foreign currency more easily available to borrowers, especially the independent entrepreneurs. This will multiply the links between Polish banking and finance and the private, so-called independent sectors of the Polish economy, on the one hand, and foreign capital.

In a socialist economy, the banks merely make credit available to the industrial

sector in accordance with an economic plan. It is purely a financial and bookkeeping matter, rather than one conveying economic and political authority. The banking officialdom in Poland have generally been considered lower-ranking government officials, not invested with a great deal of either political or economic power.

However, the reform intends to create competitive commercial banks. It will also facilitate companies (it doesn't say which ones) which seek cheap sources of capital. Thus, it seeks to elevate the banks to a dominant role in relation to industry.

### **What bankruptcy means to the workers**

The reforms will for the first time permit bankruptcy of industrial establishments. There are two kinds of bankruptcy under U.S. capitalist law.

In the first, there is a reorganization in which an understanding is arrived at with the creditors on how to continue management and operation of the company after writing off the losses and putting the reorganized company on a solvent basis. Usually, the smaller creditors lose out and the larger, more important ones reap the harvest.

Almost always the burden of the reorganization is put on the backs of the workers (witness what has happened at LTV, Bethlehem Steel, Continental Airlines, Chrysler, etc.). The plants continue operating but with a much smaller workforce.

The second type of bankruptcy brings outright liquidation, which means closing the plant altogether.

Who has the authority to close the plants or reorganize under the Polish reforms? Not the workers councils. Not the trade unions. All this is vague and left up in the air. But it is being pushed through and the implication is that the reorganization will fall on the backs of the workers.

The next aspect of the reforms is a very familiar one in capitalist economies, especially during the Reagan years. It is to link wages to productivity, which means speedup and promoting a rat race among the workers instead of working-class solidarity.

Another one is to sell company shares to the workers. This means to put a company strictly on its own as sort of a caricature of a large corporation. We know what turning workers into shareholders has meant in the U.S. — the collapse of the union and fraudulent manipulation of the remaining assets, ultimately ending in bankruptcy anyway.

The most important change, of course, whose effects are immediately apparent to the workers, is the institution of wage and price controls. Price controls in the years since the reformers have been in power have resulted in scarcities and a burgeoning black market. As in the capitalist countries, however, the control of wages is carried out very effectively by the administrators and is the cause of the strikes. The wages don't keep up with galloping inflation.

Another of the reforms dear to the heart of the IMF and the Western bankers is to slash government subsidies in public housing and transportation. Some forms of rent control will be abolished. There is already a significant real estate market in private housing.

These then are basically what the reforms are about. The particular regulations which would concretely implement them are not available and for the most part have not been published here.

## **What happened with the referendum**

What has the government done with respect to these onerous banker-imposed reforms? The government leaders were fearful of enacting them without in some

way submitting the reforms for public approval. So they hit upon the idea of putting them in the form of a referendum. Like most referendums of that character, it did not tell the masses much but was high on promises of great advances and alleviation of the economic situation.

It is interesting that the pro-imperialist leadership of Solidarity didn't know quite what to do about this. First they got the high sign that the Western imperialists were for the reforms. They were made aware that most of the capitalist newspapers, especially in the U.S., looked favorably on them as great steps forward.

Apparently the imperialists forgot that Solidarity also has to answer to its own constituency, which contains many workers. This forced Solidarity to become evasive and ambiguous about what to do. First they said no to the reforms, but after seeing what the imperialists were for, they changed their mind to indifference and then halfheartedly and ambiguously said they were boycotting the referendum.

Also, the militant and enlightened working class elements schooled in socialism either didn't vote or gave the reforms unenthusiastic support out of loyalty to the government. While the vote was for the reforms, not enough people participated in the referendum for the government to get a majority of the eligible voters, as required under Polish law. (No capitalist government makes that requirement of a referendum, it is to be noted.)

This should have been very disappointing to the government but it went ahead with implementing the reforms anyway. Now the most outstanding feature of the Polish economy is the continuing rise in prices and the inability of the workers to catch up with the cost of living.

In order to soften the pro-capitalist character of the reforms and the belt-tightening austerity measures that were causing hardship for the workers, the government attached to them certain language to convey the impression, as the Times put it, of

mixing capitalist with socialist reforms. This didn't please the bankers.

## **Banks demand austerity**

In an article headlined "World Bank Urges More Austerity by Poland," the New York Times reported on Oct. 27, 1987, that "The World Bank has urged Poland to speed up the pace of economic change and enact even tougher austerity measures than Warsaw is planning." The bank reportedly had said that the rates of growth in consumption and income expected by the Polish government were not austere enough.

How incredible that a socialist government could let itself be lectured, even commanded, by an arm of the imperialist governments to enact tougher austerity measures! But that is precisely what happened.

The banks read the riot act to the government. "The World Bank warned that Poland's foreign debt ... would grow from \$34.5 billion this year to \$37.35 billion in 1992. It warned that further debt relief measures would be needed from creditor nations."

So what did the World Bank recommend? Cancellation of several large-scale Polish public projects that it considered wasteful. These included a new coal mine at Stefanow, two nuclear power stations and an extension of the Warsaw subway system.

How can a socialist government let itself be lectured about what is wasteful and what public projects it should cancel?

What did the bank want? That Poland "relax central planning and encourage more private initiative." Could anything show more clearly what it means to become so heavily indebted to imperialist banks?

These reforms, the banks say, will help Poland's competitive position in the world market. What hypocrisy and deceit! How could the socialist leadership swallow this?

Poland's chief export is coal. Are the Western bankers really interested in improving Poland's competitive position? What about the British banks, for instance, which have one of the leading roles in the IMF? They not long ago tried to break the coal miners' union in Britain after forcing the workers out in a long and bitter strike, all in order to improve Britain's competitive position through modernization and restructuring, which means layoffs and wage cuts.

Does France want Poland to modernize and improve its economy so it can compete more effectively with the French capitalists who own the coal fields in Alsace-Lorraine?

What the bankers want is not to make Poland's socialist economy more competitive, but to get the interest payments on Poland's debt. And the debt is the result in the first place of an attempt to impose a capitalist economy on the socialist foundations of Poland.

### **Capitalism in agriculture**

In demanding that subsidies on goods and services for the mass of the people be abolished, the bankers were careful to avoid cutting subsidies to the decollectivized, that is, the "free" agricultural sector. This rarely gets mentioned in the capitalist press. The Polish government subsidizes private farmers, although at one period the farms were collectivized and did well for their time, until a counterrevolutionary insurrection in 1956 led to their downfall.

All the efforts of the government since then have been to try to win back the individual farmers, the bourgeois sector of the economy, by granting them concessions. These, however, have strengthened capitalism in the agricultural

sector.

Marx and Engels had suggested, long before there was any socialist revolution, that the best way to win over the bourgeois farmers was to show them the advantages of large-scale agriculture, that in this way the farming sector would become socialized along with industry.

What has happened in Poland is a corrupt form of trying to bribe the farmers. However, they are politically dominated by the Catholic hierarchy. The reformist elements of the government have extended great privileges to the Catholic hierarchy, that is, to clerical reaction. The church has far more privileges in Poland than in capitalist Italy or Spain, where the Catholic hierarchy is continually under political attack by progressive and working-class organizations.

### **All-Poland Trade Union Alliance**

In attempting to rebuild the workers' movement after the collapse of Solidarity, it appears that the government encouraged the formation of the All-Poland Trade Union Alliance (OPZZ).

It is incorrect to call this organization a state-sponsored union. Abraham Brumberg, an observer of the Polish scene who is certainly not a friend of the Polish government, wrote in the New York Review of Books, Feb. 18, 1988, that "The new trade union organization OPZZ is now seven million strong and still growing." This is a significant revelation.

Brumberg doesn't call the alliance a state-sponsored organization, although of course it has received the encouragement of elements in the government. Unfortunately, the government hasn't shown any inclination to heed the union's counsels.

According to Business Week of Jan. 19, 1987, "Jaruzelski's government gets harsh

criticism, even from the All-Poland Trade Union Alliance. ... At last month's trade-union conference in Warsaw, the chairman of the alliance denounced the "level of social benefits and workers' housing," which he said were "much lower" than in other socialist countries.

It was therefore not surprising that when the bus drivers in Bydgoszcz went out, sparking the recent wave of strikes, the OPZZ represented the workers and won a settlement from the government. But this set up other strikes, particularly in the Nowa Huta area, which the government decided to crush by force. At any rate, it is very plain that the OPZZ has been disregarded.

### **How Solidarity got back in the picture**

This gave Solidarity the opportunity to reemerge, after it had been considered almost defunct except perhaps in the Gdansk area. It tried to turn the just economic demands of the workers into political channels, compounding the government's problem overall.

The reemergence of the pro-imperialist leadership of Solidarity can only lead to further deterioration of the economic problems in Poland and ultimately to a forceful resolution of the crisis in one way or another.

In the midst of all this, the U.S. government was forced to publicly reveal its hand. Forgotten by the press was Reagan's breaking of the PATCO union and his administration's ensuing virulent anti-labor offensive. Instead, there were headlines when the U.S. made a loud outcry against the use of force by the Polish government.

Almost totally lost was what the Reagan administration spokesman, Deputy Secretary of State John C. Whitehead, said about the economic reforms in a May 7 interview with the New York Times. After going through the routine of denouncing the use of force, the lack of freedom, etc., he made sure to weave into his interview

that “the economic program of the government strikes us as being a basically sensible program.”

There you have it! He approves of the reforms, but their consequences — that’s for the Polish government to deal with!

Furthermore, he said, “In due course we would hope the U.S. would take a constructive attitude with the IMF, World Bank loans and Paris Club rescheduling.” What hypocrisy to give the impression that the IMF and World Bank are independent organizations! If they were fully independent, he wouldn’t be talking for them.

If the Polish government behaves itself in accordance with the rules laid down by Wall Street, Lombard Street and the Bourse, according to Whitehead, “commercial bank lending from U.S. banks is a possibility” and further down the road there may be “some kind of direct U.S. government assistance.” Such is the real relationship between the Polish economic reforms and the imperialist banks and U.S. government.

The strike struggles are the consequence of this relationship of imperialist neocolonialism to a faltering socialism. The two cannot peacefully coexist for any length of time. One or the other will have to give way. The present chaos consists almost entirely of this untenable relationship.

### **Relation to reforms in USSR**

In earlier years, the Soviet government was denounced regularly in the imperialist press for encouraging and assisting the Polish government in socialist construction. These attacks are always couched in such terms as the “imposition of a regimented economy,” etc. Now that the Soviet government has embarked upon a series of bourgeois reforms of its own, it has encouraged the Polish leadership to do likewise and, given the circumstances in Poland, to go much, much farther.

The capitalist press has been heaping praise on the Gorbachev reforms and is regarding his relations with the Polish government, at least at this stage, as wholly beneficial for the future of the Polish reforms. Some of the Solidarity leaders are openly jubilant about perestroika. Lech Walesa himself has said it is too bad that Brezhnev didn't die two years earlier, meaning before the government showdown with Solidarity.

What ultimately happens in Poland is bound to decisively influence events in the USSR. The outcome of the situation will not only affect the socialist countries but also the movements in the oppressed countries and events in the West as well.

### **Poland a halfway house**

Over the years we have characterized Polish society as a halfway house. The heavy industries, transportation, communications and utilities were nationalized by the government and are the social property of the working class. They make up the socialist sector, however badly or well it may be managed.

Matters are different in agriculture. Right after World War II the large estates were expropriated from the landowners and collectivized, which is a semi-socialist form of ownership. But then in 1956, after a counterrevolutionary insurrection, the collectives were returned to private hands.

Over the years since then, there has been a considerable growth of the private sector. The door was opened up to the imperialist West. This laid the basis for the developing economic and financial stranglehold by the imperialist banks and their governments.

The series of rebellions and strikes, which started in 1956, ushered in a new first secretary of the Communist Party, Wladyslaw Gomulka, who decollectivized many of the farms. In 1970, after workers rebelled in several cities protesting price increases

and incentive wage rules, he was ousted and replaced by Edward Gierek. In 1980 Gierek was replaced by Stanislaw Kania. A year later Kania was dismissed and replaced by Jaruzelski.

What does this series of political eruptions and swift changes of government and party personnel indicate?

It indicates that the government has moved from one that represented, at least objectively, the general socialist interests of the workers and the masses, to a Bonapartist form of regime. What does that entail?

### **A Bonapartist regime**

A Bonapartist regime is a regime of crisis that tries to balance itself on antagonistic classes or social systems. It tries to straddle two opposing social camps. Ultimately, it has only the support of the police, the state apparatus, and the military.

Jaruzelski is also trying to balance the Catholic hierarchy, which is pro-bourgeois and pro-imperialist through and through. The Catholic hierarchy has the dominant ideological influence with the decollectivized and atomized peasantry. It carries in its van a substantial segment of the new bourgeois intelligentsia and the leadership of the Solidarity movement.

It goes without saying that this camp is the promoter of the bourgeois reforms of links with the imperialist governments and the banks. It covers itself with demagogic, however, whenever the government attacks the masses in its effort to overcome the abysmal crisis.

The Jaruzelski regime tries to hold onto and secure the socialist foundations of the economy, that is, the ownership of the basic industries. But the means used continually weaken the class camp of which the regime is the sociological protector. It is continually giving way to the enemy camp.

A Bonapartist regime of this type is like a person whose legs are in two different rowboats, each moving in an opposite direction. Maintaining one's balance under these conditions, especially in stormy weather, becomes virtually impossible. It is characteristic of Bonapartism, going back to Napoleon III, to resort to referendums that superficially show popular support for the regime but cover up the acute class and social antagonisms.

In the year since martial law ended, the government should have known that it had to win over the workers. When the OPZZ succeeded in signing up as many as 7 million union members, it appeared there was a sufficient foundation to start on a new working class course. Difficult though that may be, it is far preferable to going hat in hand to the bankers begging for their panaceas — which every worker in Mexico, Argentina, Chile, Brazil, or Nigeria has learned to despise.

### **The nouveau riche**

The bankers' reforms, of course, are wonderful for the imperialist bourgeoisie and for the nouveau riche in the entrapped countries.

A disillusioned former cheerleader for Solidarity, Daniel Singer, described in frightened tones in *The Nation* of March 5, 1988, what he saw both on the right and also in the government. "Watching the situation in Poland now is a painful exercise. There are moments of near despair," he wrote. "In a country that before the war had a strong lay left, the ideological domination of the Catholic church is now overwhelming. Red is a dirty word. Reagan is a hero and Milton Friedman provides food for economic thought."

Singer quotes from *Polityka*, a weekly magazine put out by the reformist element in Poland. An article in the January issue entitled "The Poor and the Rich" created a stir, according to Singer. It described the new bourgeois element that has grown up as a result of the reform policy of the government: "winter skiing in the Alps,

summer on the Riviera, a BMW, jewels from Gucci, children in a French kindergarten and an American school, provisions from West Berlin."

That's the nouveau riche. That's the product of the decay of socialist construction and the westward orientation. As for the poor, they would be on the picket lines if they knew who could lead them to what.

Neither Brumberg nor Singer remotely suggested in their articles that a spontaneous eruption of the mass movement of the workers would be taking place now. Each of them bemoaned the loss in standing and disintegration of Solidarity, but neither foresaw that the workers themselves would move on their own. It would be most unfortunate if Solidarity's pro-imperialist leadership were again to take over the movement of the workers.

Jaruzelski cannot long have his feet in two boats as the storm signals grow. Only a clear working-class revolutionary socialist perspective can bring economic security and socialist fraternity in the population and chart a path to genuine communism. The halfway house means peace with the exploiters and poverty for the masses.

Source: [Marxists Internet Archive](https://www.marxists.org/archive/)

