Poland’s transition to capitalism

Keith Harvey Thu, 30/05/1991 - 10:59
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Jan Bielecki is Poland’s Prime Minister. Ten years ago he was a Solidarnosc member in Gdansk, delivering lumber for his living. Under martial law he was an underground activist, assisting the Gdansk shipyard to keep its printing press going. In January 1991 Bielecki was chosen by President Lech Walesa to oversee the country’s transition to capitalism. Another 13 of Bielecki’s cabinet have Solidarnosc membership going back to 1980 when the ten million strong mass movement pitched itself into a battle against the Stalinist dictatorship.1

Today the former Stalinist ruling caste is dispersed and broken backed, no longer in political power in Poland. Solidarnosc, having passed from legal recognition to political power in the space of months during 1989, has provided the leading politicians and economists for the task of dismantling the bureaucratically planned economy of Poland in double quick time.2

Capitalism has already been restored in one former degenerate workers’ state, the ex-German Democratic Republic (ex-GDR). But the specific circumstances that enabled this to occur so rapidly arose from the fact that the ex-GDR was assimilated by imperialist West Germany. The German nation was re-unified, on a capitalist basis, through the assimilation of one part of that nation by the other (an anshchluss). No other degenerate workers’ states face similar circumstances and restoration will, necessarily, occur in a different fashion. Poland is in the driving seat of the restorationist process throughout Eastern Europe, it is the laboratory in which all the main techniques of a unique historical experiment are being bench-tested. The Polish workers, having catapulted their leaders to power, are now the main casualties. As the Polish weekly Polityka said recently:

?Millions of people who gave support to the ?capitalist revolution? are only now beginning to be aware of its consequences. Big industry working class?the mainstay of Solidarnosc?begins to feel a victim of the new system declaring superiority of private economy over the state-owned.? 3

But the Polish workers have very little time left to halt and reverse the ?capitalist revolution?. The government programme?if successful?will see capitalism emerge from the present transition period over the next half year, possibly even celebrating its arrival at the first free elections for the parliament (Sejm) planned for the autumn.

This article examines the process of capitalist restoration in Poland inaugurated by the ?Big Bang? economic programme at the start of 1990. Understanding and explaining the causes and nature of this process are essential if Marxists are to counter the growing chorus of capitalists and ex-Stalinists who assert that the events of Eastern Europe the death of ?socialism?. A Marxist analysis of the defeat that the restoration of capitalism will mean for the workers in these states is the best way to prepare for future victories against the exploiters.

Solidarnosc: from martial law to Mazowiecki
Solidarność was a mass movement, at the heart of which existed an unofficial trade union organisation that embraced millions of workers, including disaffected Communist Party members. Its most influential leaders openly desired capitalism. The masses had the experience of major struggles in 1970 and 1976. On both occasions they refused to accept prices rises and showed their determination to protect their real wage levels against the bureaucracy’s attempts to solve their economic mess at the expense of the working class. By 1980 this experience led large numbers of workers to recognise the need for a permanent, mass and independent trade union type organisation to pursue their fight. Many workers had concluded that some form of market reforms were inevitable if not essential. Many embraced schemes of self-management in the hope of having the market without the harsh logic of capitalist competition.

The Stalinists in power, led by General Jaruzelski, were not too disturbed by the pro-market aspirations of Solidarność’s leadership. They were, however, appalled at the vista of defensive economic struggles maturing into a revolutionary challenge to their monopoly of political power. In fact, in the last months of 1981 Jaruzelski moved towards the preparation of martial law because of a belief that the Walesa leadership was losing its grip on the sentiments of the mass movement. Walesa’s pleas for an end to strikes were being disregarded. The deal struck between Walesa, the Church and Jaruzelski for some reforms without challenging the right of the bureaucratic caste to rule was in danger of being rejected by the mass base of Solidarność.

That is why the brutal crackdown of 13 December 1981 occurred. That the Stalinist bureaucracy did not do it to preserve the post-capitalist property relations is obvious from the evolution of the dictatorship after 1982. The Polish Workers’ Party (PUWP) won the battle but lost the war. The economic crisis of Polish society did not end the day after martial law; rather, it worsened, not least because of the sullen resistance of the workers to the economic policies of the Jaruzelski regime. In the face of this all the PUWP governments could do was mimic the pro-market programme of Solidarność itself. From 1982 to 1988 the PUWP, especially under Prime Minister Rakowski, steered Poland away from the traditional Stalinist centrally planned command economy towards the looser central regulation and enterprise autonomy that had characterised Hungary and Yugoslavia for years. While the market measures did little to revive the economy it did a lot to fragment the bureaucracy in the face of the next challenge when it came.

It was also becoming clear to the Polish Stalinists that, as elsewhere in Eastern Europe, they could not rely upon the unconditional support of the Kremlin for hard line action to crush the mass mobilisations. An essential backcloth to the events in Poland was the deepgoing attempt by the ruling bureaucracy in the USSR, faced with its own severe economic crisis, to find a road to economic reform and détente with imperialism. Gorbachev’s scarcely veiled support for reform elements in the East European states was intended both to convince the imperialists of his reliability? and to begin the task of reducing the economic cost of providing the military support essential to the survival of the East European regimes. After 1987 Gorbachev set the East European Stalinists on the road to reform.

But it was the events of 1988 and 1989 that hammered the final nail into the coffin of the ruling castes. Looking back on the stormy political revolutionary crisis that erupted throughout Eastern Europe in late 1989 and early 1990 it is easy to lose sight of the events in Poland in the spring and summer of 1988, and their significance for what came later.

The ruling bureaucracy, in conditions where it was losing its ability to buy off the labour aristocracy and the technical-cultural intelligentsia, could not indefinitely prolong its monopoly of political power by repression alone. The downward economic spiral fatally undermined the regime’s ability to claim that it represented the nation, to speak for the working class and to espouse social equality. Movements of the dissident intelligentsia in the rest of Eastern Europe were at first isolated. But in Poland, where Solidarność—a mass
workers' movement? drew into itself all democratic, national and religious oppositionists, a breakthrough came. The failure of the regime to crush Solidarnosc in the years 1981-85 was of strategic importance. It showed that where the bureaucracy lost control of the working class the days of its undivided power were numbered.

In May 1988 strikes erupted against the PUWP government's flagging economic reforms. At first they were met with coercion and threats. But in August a bigger wave, which put to the fore the central issue of re-legalisation of Solidarnosc, opened up a pre-revolutionary situation.

The Politburo decided it could not go on in old way and, under the pressure of the strikes, relented and in August 1988 invited Walesa to ?round-table talks?. At a Plenum of the PUWP Central Committee in January 1989 the top party leadership threatened to resign unless the hard line opposition to the re-legalisation of Solidarnosc backed down. Negotiations dragged on until an agreement was finally signed on 5 April 1989.

In addition to re-legalisation for Solidarnosc elections were also to be held that year. Those for the Senate would be freely contested and this chamber could veto Sejm legislation. The PUWP would be guaranteed 65% of seats in the Sejm elections and a powerful Presidency would be given to the PUWP to protect itself. The bureaucracy desperately sought a compromise that would preserve as many of its privileges intact as possible. Nevertheless, at least 20% of the PUWP thought the concession was suicide for the party when it met in Congress. They were to be proven right.

In the elections on 4 June the size of the Solidarnosc victory astonished all and utterly demoralised the PUWP. Solidarnosc won 99 of the 100 seats in the Senate as well as all (35%) of the freely contested seats in the Sejm. Its effect on the East European opposition movements was electric, spurring on the more spectacular events that were to unfold.

From this moment on the uneven and combined development of the political revolutionary crisis in the whole of Eastern Europe was to affect each country, even where, as in Hungary and Poland during 1989-90 the surrendering of political power by the bureaucracy was to be a relatively peaceful affair.

After the election Walesa's first response was to refuse the offer to give Solidarnosc a minor position in government. Majority opinion was in favour of building up base organisations and patient opposition until the promised free elections in 1993. But the fiasco of Jaruzleski's win in the Sejm vote for President where, despite his built in majority he relied upon Solidarnosc help, reinforced the demoralisation in the PUWP and underscored the strength of Solidarnosc.

Walesa accordingly changed tack and, rejecting a minority role in government insisted on all or nothing; the PUWP relented and Solidarnosc's Tadeusz Mazowiecki formed the government in August 1989.

The ?underground? versus the nomenklatura

The decades of ?market socialist? reforms and of renewal movements inside the Stalinist parties were incapable in themselves of growing over into capitalism. They were only capable of encouraging destabilising political reform movements from below and introducing new elements of disequilibrium into the economy. This was as true for Poland as anywhere else. A rupture was needed with the past. Sometimes, as in East Germany and Czechoslovakia a mass movement was necessary to bring it about. But what was essential was that, however it came into being, a bourgeois restorationist government needed to gain power to push ?market socialism? into capitalism.

The Mazowiecki bourgeois workers? government4 was such a government. But it was also an
administration born of the round-table agreement, despite being Solidarnosc led. Solidarnosc took the reins of the economy but even here for a while certain positions were left in the hands of the Stalinists. The government allocated four important ministries to the PUWP (defence, internal affairs, transport and foreign trade) and eight to the PUWP's former allies (the United Peasants' Party and the Democratic Party).

Solidarnosc controlled six ministries (including both Finance and Industry, and Labour) as well as providing the Chairman of the Economic Council and Chief of the Central Planning Office. So what was bequeathed from the round-table was dual power in the state and economy: on the one side, the new government leaders determined upon capitalism and the disintegration of the plan; on the other, Stalinists keen to defend the source of their caste privileges in the post-capitalist command economy.

At the time this arrangement seemed to the Solidarnosc ministers to be the best they could hope for. But it was the events elsewhere in Eastern Europe in the winter of 1989-90 that made the compromise appear positively anachronistic. The Solidarnosc ministers determined on a purge of the nomenklatura—the top layers of the bureaucratic caste.

In a sense the term nomenklatura is both too broad and too narrow to describe the ruling interests in the ship of state that went down in the storms of 1989-90. But as a minimum the restoration of capitalism demands that the power of resistance of the top layers of the bureaucracy be destroyed. In the first place the PUWP's decisive influence at all levels of the state and civil society had to be dissolved.

The Stalinist parties are the cement that bind politics and economics into an indivisible whole in degenerate workers' state. The power of the party through its factory cells and party militia had to be destroyed. Regional secretaries, party secretaries in the enterprises—and all their attendant special party armed forces and informer networks—are the people that the restorationists' purge of the state apparatus had to start with. 6

Yet, as important as these structures were for the maintenance of bureaucratic rule, they did not constitute the decisive component of that rule. This lay in the bureaucratic apparatus itself, within which the Stalinist party identified its objectives and priorities and maintained itself as a caste through the nomenklatura system of appointment to all key decision-making posts. This entire system, together with the overwhelming majority of its senior members who could not be trusted to carry out the measures necessary for its dismantling, had to be swept away by the restorationists if they were to preside over a state machine upon which they could depend.

Jan Winiecki describes this layer in Poland thus:

?. . . ministers (with their deputies), directors of the various departments and bureaux within ministries, directors of enterprise associations, presidents of various control-oriented co-operative unions, heads of various input allocating and output purchasing bodies (all with their deputies). Taking into account only those senior positions covered by the nomenklatura, they would amount to some 1,000 to 2,000 persons. 7

Altogether Winiecki estimates that there were up to 250,000 nomenklatura-covered positions in Poland. Apart from the categories already mentioned there are something in the region of 50,000 enterprise managers, a percentage of whom could be expected to make the transition to managers of capitalist firms. But not all of the nomenklatura covered posts have the same ability to obstruct or abort the process of capitalist restoration. The majority, perhaps as many as 70%, will wither on the vine as the roots are cut off. All in all, breaking up the system is the essential point, not persecuting every holder of a nomenklatura
covered post.9 Trotsky himself recognised that many bureaucrats would make the transition to capitalism if allowed to do so:

?If . . . a bourgeois party were to overthrow the ruling Soviet caste, it would find no small number of ready servants among the present bureaucrats, administrators, technicians, directors, party secretaries and privileged upper circles in general. A purgation of the state apparatus would, of course, be necessary in this case too. But a bourgeois restoration would probably have to clean out fewer people than a revolutionary party.? 10

But the re-establishment of a capitalist state machine does not simply involve the taking over of a purged form of the old state apparatus of the degenerate workers? state. Once this nomenklatura system and party monolithism is removed something needs to fill the vacuum. At one level these changes are relatively superficial: a multiplicity of competing parties, a separation between ?economic life? and the business of politics, now identified with the parliamentary arena.

But at another level important changes within the state apparatus itself take place: a reintroduction of the division of labour between the executive, judicial and legislative parts of the state to allow for the general interest of the capitalist class to be imposed over parts of this class when necessary. However, although the old liberal call for the separation of powers within the state and the withdrawal of the state from civil society has been an important ideological weapon with which to attack and dismantle the monolithic concentration of power by which bureaucratic rule was enforced, the extent to which such constitutional niceties will actually be observed in restorationist society will be dependent on the scale of social conflicts created by the return of capitalist rule. 11

In Poland the pace and depth of the attack on the nomenklatura system was related to the fact that there could be little room for the nomenklatura to be a legitimate partner in the transition to capitalism, still less the chief agent of it.

Its loss of legitimacy in the Polish working class after 1981 was almost total. The working class also suspected that in the last phase of the Rakowski led PUWP government the nomenklatura was lining its pockets by selling profitable enterprises and municipal land to itself below cost.12 This fuelled enormous resentment against it.

In addition, the favoured economic programme of the incoming Mazowiecki government was a fast-track shock set of neo-liberal policies that left little room for compromise with any ?market socialist? aspirations of the bureaucracy. As in Hungary and Yugoslavia the market-without-capitalism policies of the bureaucracy had been tried and found wanting in Poland.13

For the first six months of the government the terms of the round-table agreement were in general adhered to. But the pressure for change in the light of dramatic defeats for Stalinism in East Germany, Czechoslovakia and Romania, was irresistible.

At first, the main aim of the restorationists was to force the nomenklatura to give up their control of the army and the police. Until March 1990 the Ministry of Internal Affairs remained closed to the non-Stalinists; but that month the Catholic journalist Krzysztof Kozlowski was appointed as deputy minister to General Kiszczak, the man who had overseen the introduction of martial law. Then in June Kozlowski took over as minister from General Kiszczak. Meanwhile, in May the Sejm pushed through a reorganisation of the police force and abolished the security police.

The Ministry of the Interior has been thoroughly restructured. The Security service and two Peoples? Militia
formations with a brutal reputation (ZOMO and ORMO) have been abolished. The ORMO was abolished on 23 November 1990. The Peoples’ Militia itself was replaced by a State Police Force and a new Office for the Protection of the State exists under the control of the Interior Ministry. One ex-militia man was quoted as saying:

“The militia wants to be transformed into a police, where it wants to serve citizens and break with the tradition of preserving political order. The Militia defended the party and its interests: the state police will defend the interests of citizens.” 14

Developments within the army followed a similar pattern. Two deputy Ministers of Defence were appointed in April last year. Three months later the die-hard Stalinist Defence Minister, General Florian Siwicki, was replaced. This coincided with a shift in orientation away from the crumbling (now defunct) Warsaw Pact and towards co-operation with NATO.

Some 80% of the officer caste resigned their PUWP membership in 1989 and were regarded as loyal to the new regime. Most of the top commanding officers were retired and replaced by a younger generation. The Main Political Board was abolished in November 1989, and with it party membership and ideological training were banned, or rather, transformed into the indoctrination of Polish patriotic values rather than Stalinist ones. Religious ministers have once more been attached to the army units.

In the judiciary the Stalinist placemen were cleared out during 1990 by the appointment of new court chairmen. All the offices have been reorganised, including the disbanding of the Prosecutors Office which was tied to the Internal Affairs Ministry. All prosecutors were ?retired? and then rehired according to ?professional? qualifications. The civil and criminal codes were re-written to expunge them of their Stalinist ideological content.

In local government the power of the nomenklatura has been fatally weakened. In May 1990 the system of 49 voivods was completely reorganised. Previously, they were tightly controlled top-down local organisations that had some powers delegated to them from the centre. They are now composed of officials elected at local level and with a range of local municipal powers, including taxation, over the population.

The PUWP itself disintegrated after its Congress in January 1990. It had a membership of two million but its power rested on its political privileges and its media and property empire?RSW ?Prasa?. Eventually this was taken from them and the government retrospectively seized newly established assets. The PUWP changed its name to the Social Democracy of the Republic of Poland (SdRP) and it now only claims a membership of 60,000. But this party has found only suspicion, hostility and a refusal to be recognised as a loyal opposition.15

The election of Walesa on 9 December 1990 as President to replace General Jaruzelski represented the definitive ending of dual power in the state. Much of his long election campaign centred on criticism of Mazowiecki government for his alleged softness on the nomenklatura.16 This criticism was, for the most part, unfounded, but the pressure of the attack did stiffen the resolve of the government to press ahead with the purges during the second half of 1990.

Walesa’s election and the appointment of a new government did mean that the purge was extended, even though the most significant measures had already been taken. But this continuation of the purge was motivated by Walesa’s need to be seen as making good his demagogy, his need to maintain his populist image.17 In reality the purge has had to be restrained because of the government’s need to keep the services of those Stalinists whose experience and expertise cannot be summarily dispensed with in the
absence of any replacements. 18

On 29 December Walesa nominated Bielecki to head a “government of experts”. Only four Ministers retained their posts from the Mazowiecki administration, none of them in the SdRP. 19 There was no longer any correlation between the round-table alignment in the Sejm and the composition of forces in Cabinet. As a sign of the old PUWP MPs’ surrender the Sejm approved the new government on 12 January with only four votes against. The ?35% free Sejm? was nearly 100% behind the new government of open restoration. 20

The final curtain for the round-table deal is the scheduled parliamentary election this autumn which will see most of the old PUWP MPs dumped. But even now their presence does not signify meaningful power or any ability to disrupt the process of restoration, even where individual officials from the Stalinist state are still in their jobs.

How had it been possible for the nomenklatura in Poland to have been removed short of violent upheaval and the armed resistance of the security apparatus? In East Germany and Czechoslovakia, after all, mass mobilisations were necessary to force the Stalinists to abandon armed defence of this nomenklatura system. 21 In Romania a violent, heroic revolution was necessary to displace the Ceausescu clique that held the nomenklatura and the wider privileged layers of society in terror. 22 Quite simply, the scale of the mass movements and violence needed depended upon the strength of the domestic bureaucracy in each country and its relative independence from the USSR.

But one thing was clear by the start of 1991 in Poland; namely, as a result of these major purges, the old “conservative” forces within the nomenklatura—even if they desired it—could not use the existing armed forces to halt the momentum of restoration. They would have had to assemble their forces from outside the military and bureaucratic state machine and launch a civil war to arrest the whole process. 23

The transition to capitalism

Many commentators on both the left and right are agreed that the process of restoring capitalism in Poland is well under way if not yet complete. But there seems to be little agreement on how to determine exactly when the “leap into capitalism” is accomplished, rather than just attempted. 24 To paraphrase Ernest Mandel from a discussion forty years ago, the difficulty consists in this: how to determine at what moment the transformation of quantity into quality is effected in the process of capitalist restoration? 25

Others have responded in the following manner: if the state owns the means of production then it really is a question of who owns the state. Since the success of the bourgeois democratic counter-revolution last year, governments have come to office committed to capitalist restoration. Moreover, they have used this position of high office to wipe out the major part of the power of the nomenklatura in the state machine (army, party militia, state security etc). Hence, these states should be considered capitalist.

Yet if this was all there was to the analysis then it would be no different in essence to those on the left who never recognised that we were dealing with a qualitatively different form of class society in East Europe. For the state capitalists all that is involved is the transition from state to private capitalism. Purging of the losing faction of the old “ruling class” is all that we are observing. This argument has to be rejected.

The victory of the bourgeois forces in the government and state machine are essential in order to carry out the decisive task: the destruction and dismantling of the economic mechanisms of state direction of the economy.

The economy of the degenerate(d) workers? state is characterised by three features: statification of the
decisive parts of the means of production; their co-ordination and functioning according to the objectives set by the ruling bureaucratic caste, which necessarily involves the negation of the law of value within the state; the protection of this system from disruption by the external law of value through a state monopoly of foreign trade. Of these, it is the negation of the law of value via some system of bureaucratic direction of the economy which is decisive, the other two having a fundamentally technical character in that they are measures which allow planning.

These are what make these societies post-capitalist, free from subordination to the capitalist law of value. Consequently, it is the destruction of planning as the determinant of the whole of the economy which marks the destruction of the proletarian character of the property relations and, therefore, of the state which defends them.

Trotskyists are not neutral in this process. All of these anti-capitalist economic measures are essential for the working class under its own rule if it is to make the transition to socialism on an international plane. Of course, we fight to free them from bureaucratic strangulation by the Stalinists. But if we let them fall to the advance of capitalism then the working class will have to re-establish them in the future. This is precisely what makes the restoration of capitalism a defeat. Workers will be deprived of the economic mechanisms necessary for the transition to socialism (despite these mechanisms never being able to fulfil this potential while they were in the hands of the Stalinists).

But even in the struggle to retain and purge these mechanisms of their bureaucratism the task for Marxists is to analyse how these mechanisms are presently being destroyed and replaced by the effective regulators and institutions of the capitalist market. We have to establish at what point the Rubicon is crossed.

But what method should we employ in this analysis? It would be arbitrary and a false abstraction to expect capitalism to emerge in these states in the logical or historical order in which it emerged from the womb of feudalism in the seventeenth and eighteenth centuries. Similarly, a study of the dynamics of capitalist triumph in the colonies or semi-colonies under the impact of imperialist penetration is of limited use to us here.

Rather, we have to study the genesis (or more accurately, its rebirth) of capitalism in Eastern Europe as it emerges from the reality of the degenerate workers’ states in the process of their extreme disintegration under the pressure of market reforms; in short, the ?market socialist? versions of the degenerate workers’ states.

The record of marketisation

The best known experiments in market reform in a degenerate workers’ state were probably the New Economic Mechanism in Hungary announced in 1968 and the Yugoslav reforms between 1965-71. Although these were modified or supplemented in subsequent years they were never reversed. In the 1980s they were deepened and in the case of Poland the years after 1982 witnessed a rapid retreat away from the traditional command instruments towards market measures.26

Before these reforms all the levers of economic direction were entrusted to the centre. Decisions about what proportion of GNP would be generated in industry and what in services, how much would be devoted to the wages fund of the whole society and how much to investment and welfare provision, would all be taken at the centre. But in addition the centre would also directly set input and output targets for each of the major industrial sectors and even individual enterprises.
Consequently, prices for individual goods and services would be administratively set by the centre. In part they would reflect costs of production but not entirely. For example, goods destined for export markets would have their final prices of production reduced by artificially setting low prices for raw material that went into their manufacture.

Prices were generally “passive”. They were an accounting device at the centre for balancing the books of national accounts and keeping track of the movement of goods through the system, as they changed their form in the process of production. Prices were not a signal for investment as they are under capitalism.

Taxation (usually profit tax and turnover tax) would be used by the centre to appropriate, in money form, the bulk of the new output. Then the centre would redistribute this back into the economy and society according to political decisions in which any notion of profitability would play a subordinate part. In the process, of course, the bureaucrats syphoned off their cut to pay for their parasitic existence and supplement their “workers’ wages”.

It was the decline in the growth of labour productivity that led to pressure for market reforms. The chief source of this decline in a bureaucratic command economy was the nature of the social relations of production itself. Improvements in productivity involve constant technological renewal and innovation and imply a displacement and relocation of labour. But other key pressures on the bureaucracy and on the enterprise managers ensured that there was a resistance to labour being shed; the commitment to employment itself was an obstruction.

Desperate to enliven the central plan in a situation where they could not afford to do it by introducing the democracy of the producers and consumers, the bureaucracy resorted to a measure of “competition” to enliven productivity. These reforms went under many names but their common aim was to replace central commands with more indirect links between the centre and the enterprises. A measure of autonomy was devolved to the enterprises on day to day economic decision making.

The devolved powers included such things as an enterprise accounting system that forced the management to balance input costs with output costs. The enterprises also got some power to make their own investments using profits retained after taxation by the centre.

The main point at issue here is whether these reforms, which undoubtedly contained the logic of restorationism, subverted the essence of the degenerate workers’ state and stripped the central planning mechanism of effective control over economic direction. The short answer is; no, they did not.

The key levers of economic management that were kept in the hands of the central apparatus were the fixing of prices, taxation, money creation, budgetary control and credit distribution. Control of these ensured that the market mechanisms introduced in the relations between the firms and the centre were kept within strict limits. On the other hand, they did introduce a real contradiction into the running of the economy of a degenerate workers’ state, which led to conflict and decline.

It is worth looking at how the centre could control the market through various fiscal and monetary instruments. As regards prices the market reforms introduced several different types of prices. There were the old “administrative prices” set by the centre according to macro-economic and political goals. These were still important in the new reforms, and low prices could be used by the centre to induce the self-accounting enterprise to buy certain goods or forms of energy that the centre wanted to use up or develop.

From the firm’s point of view the administrative price sent an active signal to the firm inducing a purchase on economic criteria; but it was within strict limits. The firm was not allowed to turn its back upon the goods
altogether and choose to purchase foreign supplies which may be less expensive.

Free prices set according to law of supply and demand on the domestic market played a role in the reform periods but were strictly limited in scope. They tended to be important in light industry where this policy would also be accompanied by more liberal policies on taxation and credit. This would introduce a greater degree of autonomy over the direction of this sector (including consumer goods) but its overall weight in the economy was not great.27

The use of credit under the market reforms also indicated the restrained character of the market reform measures. Under pre-reform conditions all investments would be centrally allocated. This form of investment continues under the new conditions as well but is supplemented. First, firms are allowed to invest from retained profits. But this is marginal in scope because the increasing scale of investments is such that larger funds are required for new plants and equipment than can be drawn from one year? s retained profit. They would still need access to credit.

But this remains firmly in the hands of the central planning apparatus. They determine how much of the national product will be set aside for credit and what proportions go to which sector of industry. The profitability of a project submitted by a firm may well enter the calculations of the centre but it would not be the decisive consideration in the way that it is under capitalism.

When the centre and its banks invite bids for credit from the firms (tied to specific projects) the centre will consider a range of political and macro-economic reasons whose import lies far beyond the short or medium term profitability of the project. This will be the norm for such decision making and it runs counter to what takes place under a capitalist economy.

While the banking system is subordinated to the centre there would be a measure of day to day managerial autonomy that allows decisions over credit allocation to be taken without constant reference to the more supreme and authoritative economic councils.

Even in more recent years in Hungary where a genuine private sector exists, as opposed to mere ?self-accounting state firms?, the credit system was used to restrict and inhibit the development of the capitalist market. In a capitalist society it would be normal for firms to extend credit to each other in the form of bills of exchange and these bills of exchange themselves could be traded on a market.28 When this was introduced partially in the 1960s reforms it only led to crisis as certain state firms were unable to pay up. This started a chain of crisis and failure to meet obligations. As it worsened the national state bank was obliged to intervene to help out.

Being workers? states they generally acted to ensure continued production of state enterprises, stop closure and unemployment, ensure contracts were met and shortages prevented. So the credit system was inhibited from having a purging role over inefficient units and the problem was transferred to another level?bigger budget deficits. The state would print more money (result: inflation) or borrow from abroad (result: growing indebtedness). This system of debt forgiveness by the state towards the enterprises has been called the ?soft budget constraint? 29 and is endemic to a degenerate workers? state. As Brus and Laski have noted:

?The direct source of inefficiency, and thus of a shortage economy under both the command system and the regulated market system, is the persistence of the soft budget constraint. Why is there this persistence? Our tentative answer goes along the following lines. A hard budget constraint means full dependence of the performance of the enterprise on its own revenue.? 30
The final factor of control over the decentralised plan is taxation. Taxation allows the centre to deprive the firm of sufficient resources to carry out investment and force it to resort to the credit system and thereby be directed by the centre.

Even in the case of Yugoslavia, the most decentralised of the degenerate workers? states in the 1950s and 60s taxation and credit policies ensured that 70% of investment was under the effective control of the federal central apparatus.

Over time this dual system of central plan and regulated market ran into serious trouble. From the viewpoint of the enterprise manager the new system would be highly unsatisfactory. On the one hand, they would be told to be more cost effective and use the devolved powers to improve productivity and lower costs. Yet, on the other hand, the centre did not allow them to sack workers in order to lower costs. They would also find that they were not playing their rival firms? on level ground since the intervention of the centre into the affairs of each firm through pricing, credit and taxation policy would subvert the ability to reduce costs in a way that was comparable to the situation that other firms faced. Deprived of the ability to invest outside their own firm managers would over-invest in their own firms leading to further inefficiencies.

All in all the system of market reform in the degenerate workers? states broke down on the contradiction between capitalist market mechanisms and the central plan. Even where the central planning institutions were highly weakened, control over monetary and taxation instruments achieved the same results by more indirect means.

**Market socialism or restorationist state capitalism?**

This brief description of the fate of market reforms allows us to assess the significance of the current changes planned or being undertaken in Poland and the rest of Eastern Europe at the moment. Are they just a quantitative extension, a re-packaging, of the same old decentralising schemes, or do they represent something more fundamental?

They are indeed more fundamental and here lies the significance of the so-called ?stabilisation? or ?adjustment? programmes being pushed through at the moment, and above all of Poland?s ?Big Bang?.

Throughout Central Europe the system of material balances planning, i.e. the central command allocation of all physical units, is in ruins. In some countries the ministries have been dismantled while in others they remain but have lost their previous function. Rather than allocate resources by directive from the centre, at most they retain the instruments of monetary and fiscal control in the manner of ?market socialism?.

But as we have seen these reforms were half-baked, limited in their effect and often produced economic disorder in the system. Inflation, foreign debt and budgetary imbalances were the main legacies and it is to these that today?s restorationists have turned their attention. Curing these distortions is essential for the capitalist market economy to operate at all. Capitalist economic calculation is impossible without removing the main destabilising and inhibiting features of the degenerate workers? state.

Inflation is often considered the number one enemy of the bourgeois forces. We are not just referring to mild single digit inflation, but runaway inflation, often hidden or falsified under the old regimes. With rampant inflation prices are not allowed to signal efficiencies since the situation in a firm is blurred by endemic general price rises throughout the whole economy. Under capitalism prices have to act as prices of production, encouraging or discouraging investment. This can only be done by accurately reflecting costs of production.
The governments in power at present, with one degree of forthrightness or another, have set about suppressing inflation through holding down wages and monetary growth. However, in the short term the situation is complicated and partly obscured by two things.

First, in most degenerate workers? states there is a chronic monetary and savings overhang. This refers to the fact that workers? nominal incomes may have risen over the years but the shortages of goods to spend them on has meant that there has been an involuntary massing of savings. Thus in the situation of freeing prices to eliminate shortages the existence of this reservoir of savings means that initially prices may rise as the savings are drawn into current spending. But the case of Poland in 1990 shows this to be a very temporary phenomenon before inflation is brought under control.

The second complication is that the new price calculation has to be rough and ready to begin with. An attempt is clearly made to set comparative prices for domestic goods that reflect costs of production in comparison with foreign equivalents.

But the goal is clear: control of inflation to manageable, western type proportions so that there can be a system of near universal free prices for all goods and services. By these means prices can be made active again; that is, a signal for investment on the one hand and for locating unprofitable enterprises or product lines that have to disappear.

The next major task of the restorationists is to restore budgetary equilibrium (i.e. balance state revenues with expenditure). Many capitalist governments run a budget deficit. The USA runs the biggest in the world. But the character of the deficits in the degenerate workers? states are different in content. They arose out of a systematic attempt to use subsidies to ensure that the inefficiencies of production did not lead to generalised unemployment and closures by the allocation of subsidies. These subsidies, which were also directed at keeping prices for rent and foodstuffs low, would be paid for out of a heavy turnover tax (tax levied against each product sale) and a profit tax on the enterprises.

But over time the revenue would be insufficient and lead to deficits. It is through restoring equilibrium, by attacking these subsidies and reforming the tax system at the same time, that the restorationists can free the enterprises from central control and allow firms to retain earnings and re-invest profits.

A further aspect to the stabilisation package that we should consider is currency convertibility. It is well known that a black market for foreign currencies exists in all the degenerate workers? states. Usually it is in some way tied to the tourist rate of exchange. The existence of this market reflects the fact that the domestic currency?s official exchange rate with the dollar, sterling etc, is wildly out of line and does not reflect the actual value of the respective currencies on the world market.

State control of the rate of exchange and the access of state enterprises to foreign exchange was essential to the plan?s ability to protect the internal economy from the pressures of the law of value in the world market. Part of the restorationist process therefore involves removing this distortion in two senses. First, to let the enterprises have free access to hard currencies (as much as they can afford to buy at the set exchange rate) in order to carry out their foreign trade.

Secondly, to let the exchange rate find its own level in a free market so that the world currency exchanges establish a level of exchange between, say, the dollar and zloty, that reflects their real strength and capitalist competitiveness.

The final element of the stabilisation plan to prepare the ground for the capitalist market is to take measures to resolve the foreign debt burden. Some countries (e.g. Romania) do not have any but a
country like Poland is inhibited in its journey to capitalism by the existence of this debt. It deters foreign investors in the privatisation process because servicing these debts implies high interest rates and high and unattractive exchange rates for goods the imperialists may eventually produce inside Poland.

In addition, debt can smother the process of encouraging domestic private enterprise because the government is obliged to keep taxation higher than desired in order get the money to finance the debt repayments.

The stabilisation plan forms a coherent whole. Each part of the package interconnects with the other. One Hungarian economist writing in 1989, calling for ?simultaneity? of the measures outlined above, expressed the relationship thus:

?Stopping inflation requires a balanced budget. Balancing the budget, in turn, can be achieved only if the tax system is placed on a radically new basis. The budget cannot be balanced in the midst of inflation, since revenues are always delayed by comparison with expenses, so that inflation makes itself felt more strongly on the income side than on the expenditure side. Stopping the subsidisation of loss-making firms is conditional upon the introduction of a new tax system and also upon the possibility of finding out which firms are genuine profit or loss makers through the use of market clearing equilibrium prices. Genuine market prices, however, cannot emerge amid accelerated inflation.? 32

Carried out together they can reinforce each other; pulled apart in time they can contradict the purpose for which they are designed. For example, setting prices free without restraining wages would have a damaging effect from the point of view of capitalist stabilisation.

Balance sheet of Poland?s big bang

Given how deeply discrediting the crisis of bureaucratic planning and the repression had been for ?actually existing socialism? the anti-Stalinist movements of the late 1980s were not ?socialist? or ?communist?, as the movements of 1956 and 1968 had been. This crisis, and the triumph of neo-liberal capitalism in the west, meant that the pro-market and ?anti-communist? tendencies were predominant amongst the oppositionist circles.

The bureaucracy had lost all confidence in ?planning? and sought legitimacy for itself in marketising and nationalist ideologies. The most class conscious forces were limited to a syndicalist ideology (?workers? self-management?) which accepted the validity of the market economy and left the terrain of politics to bourgeois democratic pluralism. Kuron, a key Solidarnosc activist, long time opponent of Stalinism and founder of the Workers? Defence Committee (KOR), reflected the views of many Polish workers when he said:

?I would be of the left, the moderate left, in a capitalist system. First, however, I am going to build this capitalist system.? 33

There was thus a profound crisis of leadership with no significant independent anti-bureaucratic forces committed to socialism and a planned economy. But only in Poland, by the beginning of 1989, had a consciously counter-revolutionary leadership gained hegemony over the broad masses of the working class.34

This was important for determining the course of the economic policy of the Solidarnosc government after August 1989. The ?radicalism? of Solidarnosc?s leadership was possible because they seemed to have a mandate from the bulk of the working class, to which they had been organically connected. They were not a diffuse, hitherto marginalised section of the intelligentsia, catapulted from nowhere to prominence,
needing to gain the trust of the masses. All the political conditions for a bold and fast push for capitalism were in place.

In Poland most of the measures outlined above were introduced by the Mazowiecki government with the famous ‘Big Bang’ explosion on 1 January 1990. It was the actual realisation in flesh and blood of the programme of ‘simultaneity’ described earlier. It was the fruit of a government announced plan in October 1989 (with IMF backing) to turn Poland capitalist within a two to three year period.

The drive to capitalism involved two separate but inter-related aspects: a stabilisation plan within the framework of existing institutions and a plan for structural and ownership changes that would reshape the framework itself, one consonant with capitalist social relations. Thus, the stabilisation plan is not the restoration of capitalism, but it is an essential component of the process. The Balcercowicz Plan of early 1990 succeeded in reducing inflation from an annual rate of nearly 3,000% in the latter months of 1989 to single figures by March 1990. By the end of the year the government had freed 90% of prices (up from 50% in 1989), slashed subsidies and had turned a budget deficit into a budget surplus.

In the mid to late 1980s state subsidies accounted for about 41% of state spending. Most of this was food subsidy, the rest was aid to loss making firms or support to help cheapen the cost of energy to industry by keeping coal prices low. On 1 January 1990 most subsidies were eliminated except for those on coal and rent. Even in the case of coal there was a 600% price rise, though this still keeps the price artificially low.

Subsidies have been slashed at one stroke from 41% of state spending to 18%. Their remaining effects (on lowering the costs of energy for industry and on rent) are not qualitatively different in character from those subsidies that have existed for years in the west.

As a consequence state finances improved during 1990. The budget deficit went from a peak in September 1989 of 26% of spending, declined to 5% in November and December 1990 and became to a surplus of 8% in January 1991. The National Bank is also now presiding over a system of currency convertibility. On 1 January the zloty was devalued by 58% and made fully internally convertible. Poland is the only degenerate workers’ state to have gone this far. Proof that this brought the currency into approximate line with its global value is that fact that the black market for currency has disappeared in Poland, being replaced by legal foreign exchange bureaux in all Poland’s major towns and cities.

Firms have unrestricted access to hard currency from the banks to finance imports. For the moment the government controls the export of capital from Poland to stop potential zloty investment funds drifting abroad. But the key thing is that in a situation where foreign trade is firmly in the hands of the firms themselves? the effect of the currency reform is to expose these factories to global capitalist competition. One report from July 1990 concluded that the structure of international prices has thus also been largely ‘imported’, bringing efficiency and competition. The only distorting effect in place is a 10% tariff on certain imports which offers some very limited protection to Polish industry in the short term.

A major breakthrough for the restorationists occurred in March 1991 on the issue of Poland’s foreign debt. The new Polish government was strangled by interest payments of $3.1 billion a year (in 1989). The total accumulated debt outstanding is $45 billion, of which the foreign debt owed mainly to other governments is about $33 billion, a total that was three-quarters of GDP. The government was pushing for an 80% reduction in foreign debt in negotiations with the banks and the IMF this year. This relief is crucial to the marketisation process since as Minister of Industry, Syryjczyk, said in August 1990:

The reconstruction of the Polish economy without a meaningful inflow of foreign capital is impossible.
In the event, although the Polish government did not get everything they wanted, they did get an historically unprecedented concession, something that has never been granted to the most pro-imperialist and impoverished of Latin American governments. At the Paris Club meeting in March 1991 the coalition of western finance ministers agreed to a 50% cut in official debt, 30% of this relief to be extended over the next three years. This will cut payments to $600 million and thus lower payments by 60-70% in the first three years. By easing the pressures on government finance it allows for lower interest rates, eases the pressure for higher taxes on firms and hence helps lower the existent level of deterrence to foreign imperialist capital.

But the economic costs of the stabilisation plan were not insignificant. The ‘Big Bang’ induced a massive slump in output which announced a recession from which Poland has yet to recover, after nearly eighteen months.

GNP went down by 12-14% compared to a target of 5%. Industrial output fell by 10% during 1990, food processing and light industry being the worst hit. Most of this collapse in domestic demand (23% in the first quarter) occurred after the shock as prices for most things shot through the roof, while real wages collapsed. Agricultural production fell by 40% between January and May 1990.

Trade with the GDR collapsed, while energy prices from USSR doubled as the Kremlin insisted upon hard currency for its oil. Inflation for 1990 was planned at 90-95% but turned out to be 250%, partly because Polish state firms lowered output in the face of the collapse of domestic demand rather than lower prices.

The effects of this induced recession on employment were slow to reveal themselves. By mid June 1990 unemployment was 513,000 or 3.8%. By the end of the year it stood at a little over one million, or 6.1%, hitting the less industrialised regions hardest. Only 183,000 job losses in 1990 were due to layoffs according to Polish figures, which at first sight seems remarkably low. Indeed, most analysts accept that the major contributor to the rise in unemployment was not closures or sackings but new entrants into the labour market not finding jobs and registering for the new system of state benefits for the unemployed. But as the more radical restructuring arrives this year estimates of unemployment vary, suggesting it will reach anything between two and three million by the end of 1991.

This relatively low impact on employment in 1990 was due to the reaction of the workers in the plants in the face of the recession. Many decided to accept a savage slump in their real wages (of 50% in the first three months of 1990) in order to keep the plants relatively solvent (at least in first half of 1990) and therefore open.

As 1991 approached the government was experiencing increasing difficulties staying on target. The Gulf War and its effects on energy prices and trade, the hard currency demands of the USSR and negative real interest rates under the pressure of the autumn Presidential election campaign (as the government was seeking to ease the recession in search of some support), all slowed the momentum of the restorationists as the new year arrived. But they soon determined to press ahead even faster.

The end of the plan; banking and finance reform

The stabilisation programme had important effects, but what progress was made on the key structural changes that were deemed essential to transform the social system itself? The central planning mechanisms that directed physical goods and raw materials to predetermined ends are no longer functioning in Poland. One report last year concluded that:

?As early as the beginning of 1990 the government desisted from adopting the central annual plan which had constituted before a collection of guidelines for the national economy. Instead it worked out the
Assumptions of the Socio-Economic Policy for the 1990s, representing only the government’s intended activities this year. This document does not contain any indices for any economic activity or for the entire economy.

The new role of the government and its apparatus in the economic sphere boils down to the participation in the legislation processes concerning marking and updating the economic law, as well as to creation and enforcement of economic parameters (for instance taxes, customs, duties etc). 48

Planning is the sum total of all the instruments the bureaucracy uses to direct the statified economy. It prevents the operation of the law of value dominating. The central planning ministry was a key, but not the only, element of this. The totality of the planning mechanisms involved the planning ministry, the industrial ministries and the centralised monopoly banking system. This totality has been weakened and eroded by market reforms prior to 1988-89. Since that date it has been increasingly dismantled. Its last remaining element and one which holds it together as a system is the banking network.

In the last two decades in countries such as Hungary and Poland central control over banking and monetary/credit policy was used to negate the untrammelled operation of the law of value. Money exchanges existed but money was not allowed to operate as money-capital, as self-expanding value, essentially free to assume any form it liked and move relatively unhindered in the search for exploitable labour and profits. 49

The qualitative transformation from varieties of “market socialism” to a variety of state monopoly capitalism comes with the qualitative change in the operation of the banking and credit system and therefore with their institutional restructuring. It is the task of this restructuring to make money act as money capital in the relations between the banking system and the enterprises.

This is not just a question of passing legislation to this effect; the actual practice of the agents of the process must correspond in reality to the legal norm. The mechanisms for implementing it on the side of the banks are well known: positive real interest rates, new accounting procedures and the emergence of a real capital market. Normally, inflation would run way ahead of nominal interest rates so that borrowing by the state enterprises would incur no or negative costs; this naturally encourages borrowing over investment and boosts inflation.

The aim of banking reform is to create a situation whereby when firms borrow money they have to pay it back with interest from profits. Enforced closures of bad debtors by the banks will be the penalty for failure. On the side of the firm they must act in accordance with the new criteria as well. We will look first at the changes in the structure of the banking system and then in the ownership of the enterprises.

Let us start by quoting those close to the process:

The banking system has been separated from the budget, as independence of the National Bank from Plan has been legislated. The development of a normal commercial banking sector has proceeded steadily since the creation last February [1990] of a two-tiered banking sector, with a central bank and commercial banks. Positive real interest rates have combined with legal bank independence to break the historic subservient role that banks have played with regard to the public sector. 50

In fact this was a premature judgement. It was to mistake the wish for the deed, or rather the legislation for the reality. A two tier banking system has in fact operated since 1989. The Narodowy Bank Polski (NBP) acts as a central bank with the usual functions (lender of last resort and supervisor of money supply) and it also oversees the commercial banks? activities. Nine new commercial banks were established in 1989 to
replace the former regional branches of NBP. During 1990 fifty new banks (mainly private) were formed.

An interbank lending system has developed and bills of exchange have begun to replace inter-enterprise arrears, leading to a market for commercial paper; government and some commercial bonds have been sold to the public and the beginnings of a secondary market for these have appeared. That is, circulation of money capital was up and running, if in a small way, by the end of last year. But the significance of these changes should not be overstressed.

This circuit is not yet decisive for governing relations between the enterprises, between the banks and the enterprises and between the enterprise managers and their workforce. The commercial banks set up by the government were mainly to specialise in branches of trade, or sectors of industry. It did not change their mode of production. And the weight of the new spate of small private banks in the system during 1990 is very minor indeed. Poland has moved to a product market but not yet a financial market.

This was testified to by the new Prime Minister Bielecki when he presented his government’s plans to the Sejm on 5 January this year. He explained that the government aims to achieve:

?. . . the development of the capital market in Poland and the entire network of financial institutions to constitute the real backbone of market economy.

?This year will see the definition of the principles of capital turnover . . . This year will be crucial for developing a competitive banking system in Poland. We will take up efforts to eliminate the state banking cartel.? 51

The centrality of this competitive banking system for changing the nature of the way the enterprises operate as compared to market socialism? was expressed in this way by Brus and Laski:

?But if an enterprise is to be judged exclusively on its financial results it must have the right to use all the available opportunities to survive and develop . . . In turn decentralisation of investment decisions generates the need for a capital market . . . otherwise the surplus generated could only be invested in the enterprise itself . . . In the most general and simplest sense a capital market provides the mechanism of horizontal reallocation of savings through transactions between savers and the investors in productive assets.? 52

These forms include: direct credit relations between firms, commercial banks, the bond market and the equity market. The first is relatively rare today. The commercial banks are most important in the short term. But Brus and Laski are aware that there is a difference between formal independence of the commercial banks under a degenerate workers? state and their actual functioning under capitalist conditions:

?The creation of state commercial banks was tantamount (at least formally) to dismantling of the traditional mono-bank system in which the functions of the central bank were merged with that of a single accounting, clearing and crediting institution of a virtually administrative nature. The change involved a number of technical problems . . . but the main issue was of course the real ?commercialisation? of the commercial banks, that is their true separation from the state administration and their freedom to act as profit pursuing enterprises.? 53

There will be a need for new capital markets over and above the commercial banks; bond markets predate commercial banks in China and Hungary. The need for these arises because these have certain advantages over the commercial banks, namely, they allow more flexibility over repayment and allow a firm to borrow long and lend short. An equity market for raising capital through share flotation has similar advantages.54 But the appearance and full functioning of these other capital markets, beyond the
commercial banking sector, will be some way down the road, after the restoration of capitalism. They will represent the deepening of capitalist social relations, not their introduction.

During 1990 and early 1991 a major study was undertaken by the government and the IMF on banking reforms and the nature of the accounting system. All this was preparatory work for the major changes. Meanwhile, the actual banking and credit policy operated much as before. In May this year Finance Minister Leszek Balcerowicz complained that the banks were still extending credits to unworthy enterprises:

?It is clear that only relying on interest rates has not worked in introducing financial discipline since many firms apply and get credit without any real intention or prospect of paying it back; therefore we will need to look at the way of checking the balance sheets of firms before extending credits.? 56

He complained that the banks, still not yet commercialised and under old managers, are also too tolerant in allowing repayment dates to lapse without action to close bankrupt enterprises. According to the Bankruptcy Law a firm is required to pay a dividend to the banks on its loans every quarter, but it is clearly not being respected. Accordingly the bank managers are being sent away to Chicago for retraining!

Only in the spring of 1991 has the process of transforming the state?s banks into joint stock banks begun in which domestic capital will be a majority. On 14 May two of the big nine state bank were turned into share companies and will then be privatised. As we shall also see with industry, this process of breaking up the state ownership of the banks is crucial to the process of turning the old system of a regulated market within a degenerated workers? state into a system of restorationist state capitalism. As with industry it is not essential to this process that the banks be privatised before they begin to act as capitalist corporations, although this process will go alongside the commercialisation of the banks. 57

Another major barrier in the way of the banks being commercialised and privatised is the debt burden they have inherited from the system of operating with a soft budget constraint for enterprises. Until this is addressed then progress will be stalled:

?The first priority of financial reform is to clean out the balance sheets of firms and banks. The government implicitly or explicitly guarantees deposits in banks and owns both creditors (banks) and debtors (firms) . . . The clearing of balance sheets assures that companies can now be privatised without the encumbrance of debt and therefore can command higher prices.? 58

For the banking system debt cancellation is essential. If banks are to compete with foreign entrants then they need a clean balance sheet. Otherwise the domestic banks have to charge high rates to cover their non-performing loans while the foreign banks can compete with low rates. As far as enterprises are concerned debt hampers the ability of firms to meet interest rate obligations and limits their ability to attract capital. Moreover, present debt burdens may bear no relation to current or future profitability.

Another essential ingredient in the political economy of the present transformation is to free labour power so that it becomes a commodity once more, so that Poland becomes a society of generalised commodity production again?capitalist. The circuit of money capital that we have described is essential but surplus value cannot arise in the circulation process, only in production. Therefore, the secret of its creation lies in the existence and nature of labour power as a commodity.

Money develops many functions on the basis of the relatively feeble development of commodity circulation. As we have seen, money and its operation retains its importance in a degenerate workers? state. Its use and control is decisive in controlling the levers of accumulation. But though money has several functions in a workers? state it cannot operate as capital. Money as capital only arises when owners meet free
labourers in the market.

For this to happen certain conditions must be fulfilled. Both buyer and seller of labour power must be equal before the law; he or she must sell it for a limited period and repeatedly; he or she must alienate it without renouncing ownership over it. The second condition is that the workers must only have labour power to sell and not the objects of labour power.

As Marx says, the relation between the buyer and seller of labour power, has no basis in natural history, nor does it have a social basis common to all periods of human history. It is the product of many economic revolutions, of the extinction of a whole series of older formations of social production.

In a workers' state labour power is restricted in its movement; it is not disciplined by a reserve army of labour; workers and employers are not free and legal equals; the relationship between capital and labour contractually is often absent or the reverse of what one finds in a capitalist economy.

In Poland, as elsewhere in Eastern Europe, the one remaining and still decisive element of planning that obstructs the emergence of labour power as a commodity is the central allocation of the wages fund. This must in due course give way to a system of plant by plant or sector by sector pay bargaining by the legally independent representatives of labour and capital, so that a differentiated system of wage rates can emerge that reflects the market for labour.

The system of social benefits, too, will be radically restructured. In the past a large part of the tax on incomes in Poland went to the social security fund; much of this was administered by the enterprise. Holidays for the workers, food provision and even childcare was often provided at enterprise level out of these funds in Eastern Europe. The task of tearing up these gains and replacing them with the minimal programme of a capitalist welfare safety net, alongside the creation of a reserve army of labour, will take time.

But this task can occur after the qualitative leap to capitalism has been reached. It is with the destruction of the state monopoly banking system and its investment fund that the last co-ordinating links of the plan are broken and the enterprises are converted into state capitalist trusts. Then, and only then, can the commanding heights of the economy be privatised.

The significance of the ownership question

In a degenerated workers' state property rights are invested in the state or even in the organs of self-management (e.g. Yugoslavia). In a distorted way this represents the fact that the workers are the ruling class. Property can be used and enjoyed (usus fructus) but not disposed of or alienated. Government legislation in the East European countries must change all this if the restorationists are to succeed. They must sanction the rights of private property in the means of production (including the enjoyment of rent, profit, hiring and firing etc) and put state force behind the drawing up and enforcing of contracts between property owners. Over the last eighteen months the two Polish governments have put all of this on the statute books.

But having sanctioned the rights of private property it has to be recognised that the first form of private property will be public ownership in the main means of production; in short, restorationist state capitalism. The change in the form of ownership is not just a formal or semantic question in the passage from degenerate workers' state to restorationist state capitalism. The change in ownership corresponds to the functional division of labour that opens up between the political and economic levels of capitalist society.
The break up of the Stalinist state in the process of the bourgeois democratic counter-revolution again creates a division of powers between the various branches of the state machine. Formerly, under the degenerate workers? states, the party was the glue that welded all the branches (executive, legislative, judiciary etc) into a monolithic whole.

Now it is different, with a return to something like the separation of powers. Why is this important? Economic decisions which effect the working class can be presented as non-political and therefore only a matter for sectional and fragmented trade union response. Bourgeois democratic pluralism also best allows the bourgeoisie to divide the working class and co-opt sections of it into supporting its rule.

It allows for bourgeois political leadership to be exercised over sections (sometimes in conflict with each other) of the capitalist class; it creates the framework for economic discipline to be imposed by government over the sectional, narrow economic interests of this or that capitalist or proto-capitalist element. The relative separation of the political and economic in capitalist society is not accidental or irrelevant in its effects. It corresponds to the requirement of the capitalist mode of production itself. 63

What relevance does this have in Poland at the moment? The general tendency at this stage of restoration is to turn the major state enterprises into joint stock companies (i.e. legally independent commercial corporations) under the temporary guardianship of the Treasury. In the here and now these joint stock companies impose financial discipline upon the factories from the outside, so to speak, rather than from within, as in the degenerate workers? state.

One recent study summed up the motives behind the commercialisation process as follows:

?Rapid commercialisation of all state enterprises is an essential first step, distancing firms from the state apparatus and establishing clear ?rules of the game? and incentive structures, together with company boards interested in the long term success of the business. Commercialisation involves the conversion of state enterprises into joint stock companies or other forms of partnership, with shares initially held by a variety of state organisations . . . With more rational prices, management incentives based solely on profitability, and little or no protection for poor performers . . . there is surely some hope that the performance of the state sector could improve sharply.? 64

It would be mistaken to think that the transformation from state enterprise to state corporation only involved encouraging a change in attitude. There are in fact real economic, structural, institutional?indeed in Poland, constitutional?impediments in the path of state enterprises, in the words of Oscar Lange, the Marxist Polish economist, acting ?as if they were capitalist firms?.

Let us look first at the economic reasons. When the stabilisation plan was launched in January 1990 it was hoped that the slump in domestic demand and the opening up of the economy to the pressure of the world market would induce meaningful changes in the behaviour of the enterprises. But in fact not much changed:

?Most of the disappointment came to the authors of the reforms from the behaviour of the majority of state run enterprises towards the free market. These enterprises are still turning out some 70% of the national product. They have resolved to ?sit out? Balcerowicz, selling off their hard currency and material resources, cutting down production and increasing prices, rather than lowering the costs of production, cutting excessive employment, in short instead of increasing their competitive power at home and abroad.? 65

There were also other structural barriers to making the managers act like entrepreneurs. The managers of enterprises may like to make the move to becoming capitalist managers, with the necessary re-training, but
they are locked into a different system of alliances and pressures. On the one side, they are involved in a
network of relations with other enterprise managers up and down the chain of production and consumption.
There is hard evidence that throughout last year the managers used these ties to strike deals over
payment delays and supplies that allowed them to avoid the regulatory discipline of having to refer to the
state banking system for credit.

But just as important is the existing power structure inside the enterprise itself between the manager and
the workforce. In Poland, after 1982, the enterprise manager was elected by the Works Council. The
Works Councils are composed of 15 workers elected every two years by secret ballot. They are, by law,
responsible for investment, plant dissolution and output. While formally they cover 90% of the enterprises
in effect they only operate in 15%, but these are mainly big industrial enterprises. Under PUWP control the
Works Councils were not very influential in the running of firms; they were mainly a weapon in the hands of
the bureaucracy to mobilise labour to achieve targets set by the plan or the enterprise.

But with collapse of PUWP there was a fundamental change in the power relations at plant level; Works
Councils became a leading force in decision-making. Many replaced their directors and firms became in
part labour managed. This tended to ensure that the manager stuck to the practice, inherited from the
method of planned economy, of retaining a surplus of labour attached to the plant, ready to meet
unexpected demand.

Managers who have tried to implement harsh decisions against the workforce have found themselves up
against a formidable enemy. Evidence for this was cited recently by the Polish right wing daily paper Zycie
Warszawy. It reports the resignation of the Director of the Sendzimir foundry at Cracow, following three
votes by the Works Council calling for his resignation. The author complains:

?There are several business schools in Poland which are linked with western colleges. But the results will
only be visible in a few years. As one of the teachers said to me, it is not enough to train managers: they
need to ?mature?. Whilst waiting for this ?maturation? we can at least do one useful thing: stop using
political criteria in choosing managers and ensure that they have full independence in managing the
enterprise. No real manager would be prepared to share power with unions which have taken up the
powers of the old ruling party.

?The stakes are high. We cannot count on privatisations to destroy the dual power in our factories. We
know that privatisations are much more difficult to carry out than we first thought. For a long time to come,
our economy will be based upon the health of state enterprises. In order for this situation to improve, we do
not only need to apply a fiscal reform, we also need to put at the head of the enterprises real managers
who will obey the rules of the market.? 66

But putting the right people in charge implies the destruction of the constitutional role that the Works
Council plays in the ownership and control structure of the enterprises. For although many workers
express support for the market in general when they are confronted by its effects, by its discipline, in their
own enterprises they are prepared to take action to defend themselves, initially through the Works Council.
The significance of commercialisation, and beyond that privatisation, is that it would, formally at least,
overcome the constitutional rights and daily pressure of the Works Council in the enterprises. It would
introduce the unhindered discipline of the market over the day to day running of the plant.

For much of the left and the right the process of privatisation is synonymous with the re-introduction of
capitalism. This is a false, one-sided, view. It underestimates the counter-revolutionary significance of the
change of ownership involved in the transition from state enterprise in a degenerate workers? state to a
state capitalist corporation. Privatisation is important, for a whole number of reasons, but it will be logically
and historically prefigured by the fashioning of state capitalist corporations out of the present state enterprises.67

The board of directors—even if appointed by the government at first and later comprised of key owners of shares—can impose the necessary commercial discipline upon the managers, lessening their day to day control and supervisory function as the new generation of managers act according to the logic of capitalism.68

Nor will the phase of restorationist state capitalism be necessarily all that short in Poland, despite the ambitious privatisation programme of the government. The absence of a native capitalist class, the need for the state to supervise the destruction of the inefficient means of production before imperialism will invest and the need to sustain some kind of social stability by selective interventions against the operation of the law of value all ensure that such a phase may be drawn out.69 More so when we consider the implications of the following Catch-22 situation facing the restorationists in Poland:

?Real market competition requires a real private sector . . . Part of the process of building the private sector must therefore include the privatisation of state enterprises, mainly by selling firms to the public. But at what price? Reliable valuation of firms requires a reliable prices structure for the inputs and outputs of the enterprises. This in turn requires market competition, which in turn requires and active private sector.? 70

In other words, privatising state assets worth 10% of GDP over ten years, as in Britain, into an existing private sector is one thing. But privatising state assets worth 80% plus of GDP into a void is somewhat different and will meet important obstacles.71

The pressure for privatisation

Many of the reasons advanced for commercialisation of the state enterprises, apply with redoubled force to privatisation. Many restorationists believe that meaningful changes in enterprise behaviour and performance will not happen until private owners are in the driving seat, rather than representatives of the state on the boards of state joint stock companies. But there are also added reasons.

First, selling state assets brings revenue into the state coffers and assists budgetary equilibrium. This reduces the need for government borrowing and hence allows interest rates to be lower. In turn this assists the process of investment by the private sector through credit. Secondly, and connected to the last point, a continuing large state monopoly sector does have the effect of crowding out the private sector in the competition for limited sources of credit.

Moreover, the government believes that nothing short of widespread privatisation will induce large scale foreign investment into Poland; many multinationals will not accept that the state bureaucracy?s hold on the enterprises will be broken by anything short of this.

There are also political motives. Giving away shares to the population has an appeal to the politicians and the more cynical believe that major privatisation is the only way to make the process of restoration irreversible and free from the effects of a possible ?conservative? backlash inside the USSR and in its wake a recrudescence of Stalinism.

But perhaps the biggest pressure for privatisation comes from the need to create a native Polish capitalist class and a strong middle class; the first is necessary to limit the extent of imperialist capital?s domination of the country?s economy, the second in order to provide a long term basis of stable social support for bourgeois parliamentary regimes in Poland, again as a counterweight to the large working class. But from
where shall this new Polish capitalist class come? It will not emerge from one single stratum of present day Poland but rather from a mixture of, on the one hand the embryonic, and on the other hand the disintegrating, social forces that exist as the degenerate workers? state is broken up.

Some of the new capitalists will emerge from the ranks of the old Stalinist bureaucracy. For some of the bureaucracy the future is ignominy, jail and unemployment; for others it is being discreetly retired and pensioned off. A minority will hope to convert ill gotten privileges into legally sanctioned wealth. This can be done through the acquisition of salaries for capitalist industry and services, or becoming a capitalist. In turn the latter can take the form of small private enterprise start-ups or converting state property into privately owned capital. But there is an overhead risk attached to this, one that stems a desire to privatisise as quickly as possible. There is strong pressure from many in Poland with regard to what has been called the ?the criminal elements of the nomenklatura? to ?minimise their participation in the privatisation of state assets by, for example, imposing financial penalties wherever it can be judicially determined that their private cash-holdings are due to theft, as they appear to be in most cases?.

But this opinion does not seem to be shared by the minister of Ownership Transformation, Janusz Lewandowski:

?My role is not to enforce the law but to seek an optimum privatisation policy. I take pains to act without prejudice, without telling dirty money from clean . . . Money should start working as capital, of which we have very little. If we start differentiating between types of money and associating it with the political provenance of the owner, then we will diminish the volume of money that may work for the country.? 74

Sections of the bureaucracy in Poland are not alien to the ways of capitalism, having been at the forefront of dealing with western firms and governments over loans for many years. Frequent trips abroad no doubt established many good connections with the right people. Allied to illegally acquired wealth, and with the government turning a blind eye to the origin of the money, a considerable number of the old nomenklatura?s members will no doubt find their way from the ranks of the oppressors into the ranks of the exploiters.

The bureaucracy is only one of the starting points for the necessary creation of a national capitalist class. If the disintegrating bureaucracy represents this process from the top down then the ?mafia? represents part of this process from the bottom up. The function of this layer is to provide one source of the ?primitive accumulation of capital?.

In countries where central command planning was strongest and enterprise autonomy weakest then the mafia and the black market or unofficial market would be strongest. These operators are a functional complement to the process of bureaucratic planning. Among the ranks of this shadowy layer of would-be capitalists are the specialists attached to the enterprises. Their fame and fortune stems from their role in searching out the various markets for the goods and services needed to plug gaps left by the structural shortages the plan had caused, so as to allow plan targets to be fulfilled.

More widespread in those countries where the market reforms have created a space for private legal or semi-legal enterprises are entrepreneurs (nepmen). They are a diverse group embracing the racketeers, who monopolise the provision of many services in the urban centres, connected to others in co-operatives who deal in the stolen products of agriculture and state industry. This layer includes the more respectable petit bourgeois and even medium bourgeois who provide services in the distribution and retail sectors, sectors from which the state has withdrawn or accommodated itself. Reputedly the richest man in Poland is Aleksander Gawronik. His company has a turnover of $250 million a year. He made his original money from importing oils and petrol and after 1988 he established a number of foreign exchange bureaux on the
Polish border. He now hopes to expand his business rapidly into freight and insurance. The Financial Times, in a recent survey estimates that there are probably one hundred such men in Poland today.78

All these existing or proto-bourgeois elements inter-connect with each other and, in the past, with layers of the bureaucracy that patronised them, encouraged them and reaped rewards from them. Indeed, many of the bureaucracy?s privileges were derived from this area of economic life. The illegal and semi-official operation of this sector of capital accumulation mirrors the role of the primitive accumulation of capital in pre-capitalist society; equally disdained, equally marginal, equally functional, it operates in the pores of the old society. Once the legal institutions of capital accumulation exist then these layers can reveal the full extent of their savings and expand their commercial operations.

Apart from the imperialist multinational predators it is these layers in Polish society that the process of privatisation will benefit. Concrete plans for privatisation date back to the law adopted in the Sejm on 13 July 1990. At present around 8,000 firms are in the control of the state in Poland. Some 6,000 are under central control and the rest in the hands of local government. Manufacturing industry is targeted first, followed by the power, fuel and communication sectors. Later banking and insurance will follow.79

The chief batch of these are the top ten companies in terms of sales. These firms are in heavy industry, copper mining, petrochemicals, two car firms and Polmos, the vodka giant. The latter enjoys by far the biggest sales and provided huge turnover tax receipts to the Treasury.

In a pilot scheme six firms were privatised at the end of last year. These were carefully chosen and were profitable, with a high proportion of their output already geared to western markets.80 They were sold at an estimated 17% of their value. Even so only 100,000 people were involved in the purchase of these first privatised companies.

The 1990 legislation allowed for the creation of one person companies in the hands of the State Treasury and then for these companies to be prepared for private share flotation. But the total amount of Polish peoples? savings are estimated at $10 billion, while state assets to be privatised are valued at $80 billion.81

All kinds of schemes82 have been advanced to get around this problem including free distribution of vouchers which can be exchanged for shares, discount shares and so on. But what is indisputable is that a bigger role for foreign capital to buy up the companies must be allowed for, despite the present legal limit of 10% of shares for foreigners. This will not hold.83

Capitalism in Poland will not be the utopian dream that many Solidarnosc members were duped into believing in by their Catholic/nationalist leaders. The self-management worker-owner schemes will bear little reality to the final shape of Polish capitalism even though the law makes provision for 10% of shares to be given free to the employees of the privatised enterprise. Even those shares that will be given away free to the citizens of the country (about 70% in the case of the largest 500 enterprises) will not remain in their possession for long. Within a short time the capital will be concentrated in the hands of a smaller number of capitalists.

The general population will get their shares in the form of vouchers. These will then be handed over for shares in a Privatisation Fund (there will be several of them, initially owned and run by foreign banks).85 This will accelerate the concentration of ownership into the hands of a few commercial interests including foreign ones. The Funds will use the vouchers to buy shares in privatising firms; they will trade them, sell them and make money for those whose vouchers have been put into into their Fund. The Fund will be a unique mixture of merchant bank, commercial bank, venture capitalist and unit trust. Most will, of course,
cash in their shares for immediate consumption, and real power will be centralised into the hands of finance capital. The dream of ?popular capitalism? will be as much a chimera as it was for British workers in the 1980s, only more so in Poland.

In late May this year the government concentrated its political resources together for one determined last push to enter through the portals of Capital. In proposals put before the Sejm on 23 May Prime Minister Bielecki announced his programme for the ?leap into capitalism?. This foresees the ?commercialisation? of 1,000 state enterprises by the end of the year. The first 400 to be commercialised by the middle of the year, are the biggest, accounting for 25% of Poland?s produce and 12% of the workforce. The banks will also stop giving credits to non-viable companies. If passed this package will render many companies non-viable. Bielecki gave parliament until 15 June to pass the package and he threatened to resign if it was not passed or meets with a general strike. An even greater danger lurks in the background. If the Sejm proves unwilling or unable to adopt the necessary package of measures then Walesa stands ready to use his Presidential powers to sweep aside resistance. In early June this year, in the face of growing opposition to the government?s programme, Walesa threatened, ?I shall use all the powers at my disposal to block movements which threaten Poland?.

If successfully passed and implemented then it is realistic to assume that the laws of motion of capitalism will govern the accumulation process in Poland before the end of the year. Once money is properly functioning as capital in the relations between the state, the commercialised banks and state joint stock companies, then the surplus labour of the Polish workers will be taking the form of surplus value once again.

For a period after this we will still observe fading remnants of the old planned economy in existence, like the smile on the Cheshire Cat. Likewise, the question of the scale and tempo of bankruptcies of the state enterprises and the privatisation process will be a secondary factor and will not alter the class characterisation of Poland. Political considerations will come into play here, as will the relative economic advantages and disadvantages of Poland in regard to its neighbours in deciding these secondary issues.

The transitional phase of a disintegrating apparatus of de facto state direction of the economy in a way that subverts the law of value in practice will be at an end. We have been witnessing a transitional economic phase, the last death throes of a degenerate workers? state. Material balances planning has long gone but the necessary capitalist regulatory mechanisms that are essential in the epoch of world finance capital have taken some time to debate, legislate for and construct. In short, a whole new system of accumulation has to emerge, not slowly and organically, but rapidly. It has to be re-invented as a system before being imposed. In the interim the old mechanisms have had to be resorted to, gratefully or reluctantly, according to the agents in the process.

The Polish working class and the farmers

The Polish farmers were the first to get a shock in the ?Big Bang?. Private ownership of the land, at 90%, is overwhelming; agriculture employs more than 30% of the workforce and accounts for 13% of GDP. For years the private farmers have clamoured for an end to state procurement prices, seeing this as a way the state deprived them of profits. They insisted upon and welcomed the proposals on the free market. Until it happened.

The measures for ending subsidies to agriculture were implemented early on (August 1989), the government believing that there would be little opposition given the farmers? expressed outlook.

But the economy was in recession and demand for their produce fell away, preventing them from raising
prices. Meanwhile the price of agricultural machinery and fertiliser was higher (500-600%), reflecting their cost as subsidies were eliminated. A stricter credit policy was implemented. This had a big impact since the size of farms is small (averaging five hectares) and only 15% of farmers can think of self-financing their investment.

So they were in difficulties. In May and June last year strikes and protests occurred, and the Ministry of Agriculture occupied. Strikes and protests erupted again in February and March 1991 against the inadequate level of the credits. The result was lower interest rates for credits, and some subsidies were agreed as well as emergency buying agreements for some grains. The government will try and assist the penetration of USSR markets but have less hope of success in the EC, given CAP. The government is willing to go some way to placate the farmers in the transition to capitalism. In the short term it wants to stop migration to the cities where there will be no jobs for them. But it also recognises that, in the absence of a strong class in the towns and cities wholly committed to private property, the farmers are an important reservoir of political support for the ideas of private property.

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The working class in the Poland by contrast has found that its pleas have not been received sympathetically by the government it put in office. Lacking class consciousness in its fight to overthrow Stalinism the working class became a social force that helped raise the restorationists to political power. But this only elevated the contradictions embedded in the anti-Stalinist phase of the struggle to a higher level. There is a real class contradiction between the class force that inherited the spoils of victory and the class force that helped it attain that victory. Now the contradiction unfolds.

In Poland the working class has exhibited contradictory responses to the Big Bang. On the one side it used its new found freedom from the PUWP tyranny in the plants to absorb a massive cut in living standards, rather than see widespread enterprise bankruptcy in 1990.91 On the other hand, especially since February and March this year, the same workers have gone into struggle against the government and against the implementation of the process of capitalist restoration. In short, the working class is spontaneously resisting the transition to capitalism in the course of defending its own class interests.

The issue that has sparked most resistance to date has been the impact of the ?popiwek?. The ?popiwek? is the term given to the tax on ?excessive? wage rises. From January and February 1991 wages rises in state enterprises were limited to 60% of the price increases. A 5% increase above this would meet with a 500% tax on the enterprise. The tax is lower for lower increases above the set norm.92 Reasons for the government introducing the?popiwek? have been described thus:

?The underlying assumption here was that only private owners have a real incentive to maximise profits and minimize costs, including wages. State firms, in contrast, lack identifiable owners. Their managers thus tend to side with the workforce and yield to demands for pay rises instead of protecting their firm?s financial well being, on the assumption that the state budget will in the end provide subsidies to save them from bankruptcy.? 93

Thus ?popiwek? is a substitute for private owners. In addition, in the absence of a fully functioning labour market to regulate wages, this measure was also seen as a necessary method of pegging wages.

The spring strike wave against the ?popiwek? was significant but not enormous by Polish standards. In mid-March there were strikes involving several thousands in protest marches. The old Stalinist trade union federation, OPZZ, has even threatened a general strike should the government fail to withdraw the ?popiwek? completely. This highlights a real danger for the government. The tax is only serving to politicise the wages? struggle and focus workers? anger beyond the plant manager and onto the government itself. Many of the protests have spilled over into general opposition to the whole direction of
government policy on the economy, but they have also been demagogically manipulated by the right against the remnants of the old nomenklatura, as if they are the real reason things are bad at the moment. In general these grievances have not spontaneously developed into political demands as they have done previously in the history of proletarian upheavals in the Stalinist states.94

To date this resistance displays the classic features of trade union resistance under capitalism: sectional struggles against employers (the government for the most part) over wages and jobs, while politics is translated into pressure on parliament for changes in the law.

Such working class resistance is inevitable. It will be a material factor in determining the pace of restoration and the vigour with which the law of the capitalist market is able to destroy the remaining protection which the working class experienced in post-capitalist Poland.

The crisis of leadership that exists in the Polish workers? movement is self-evident. Solidarnosc membership has dwindled to two million and it has split into a political95 and trade union wing. Some 40% of factories have no Solidarnosc representation. The regions have between 15% and 30% of the membership of ten years ago. There are many reports of a chronically low level of activism; so low that many factories failed to elect delegates to the April 1990 Second Congress of Solidarity. In the May 1990 local elections while Solidarnosc gained 48% of seats the turn out was only 42%. All this testifies to the fact that the experience since January 1990 has been a demoralising and disorienting one for the mass of Polish workers with a small militant vanguard rallying around the social democratic style trade union opposition of the OPZZ.

Although the working class in its great majority does not identify the degenerate workers? states in Poland as its own, (the direct result of the counter-revolutionary way in which it and the other Eastern European states were created) this does not mean that they will be passive bystanders or willing co-operators in the process of restoration as it progresses to the bitter end. It is in the context of the inevitable defensive struggles, over jobs, wages, and social provision, that the potential exists for consciously challenging the bourgeois politicians and building a new revolutionary leadership.

Endnotes

1 For a full account by Workers Power of the rise and defeat of Solidarnosc: ?Revolution and Counter-revolution in Poland, 1980-81?, reprinted in Trotskyist International No 4, Spring 1990
2 For an analysis of how capitalism was overthrown in Poland and the rest of Eastern Europe in the years after 1947: Workers Power and the Irish Workers Group, The Degenerated Revolution (London 1982)
3 Quoted in Contemporary Poland, March 1991, p26. Prime Minister Bielecki admitted as much when he said ?We have obtained consent to build a market economy from people who actually do not fully realise what a market economy is all about . . .? Contemporary Poland, April 1991, p41
4 By a bourgeois workers? government? we follow Lenin in indicating a government resting on the working class and its organisations but thoroughly bourgeois and pro-capitalist in its programme.
5 This arrangement was a case of history repeating itself, though in reverse, so to speak. In 1944-47 the Stalinists had erected popular front or bourgeois workers? governments to stem the anti-capitalist tide in Eastern Europe. The Communist Parties held the defence and interior ministries and gave economic portfolios to bourgeois parties who had had their social roots broken. See Workers Power and the Irish Workers Group, op cit, pp41-47
6 Polish economist Jan Winiecki estimates the number of party apparatchiks in Poland to be 5-6,000. See Gorbachev?s Way Out? (London 1988) p14
7 Ibid. In addition we have to add at this level of importance the estimated 60,000 members of the security
services under the control of the Interior Ministry which was substantially reduced by the purge.

8 Josef Kusmirek, an anti-Communist journalist, said ?The scope of the current purge among the industrial managers could be compared the Stalinist purges of 1948-50.? Quoted in A Walicki, ?From Stalinism to Post-Communist Pluralism: The Case of Poland?, New Left Review 185 (January-February 1991) p117

9 Of course, the far right in Poland disagree and some would like to see all the two million membership of the old PUWP purged in some sense. See remarks of ex-radical Solidarnosc member Andrzej Gwiazda quoted in A Walicki, ibid p112

10 L Trotsky, The Revolution Betrayed (New York 1972) p253

11 Walesa already has an alternative centre of power to the government?the Presidential Council. It has 200 members with a thirty person Presidium and a dozen or so on the Secretariat. But this suits the government?s designs. Bielecki?s expressed hopes are that political conflict would move to the President?s office and leave the government alone to get on with economic change. See Louise Vinton, ?Bielecki confirmed as new Prime Minister?, Report on Eastern Europe, (London, 24 January 1991)

12 This was also held to be true of the early privatisations under the Mazowiecki round-table government which one source characterised as ?parasitic joint stock companies formed by the old nomenklatura on the basis of undervalued state assets and bureaucratic influence?. L Vinton, ?Walesa?s First Challenge: State Workers reject Anti-Inflationary Wage Controls?, Report on Eastern Europe (London, 13.91)

13 This is not, as yet, the case for Romania and Albania. In the former the NSF represents an uneasy coalition of social democratic restorationists around Prime Minster Petre Roman and the supporters of President Iliescu, who may be described as aspiring to a ?market socialist? version of a degenerate workers? state.

14 Lech Kacprzycki quoted in M Bernhard, ?Barriers to Further Political and Economic Change in Poland? in Studies in Comparative Communism Nos 3-4, 1990, p332. This source still doubts the loyalty of the security and police officials from old regime. There is evidence that ORMO and ZOMO units were dissolved and reformed under other names, touting their services for semi-private security work. But another account has argued ?A strict screening process weeded many, though not all, of all the old regime?s security forces?. See Anna Sabbat-Swidlicka, ?Mazowiecki?s Year in Review?, Report on Eastern Europe (London 4.1.91) p27

15 The former employees of the powerful media empire of the PUWP RSW ?Prasa? are reported to be unable to find jobs anywhere now that the Sejm dissolved it.

16 At a farmers? meeting in April Walesa said: ?You want me to rule. If I take power and I am capable of taking it into my hands, I would demand decrees, tribunals and such prerogatives that would liquidate this entire mess and settle accounts with the culprits, in accordance with justice.? Quoted in A Walicki, op cit, p117.

17 An example of the cynicism of the Walesa camp is to be found in a report in Le Figaro 31 July 1990 which quotes Jaroslaw Kaczunski, editor of Tygodnik Solidarnosc and chief aide to Walesa, arguing that it was ?necessary to offer the workers some moral satisfaction as compensation for the economic difficulties by removing former nomenklatura from their jobs?. ibid, p121.

18 Speaking in this vein to the Sejm on 5 January 1991 Prime Minister Bielecki stressed the need to avoid ?martyrology?. Walesa himself comes under attack from the far right, who accused him of betrayal for the round-table agreement, and are pressing for all ex-PUWP members to be purged, a very wide and potentially destabilising measure. ibid, pp111-12

19 Only one SdRP nominee, a Democratic Party member, was in the new government.

20 The only real dissent came from the Peasant Party who abstained in protest at the government?s plans for agriculture, but in a country with predominantly private property in the land this was hardly a protest against a deepening of the capitalist road. Bronislaw Gemerek spoke for the new Democratic Union
(Mazowiecki supporters in Sejm and Senate) who said they would oppose the government from a largely social democratic position.

21 Invariably it was the secret police and the Interior Ministry forces rather than the army that had to be smashed.

22 Thus many ex-members of this clique, (and those who were then current members of the clique such as General Stanculescu who jumped in time), together with other lower layers of the privileged bureaucracy and its coterie joined the revolution and reaped the benefits in the form of the NSF government. As a result sections of the old nomenklatura and the wider bureaucratic layers seek to stay in control of the process of capitalist restoration and turn its privileges into legally sanctioned capitalist private property.

23 The history of the purges only underlines the absurdity of the view of SWP (GB) leader Alex Callinicos that the nomenklatura in Poland would survive the transition intact. See The Revenge of History (Cambridge 1991) p58: ?The substantial continuity both in the core apparatuses of state power and in the personnel of the ruling class itself indicates the limits of the political upheavals in Eastern Europe. They represented a change in political regime rather than social system.? He rather unfortunately uses the example of the, now redundant, General Kiszczak as proof! On the contrary, it can be seen that ?substantial discontinuity? in the core of the state apparatus is the norm if we mean the destruction of the nomenklatura system in Eastern Europe, even where some members of the nomenklatura are allowed to enrich themselves.

24 The phrase ?leap into capitalism? was used to describe the package of measures put before the Sejm by Bielecki in late May 1991.


26 For a concise modern account of the contradictions of ?market socialism? from the viewpoint of a disillusioned market socialist see W Brus and K Laski, From Marx to the Market (Oxford 1989)

27 The situation whereby a relatively free market in consumer goods existed alongside central control of capital goods and credit is called a product market.

28 A bill of exchange allows firms to delay payment for goods received or shipped for a specified duration.

29 This term originates with János Kornai, a pro-capitalist critic of planning. See his Economics of Shortage (Amsterdam 1980)

30 W Brus and K Laski, op cit, p106

31 Alternatively, managers and Works Councils would use retained profits to boost current wages and bonuses (especially in Yugoslavia) or improve working conditions rather than invest.

32 Janos Kornai, The Road to a Free Economy (London 1990) p159

33 Quoted in, Henri Wilno, ?Restoration Tragedy in Eastern Europe?, International Viewpoint, 10.6.91, p19

34 This triumph was not inevitable but to avoid it would have required intervention by revolutionary communist forces?a Trotskyist International?if a serious conscious movement for political revolution was to develop. See LRCI, The Trotskyist Manifesto, Chpt 6 (London 1989) and the ?Death Agony of Stalinism? Trotskyist International No 4 (London Spring 1991)

35 Moreover, unlike Civic Forum in Czechoslovakia or the divided bourgeois parties in Hungary, the Solidarnosc government started out with considerable unanimity?fashioned in years of opposition under the influence of the west?s advisers?on the economic policies to pursue.

36 To help ease the process the IMF advanced a three year loan amounting to $1.6 billion for transitional support. In mid-June 1991 Poland received a further $680 million from the World Bank, mainly aimed at assisting the banking reforms and the privatisation process. The Bank expressed itself pleased that the ?transformation programme is well designed and being effectively pursued?. Financial Times, 13.6.91.

37 So named after the Finance Minister then and at the time of writing, Leszek Balcerowicz.

38 Once prices are unblocked at the end of 1991 it will lead to closure of a dozen or so pits. Most of the
remaining subsidies will go during 1991. They were reduced from Zl 1 billion in 1990 to Zl 750 million in 1991.

39 Economist Intelligence Unit, Poland Country Profile 1990-91 (London 1991)
40 Contemporary Poland (July 1990), p12
41 Some 56% of all tariff rated goods are actually at 0%. The EC is pressing Poland to raise its tariffs to protect its industry!
42 Interview in Contemporary Poland (July 1990) p3
43 Poland’s GDP in 1989 was about the same as Turkey’s and lower than that of South Korea. Poland was moved from ?developed? to ?developing? status in 1989 by the OECD.
44 In 1988 the USSR took 30% of Polish exports and today virtually none, Business Outlook, 4.3.91. But exports to the west increased for many firms as the zloty was devalued drastically.
45 Official unemployment did not exist in Poland in the 1980s. On the eve of the Big Bang in December 1989 over 250,000 vacancies were posted.
46 There were virtually no bankruptcies of state owned enterprises in 1990, although employment fell by about 15% in the state sector.
47 In a new year speech to the Sejm Bielecki said that in 1991 he would work on ?eliminating the worst firms? from the economy so that ?inefficient bankrupts? would not drain the economy. Likewise the Finance Minister insisted the economic difficulties were a result of not proceeding fast enough with the economic restructuring, which was to be the key task in 1991.
48 Contemporary Poland, September 1990. Another report noted that ?the last vestiges of the central planning system disappeared in 1990?. (Poland Country Profile 1990-91, op cit) Even so, the Bielecki government early this year retained the Central Planning Office as a way of monitoring the economy.
49 In a workers? state money is mainly used as money of account, that is, to register and facilitate commodity transactions. Money has this function in pre- and post-capitalist societies as well as capitalism. But money functions in capitalism above all else and uniquely, as self-expanding money, that is, capital. The circuit that describes money as capital is M-C-M.

Money is the starting point and terminating point of this circuit. But for the movement to make sense it has to be distinguished by the fact that at the end of the process there is more money than at the start (thus M-C-M1). This is the creation of surplus value, money is converted into capital. As Marx argued:

?As a conscious bearer of this movement, the possessor of money becomes a capitalist . . . The objective content of the circulation we have been discussing . . . is his subjective purpose, and it is only in so far as the appropriation of ever more wealth in the abstract is the sole driving force behind his operations that he functions as a capitalist.? K Marx, Capital, vol 1 (Harmondsworth 1976) p254

51 Contemporary Poland, (February 1991), pp46-47
52 W Brus and K Laski, op cit, p106
53 Ibid
54 In a studied insult, the Warsaw stock exchange opened on 16 April in the old headquarters of the PUWP
55 A World Bank study on banking reform in Poland was only completed in March 1991 and lasted a year. Its aim was to establish regulations in accordance with EC directives.
56 Balcerowicz in a speech to London School of Economics 15.5.91 (Author?s notes)
57 ?In our conditions the state is primarily responsible for the construction of a new economic system. Therefore it creates the framework?new laws, new institutions. It builds the reality in which real money is used, in which this money means something.?Interview with Balcerowicz, Contemporary Poland (February 1991) p22
the individual whose labour power it is, offers it for sale or sells it as a commodity . . . he must be the free proprietor of his own labour-capacity, hence of his person.

Under the Mazowiecki government the level of social protection for the unemployed that was granted was relatively high and a source of discontent among the more radical free marketeers in the Walesa camp. They insisted that the fear of unemployment had disappeared. Under the Bielecki administration aid will be more narrowly given to those who are hard pressed, as well as for those who are temporarily in a difficult situation. Interview with Minister of Labour and Social Policy, Michal Boni. Contemporary Poland (March 1991) p36.

Once again Trotsky proved very far-sighted on this score. In describing the probable form of restoration inside the USSR, should it come to pass, he argued that:

A collapse of the Soviet regime would lead inevitably to the collapse of the planned economy and thus to the abolition of state property. The bond of compulsion between the trusts and the factories would fall away. The more successful enterprises would succeed in coming out on the road of independence. They might convert themselves into stock companies, or they might find some other form of property, for example, in which the workers should participate in the profits. The planning principle would be converted for the transitional period into a series of compromises between state power and individual corporations. Potential proprietors, that is, among the Soviet captains of industry, the emigre former proprietors and foreign capitalists.

This external (political) independent is not a fiction: compare and contrast the case of the Thatcher or New Zealand Labour Party governments in relation to nationalised industries with the experience of Yugoslavia. In the latter the economic and political are enmeshed in a way that placed real limits upon the logic of commercialisation. In the former the separation of the two allows for ruthless external discipline. This also applies to ailing private capital in the case of the west.

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members receiving high incomes and who are shareholders with western companies. Meanwhile the workers suffer a big blow to their living standards. See A Wilecki, op cit, p117
73 J Prybyia, op cit, p11
74 Interview published in Contemporary Poland (April 1991) p43
75 And in good faith how can the bourgeoisie complain when, as Marx explained in respect of the origins of capitalism in Europe in the seventeenth century, capital comes into this world "dripping from head to toe, from every pore, with blood and dirt"

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