Poland: Government escalates privatisation drive

Peter Kloze
18 September 2009

Confronted by a ballooning budget deficit, the Polish government has decided to intensify its drive to privatise key sectors of the country's state-owned industry, proclaiming its intention to raise US$10 billion in revenues from the privatisation of state-owned companies from 2009-2010.

Among those companies threatened with privatisation is the copper mining company KGHM, worth some US$6 billion and one of the largest producers of copper and silver in the world. The government announced in August that it would sell a substantial part of its 42 percent stake in the company. The Treasury Ministry said that it expects two thirds of the proceeds next year.

According to Michal Boni, the leader of a team of ministers working on the list of companies to be privatised, the move to sell part of the government's stake in KGHM is only the first step on the road to its complete privatisation. With this sale, the government is counting on the acquiescence of the union bureaucracy, hoping to avoid a repeat of the 32-day strike at KGHM that led the Polish state to abandon its sale plan in 1992.

On August 5, the government sold a 3.1 percent stake in Bank Pekao, the nation's largest lender by market value, for US$377 million. It announced its intention to sell its leftover stakes in Bank Zachodni, Citibank Handlowy and BPH Bank on August 10. It sold its entire stake in number-three lender Bank Zachodni three days later.

On September 7, the government sold its 3.7 percent stake in US company General Electric's BPH Bank, for US$23.4 million. The Treasury Ministry, in charge of privatisations in Poland, sold its entire holding of 1.058 million shares at 63.50 zlotys (US$22.35) each, in block transactions. This brought the government to a third of the 12 billion zlotys (US$4.2 billion) it has projected from its 2009 privatisation plan.

One day later, the government dumped its remaining stake in the country's second largest lender, Bank Pekao, for US$62 million. This frenzy of state sell-offs is only just the beginning. Other prominent stakes on the block are in the power companies Enea, PGE, Energa, Tauron, the chemical group Kedzierzyn, the oil refiner Lotos, and even a commanding stake in the Warsaw Stock Exchange.

As of this writing, approximately 75 percent of Poland's energy sector remains in the hands of the state. The remaining 25 percent has—since the Stalinist bureaucracy's restoration of capitalism in 1989—been privatised. The Citizens' Platform (Platforma Obywatelska—PO) government is firmly committed to inverting this ratio.

A commitment to the rich

Since parliamentary elections in November 2007, the government of Prime Minister Donald Tusk, composed of representatives from his big business party, PO, and from the smaller Polish People's Party (Polskie Stronnictwo Ludowe—PSL), have, through privatisations and spending cuts, set out to place the full financial burden of the Polish state deficit onto the backs of the working class.

With the onset of the worldwide economic crisis in October 2008, however, the government's privatisation drive has intensified considerably. While Poland's budget deficit was previously estimated at 18 billion zlotys (US$6.3 billion), the crisis has forced the government to increase this estimate by a third, to 27 billion zlotys (US$9.5 billion).

Budget deficits the world over have increased substantially since the economic crisis, as the result of weakened job markets and a slump in tax revenues, combined with increased spending.

In Poland, the deficit, largely derived from successive income tax cuts for the rich and expectedly shoddy privatisation returns in a poor economic environment, is a byproduct of the pro-big business policies of the present government.

Under Tusk and the PO, tax cuts for the rich have taken precedence, even more so than under his nationalist predecessor, Jaroslaw Kaczynski. In February 2008, Tusk revealed his plan for a new flat income tax, a notoriously regressive tax that lowers the tax burden for the wealthy. According to unofficial sources, the planned tax rate was to be 19 percent, and is to come into effect in 2010 or 2011.

New tax rates came into effect on January 2009. The new

© World Socialist Web Site

personal income tax rates in Poland changed to 18 to 32 percent, replacing the 2008 rates of 19 to 40 percent. Corporate tax rates have remained unchanged at 19 percent, since being lowered from 27 percent in 2004, upon Poland's entry into the European Union (EU).

The government's current policy of privatisations represents the other edge of the sword being used to attack the working class. The recklessness of an intensified rate of state property sell-offs during poor economic times, when circumstances clearly favour the buyer, is obvious.

In country after country, the impact of privatisations upon workers has been one of layoffs or lowered wages once the new, private owner takes control. In Poland, privatisations have escalated since the Stalinist bureaucracy ceded power to the *Solidarnosc* opposition in 1989. In the 1990s, the new capitalist government's policy of privatisations of state industry led to a social disaster in Poland. Ownership of sector after sector of the economy was transferred to a venal new ruling clique of former Stalinist bureaucrats and capitalists, who used the transfer of state wealth to enrich themselves tremendously.

In the process, workers were laid off in droves, with unemployment rates repeatedly reaching almost 20 percent throughout the 1990s. The growth in social misery was compounded by cuts in state spending on essential social services, such as healthcare and education, the quality of which plummeted as a result.

Nothing has changed fundamentally to this day. Those running the Polish government are just as committed now as they were in the 1990s to enriching themselves and their backers among the Polish elite. Like governments the world over, the Polish state is determined to make workers pay for an economic crisis they had no hand in bringing about.

EU pressures

One consequence of Poland's ballooning budget deficit is the postponement of its date of entry into the Eurozone, those EU member states that have adopted the euro currency as their sole legal tender. Originally 2011, then modified to 2012, the earliest possible date that Poland is to adopt the euro as its currency has now been pushed back to 2013.

Upon becoming accepted into the EU, each member country is to remain committed to joining the Eurozone, the guidelines of which state that a country's budget deficit has to be below 3 percent of GDP to join. The applicant country is also required to maintain steady inflation figures, interest rates, and a stable currency.

With each member state's drive to join the Eurozone come sell-offs of state property and spending cuts, the modern capitalist government's answer to addressing public debt. The European financial elite, whose interests are represented by the EU in Brussels, benefits directly as a result.

According to an estimate released in May by the European Commission (EC), the EU's executive arm, Poland's deficit is to balloon to 6.6 percent of gross domestic product (GDP) in 2009, and 7.3 percent of GDP in 2010, from only 3.9 percent of GDP in 2008.

"It would be naive to pretend [that the world crisis] has had no effect," Polish Finance Minister Jacek Rostowski told *Gazeta Wyborcza* on May 4. "If we move [the date of Poland's euro adoption] by a year or two, it won't be the end of the world."

While the Polish economy has been one of the few to escape recession in the EU, Brussels has voiced its disapproval over what it sees as Poland's lackadaisical commitment towards joining the Eurozone. According to European Commissioner for Economic and Monetary Affairs Joaquin Almunia, the EC is set to pursue "budget disciplinary measures" against countries that had deficits above the EU's 3 percent ceiling in 2008.

"The reduction of social contributions, an increase in personal income tax reliefs for families, and a generous indexation of pensions and of social benefits increased the deficit in 2008," the EC said in an online statement on May 4. Its big business stance could hardly be more overt.

The EC is to give Poland until 2011 to bring its budget deficit under the bloc's cap of 3 percent of GDP, advising Poland to cut its deficit by 2 percent beginning in 2010. The recommendation is made under the EU's executive-deficit procedure. Should it not be followed, the EU could suspend development funds to Poland. For Eurozone countries, the EU has the legal right to impose fines if they persistently top the EU's 3 percent cap.

"The recent good economic times were not fully used as an opportunity to consolidate public finances and undertake deep reforms on the expenditure side," the EC's draft said on June 22.

The recent "reform" of the "costly" pension system was not sufficiently thorough, the draft said, as it excluded some groups of workers, such as miners. According to the draft, Poland should also overhaul its disability benefits system and review the permanent benefits that have already been granted.

In other words, as a condition for joining the Eurozone, the Polish government must intensify its assault on the working class and the most vulnerable members of society.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site