



Written by [Alex Newman](#) on September 11, 2013

## Polish Government Seizes Private Pension Assets

Authorities in Poland last week announced the confiscation of bonds held in private pension funds without compensation, implausibly claiming that the move did not amount to a nationalization of the assets. While Polish officials engaged in rhetorical games and semantics to conceal the severity of the “transfer” of privately owned assets to a “state pension vehicle” known as ZUS, the controversial move is still fueling confusion and fierce criticism from analysts and economists. Some experts fear other governments may follow suit.



The private pension funds, many managed by prominent foreign firms, declared the scheme unconstitutional because private property was being seized without compensation. Some even suggested the private pension system may shut down entirely. While authorities have not yet confiscated equities from the private pensions — to which Polish workers have been obligated to contribute — officials defended the bond confiscations by arguing that they helped avoid even more radical options, such as seizing everything outright, including company stocks held by the funds.

Prime Minister Donald Tusk announced that future enrollees in the mandatory pension scheme would no longer be required to pay into the private element, known as OFE, of the hybrid government-private system. Analysts said that could result in even fewer resources held in the private funds, which currently hold assets worth about 20 percent of GDP and represent the largest investors in the Polish stock market.

Tusk, however, tried to paint the confiscation as a positive development. “The system has turned out to be built in part on rising public debt and turned out to be a very costly system,” he said at a press conference, drawing swift criticism. “We believe that, apart from the positive consequence of this decision for public debt, pensions will also be safer.” Of course, seizing private wealth may reduce government debt for the time being, but it was not clear how “safety” was being improved.

Critics lambasted Tusk’s statement from all angles, pointing out that confiscating private assets does not make them any safer and that, in essence, the government simply had too much outstanding debt to be able to issue even more debt. Some analysts also suggested the move was actually a half-baked ploy to build political support with voters by increasing its ability to borrow and spend more money on government programs.

Indeed, among the primary official justifications for the scheme was a bid to reduce government debt by about eight percent of the country’s GDP, according to estimates cited by Polish Finance Minister Jacek Rostowski. With the national government already officially owing more than 50 percent of GDP, above a threshold that makes it more difficult to borrow, the transfer of assets to government balance sheets will allow authorities to continue creating more debt and borrowing more money — a move celebrated, unsurprisingly, by Poland’s central bankers.

“Changes to the pension system are positive and create a chance for an impulse, for a growth engine, in



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the form of investments that are so important,” Polish central bank policymaker Anna Zielinska-Glebocka [claimed](#) in a statement to Reuters, alleging that the post-announcement decline in the value of its fiat currency, the zloty (shown), was only temporary. “This will be helping the economy in 2014, although mostly in 2015.... Investments and consumption demand are key for the Polish economy. A healthy economy must be based on domestic demand, not just exports. From this perspective changes to pensions are a good move.”

Outside of government and the shadowy world of [privately owned central banks](#), analysts and economists offered varying interpretations of the move — virtually none of them positive. Speaking to Reuters, for example, Peter Attard Montalto, with Japanese financial giant Nomura, [said](#) the scheme was “a decimation” of the private pension fund system in an effort to “open up fiscal space for an easier life now” for Polish authorities. “The government has an odd definition of private property given it claims this is not nationalization,” he added.

The financial analysis site ZeroHedge, meanwhile, ripped through the government and media doublespeak while [lambasting](#) the so-called “reforms” as well. “In effect, the state just nationalized roughly half of the private sector pension fund assets, although it had a more politically correct name for it: pension overhaul,” noted a regular analyst with the service who writes under the name Tyler Durden. “And while a change to state-pension funds was long awaited — an overhaul if you will — nobody expected that this would entail a literal pillage of private sector assets.”

According to the ZeroHedge analysis, the move represents “a last ditch step which no rational person would engage in unless there were no other option.” So, the reason Polish authorities are engaging in behavior that “will ultimately be disastrous to future capital allocation in non-public pension funds” is simple: There were no other options. The primary driver of the problems is too much debt, the analyst continued — the same reason the rest of the world is bankrupt.

The latest development in Poland, which follows other outrageous seizures of private assets in fellow European Union nations, such as Cyprus, is raising alarm bells for several reasons other than the brazen confiscation. Analysts say, for example, that while Polish authorities may be able to resume their borrowing and spending temporarily, the underlying issues have hardly been addressed. Eventually, the ZeroHedge analysts concluded, Poland’s government “will have no choice but to confiscate more assets, and to make its balance sheet appear better, until one day, there is nothing left in the private sector to confiscate.”

From there, the situation will only deteriorate further until ultimately, serious disaster becomes all but inevitable. “At that point the limit itself will have to be legislated away, and Poland will simply continue borrowing until one day there are no foreign lenders willing to take the same risk as the nation’s private pensioners,” the analyst said. “At that point, Poland, which is in the EU but still has the zloty, can just go ahead and monetize its own debt by printing unlimited amounts of its currency. Of course, we all know how that story ends.”

Other experts have suggested that the repercussions could extend far beyond Poland’s borders. Secretary General and Chief Executive Matti Leppälä with PensionsEurope [told](#) Investment & Pensions Europe that concerns have already started spreading in the region. Among other fears, Leppälä said fellow European governments might follow suit and start taking over pension assets to deal with their own fiscal problems.

“The major concern is that, if Poland, as the biggest economy in the region, goes ahead with such



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drastic changes, it could have an impact in the long run on the future of privately funded workplace pensions,” he was quoted as saying. “Other governments might see this as a tempting option.... The outlook for providing sustainable public pensions looks very bad.”

As *The New American* [reported](#) earlier this year, the lawless confiscation of private wealth by governments and bankers is accelerating around the world, with Europe and the EU featuring particularly troubling examples. One of the most extreme instances in recent memory happened in Cyprus earlier in 2013 amid potential calamity.

Cypriot banks and the national economy were on the brink of imploding thanks largely to half-baked policies — many of which originated outside its borders. Then, self-styled “authorities” from the EU, the European Central Bank, and the International Monetary Fund [demanded](#) the confiscation of savings from bank depositors above a certain threshold. The national government complied, sending shockwaves around the world. Incredibly, after what critics and analysts worldwide described as brazen looting, EU bosses [labeled the theft a “bail in” and promised to replicate the scheme](#) in other countries.

Savers and investors across the eurozone were terrified that their remaining wealth could be seized, too, and more than a few analysts said governments around the globe were heading in a similar direction. If and when another major economic crisis strikes — [even in the United States](#), according to experts — anyone with any assets that could be seized by government might well find themselves in the crosshairs to be fleeced.

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