

zerland-based Bank for International Settlements. That pool of cash is intended to be a foreign exchange reserve backing to stabilize the devalued zloty. Not a penny will go to investment in tractors, rails, roads, ports or industrial infrastructure which are so urgently needed.

Such economic policy demands are just the reverse of the nation-building economics of Friedrich List which formed the basis for the astonishing 19th-century German economic miracle, or that of the postwar economic miracle after 1949. The IMF policies can be likened to an executioner telling his victim, "First cut off one arm and one leg, then we can discuss whether you qualify to receive any bandages." The Bonn Finance Ministry official admitted as much when he stated, "We think that the IMF must be expedient with Poland, but not lenient, though we would never say so publicly. The shock treatment places a heavy burden on the Poles. Poland, however, has itself chosen to impose Sachs's shock medicine."

Bonn publicly rationalizes its stance on the IMF demand by pointing out that Poland, unlike the G.D.R., is a voting IMF member, therefore subject to the rules of that game, as is Hungary. Bonn officials further point to the promise of future assistance once the IMF medicine is swallowed by the Poles, including small debt forgiveness of a \$1 billion credit from the 1970s and postponement of Paris Club Western government debt burdens due in 1989-90 of some \$7-8 billion, 25% of which is owed to Bonn. But the reality is that this is still sadly insufficient. The popular backlash against Solidarnosc is likely to destroy the possibility for serious economic reconstruction of that nation's potentially enormous economy for decades to come.

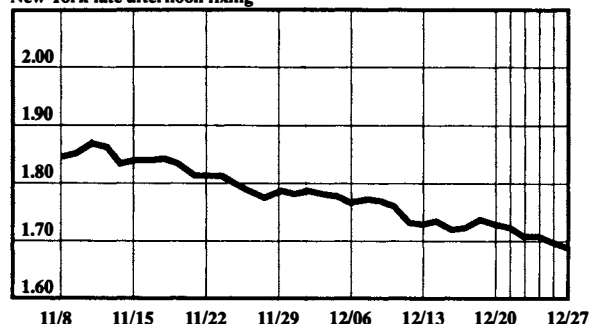
A new 'London Accord' from Bonn and Paris?

Were Bonn committed, as many in the government clearly are, to serious improvement of Poland's economic living standard as well as to the healing of the old wounds of the Second World War, Chancellor Kohl could take a positive initiative to "change the terms of the game." One obvious act would be to cite the precedent of the 1953 London Accord on Germany's pre-war debt where the Allies forgave more than 50% of monies owed them since 1919, in order to allow Germany to fully reindustrialize and rebuild its war-torn economy. More than 75% of Poland's \$40 billion Western debt today is owed to the governments of the West, the vast majority to West Germany, France, Italy, and other West European states in the so-called Paris Club. France is chairman of the Paris Club creditors' committee. What better statement of Franco-German accord on real economic help for Poland than to tell the country it is simply forgiving the vast majority of that \$30 billion—debt incurred under conditions which no longer pertain to the present government of Poland, including illegitimate compounding of interest arrears onto future principal owed after 1981, via so-called "interest capitalization."

Currency Rates

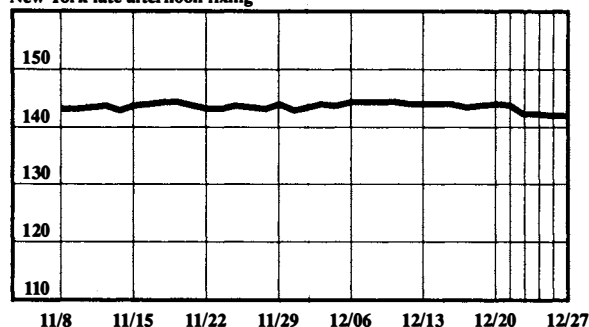
The dollar in deutschemarks

New York late afternoon fixing



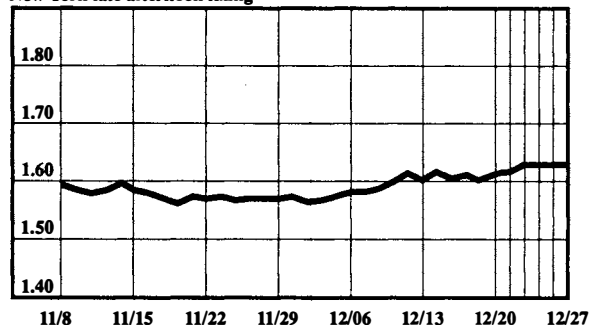
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

