

defended itself by arguing it had signed "Letters of Intent" with the IMF which mandated the strict austerity measures. What did Poland get in return? Misery and collapsing production, organized crime, a growing black-market economy, criminality, social misery, and a debased population.

When Polish voters signaled their clear revolt at IMF shock therapy in January 1991 during the elections in which Lech Walesa became President, the IMF and U.S. Embassy in Warsaw delivered open threats to the Polish government, to force it to keep Balcerowicz and the IMF shock therapy program. They were told that if they did not retain Balcerowicz and his program, all western assistance to Poland would cease. Balcerowicz remained and Walesa's first choice as prime minister, Jan Olszewski, a critic of shock therapy, was forced to drop out.

By the end of 1992, after almost three years of IMF "shock," Poland's industrial production had fallen to 66% of its level of 1989, according to data compiled by the U.N. Economic Commission for Europe in Geneva, one of the few reliable economic sources of data on eastern Europe. Poland's Gross Industrial Output in late 1992 was down to the level of 1975!

Yet for all the IMF-imposed social misery and pain since 1989, inflation ran at 70% in 1991, and more than 42% in 1992 and 40% in 1993. By the end of 1993, Polish unemployment had passed 2.8 million, more than 15.5% of the active labor force.

And still, Poland has not been the beneficiary of net new foreign investment.

The IMF and the creditor banks, led by Barclays of Britain until very recently, have insisted on full repayment of Poland's unpayable foreign debt. In the absence of a debt restructuring agreement, Poland has been kept a pariah country. Investment has been pitifully tiny over the past four years. What "free market" economic activity exists is the most vulgar sort of small-time consumer sales. Poland has today no long-term national strategy or even government goal for where the nation's economy should go.

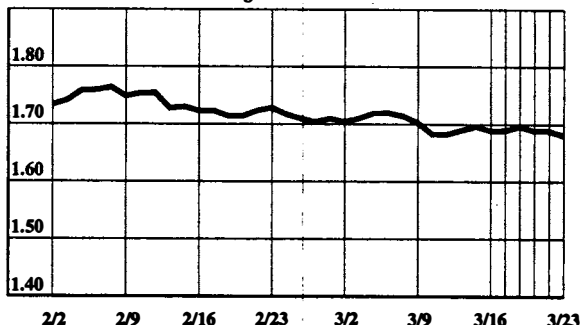
It will take years for Poland to undo the damage to the economy of the radical shock therapy under the best of conditions. But shock therapy has been a booming success in terms of destroying the potential of Poland to become a vibrant trade and investment partner of western Europe. In terms of increasing the overall well-being of the Polish citizen—social welfare, security in case of sickness, old age, and such—shock therapy has brought the majority of Poles to the gates of hell.

Given this history, it is little wonder that Poles, in the national elections on Sept. 19, 1993, ousted the pro-IMF regime of Hanna Suchocka and voted in a coalition of parties with direct ties to the former communists. But the tragedy is that, at least until early 1994, the government of Prime Minister Pawlak has been afraid to break with the shock therapy policy of Jeffrey Sachs and the IMF.

## Currency Rates

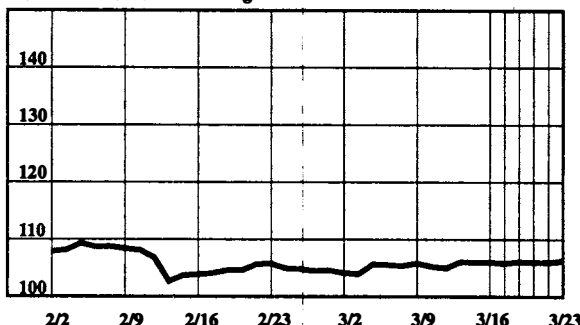
**The dollar in deutschemarks**

New York late afternoon fixing



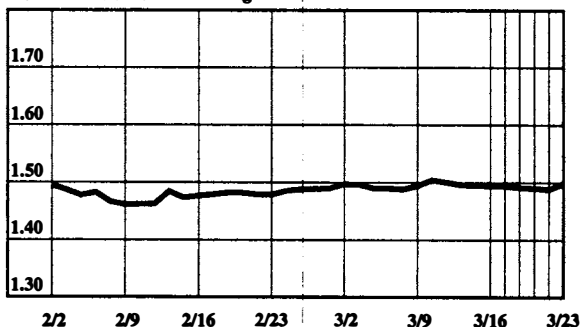
**The dollar in yen**

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

