Paying this debt is pointless for Poland in any case: No matter what is paid, the country is denied normal international commercial credit. Poland is forced to pay cash. According to Rakowski's Minister of Industry, Mieczyslaw Wilczek, speaking at a February 1989 symposium for the foreign press: "For several years we have been buying only for cash. I do not have to explain to you how cumbersome it has been. The whole world is thriving and is made to go 'round by credits." Has the enlightened West changed this policy under the new government?

Structural weakness

The structural weakness of the Polish economy goes back to the Stalinist period under party boss Boleslaw Bierut. As Zbigniew M. Fallenbuchl told the Joint Economic Committee of the U.S. Congress some years ago, the main features of the modern Polish economy were dictated by Stalinist war planning: "The stress was on coal mining, the iron and steel metallurgy, heavy machinery and metal constructions and on the so-called 'heavy' chemical industry. All 'modern' branches, such as electronics, synthetic fibers, plastics and other sections of the petrochemical industry were neglected, together with agriculture, infrastructure, and the production of all consumption goods industries." The resulting economy could produce "a very large number of manufactured consumption and, above all, producer goods, on a small scale, at a high unit cost, with a relatively backward technology and low quality, as it was impossible to expand research and development in all these fields to a significant extent."

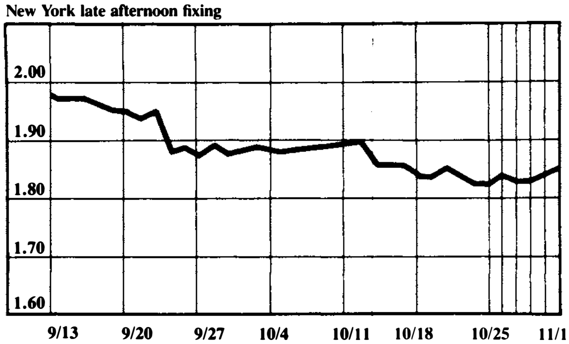
Agriculture was collectivized on the Russian model until the Poznan riots of 1956, when it was mercifully rescinded, but this left a repeatedly subdivided crazy-quilt of small holdings. (Smaller tractors would be appropriate for these parcels, but all governments up to now have insisted on buying the licenses to produce only the largest Western tractors at the Ursus and other tractor factories.)

The 1956 Poznan riots brought in Wladyslaw Gomulka, who tried a "selective growth strategy" which led to the Gdansk riots of 1970, which ushered Gomulka out and brought Gierek in. Gierek's policy of going into debt for development imports was overtaken by the first oil shock, in 1973, which deprived the country of foreign exchange and caused the bureaucracy to abort many half-finished projects to save hard currency. A large number of unfinished investments from that period continue to rust away in various corners of Poland. Under Stanislaw Kania, General Jaruzelski, and the December 1981 martial law, U.S. sanctions forced the country to retool more and more towards Comecon. After 1985, Poland was caught in a crunch between declining dollar prices for exports like coal, and a more expensive deutschemark, needed to pay large portions of the foreign debt. The worst conditions prevailed in agriculture, where no significant new investments have been made since the 1940s.

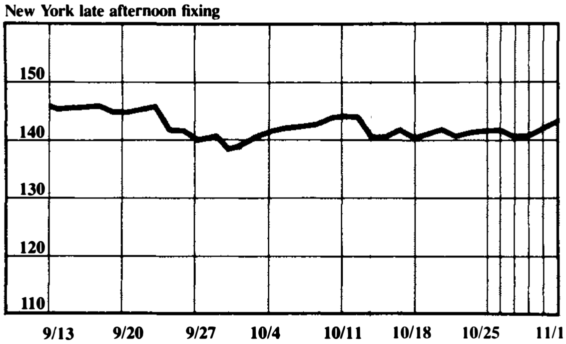
To be continued.

Currency Rates

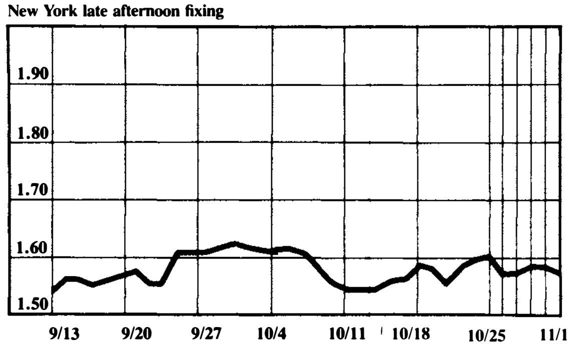
The dollar in deutschemarks
New York late afternoon fixing



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