

THE U.S. SHOULD KEEP THE IMF DOOR LOCKED WHEN POLAND COMES KNOCKING

At its joint meeting with the World Bank on April 9 to 11, the International Monetary Fund (IMF) will be asked to approve Poland's request for membership. It appears that the U.S., which contributes 20 percent of IMF funds, will vote to admit Poland. Admission of Poland, however, would violate the free market goals that the U.S. should be promoting through the IMF. With Poland in the IMF, and World Bank membership likely to follow, U.S. taxpayer's dollars would be used to prop up a faltering flawed economy and would ease the financial burden on Poland's actual ruler, the Soviet Union.

Much controversy surrounds the IMF's role in resolving the world debt crisis. One thing is certain: IMF activities must promote a free market--between countries and within countries. Anything else would oppose basic U.S. interests and justly call into question continued American participation in and funding of that organization.

Poland is a communist totalitarian dictatorship with Soviet style central planning. The state owns most of the means of production, and usually determines wages and prices. The repression of the Solidarity trade union reveals the regime's determination to deny workers and producers any economic decision-making power. Poland's system, in short, is a slap in the face to free market principles.

Since Poland's imposition of martial law in 1981, that country's creditors have balked at extending new loans. But this would change were Poland to join the IMF and World Bank. Poland could utilize the resources of these organizations to finance its \$30 billion foreign debt. To channel funds to cover the bad debts of a failed communist economy, however, denies these funds to needy and deserving Latin American countries and to the Philippines. Scarce resources should not be squandored on a hopeless economic failure such as Poland.

The Reagan Administration hopes, with World Bank help, to promote such growth policies as privatizing state-owned enterprises and reducing state economic regulation as a means of helping debtor

countries. Yet Poland's freedom to change, even if it wished to, is strictly limited. The USSR could not tolerate a prosperous, market-oriented Poland. Poland, moreover, is tied closely to the USSR through membership in the Council for Mutual Economic Assistance, a means by which the Soviet Union exploits its satellites. The IMF, World Bank, and U.S. are having enough trouble promoting economic change in freer, nontotalitarian debtor nations. To think that change can be imposed on Poland is fantasy.

Poland could not be a member in good standing of the IMF since its economic statistics simply cannot be trusted. In Communist countries supply and demand do not determine the prices of goods and services. Such figures are invented by central planners. As former Polish ambassador to Japan Zdzislaw Rurarz told the Senate Banking Committee in late 1985: "all the statistical data officially published [by the Polish government]...are more or less 'doctored.'" The IMF would have no way to determine Poland's true economic condition.

Hungary's IMF and World Bank memberships indicate what can be expected if Poland is admitted. Before Hungary's 1982 admittance, a World Bank estimate, based on Hungarian economic statistics, indicated a per capita GDP of at least \$4,190 annually, above the cutoff point for Bank loans. But after 1982, a Bank recalculation, also based on Hungarian figures, found the per capita to be only \$2,100. Financial assistance was then extended. Poland's economic problems, including its \$30 billion foreign debt, appear far worse than Hungary's.

The Soviets now share part of the financial burden of Poland's economic mess. IMF aid to Poland, therefore, would only ease the burden on the USSR. Do U.S. taxpayers really want to help the Soviet government?

While some of the Polish government's most public human rights abuses have slackened, mainly because Solidarity has been crushed, freedom of speech, association, and other rights are still curtailed. Political prisoners still fill prisons. Poland should not be rewarded for eliminating political dissent.

IMF and World Bank memberships will not help the oppressed Polish people. Membership in the groups simply will strengthen Poland's totalitarian dictatorship, force U.S. taxpayers to cover its debts, and remove an economic burden from the shoulders of the Soviet Union.

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1. For further information:

John P. Hardt and Jonathan Sanford, "An Assessment of GNP Per Capita Estimates of the World Bank for Hungarian Loan Eligibility" (Washington, D.C.: Congressional Research Service, May 12, 1983, revised June 23, 1983).

"Country Reports on Human Rights Practices for 1985," U.S. Department of State Report submitted to the House Committee on Foreign Affairs and the Senate Committee on Foreign Relations, February 1986.