

to the estimate of Mr. Kalecki - to 24 billion zlotys; this estimate is, however, too low because the value of services rendered by the state is not included, except for public education. Also the value of investments included in that calculation was too low, especially as regards private investments. It should be observed that the method used by Kalecki and Landau was based on an estimate of national consumption. It is estimated that the national income for 1939 has been undervalued by about 3 billion zlotys, which represents about 12% of the whole national income. Consequently, the estimate for 1938 should also be increased accordingly. A further correction of the figure indicated by the Polish experts last year should be made in view of the fact that 1939 and not 1938 is the year used in the formula for quotas in the Monetary Fund. In that period Poland's national income grew at an average rate of about 6% per annum. Considering also the foregoing corrections, the figure of 18 billion zlotys should be increased to 21 billion zlotys (of the 1938 purchasing power), which means an increase from 2.5 billion dollars to 4 billion. As a result of this correction, the amount of the quota should be increased by \$10 millions, i.e. from \$120 to \$130 millions.

b) In their memorandum of July, 1943, the Polish experts emphasized the necessity of increasing, out of a reserve specially provided for that purpose, the quotas of countries whose needs exceed those quotas which would result from the standard formula. Such a reserve is proposed on page 22 of the document entitled "Questions and Answers on the Monetary Fund". In the following paragraphs of the present memorandum, there are listed arguments for such an extension of the Polish quota. The range of the proposed increase would be between 25% and 40%, and the proposed range of the Polish quota would be between \$160 and \$180 millions.

Following are the reasons which make such an increase necessary.

2) In the first post-war period, which will last for about one year, there probably will be no tendency to use extensively the means of the Monetary Fund. During that period Poland's imports will largely consist of food, clothing and other articles needed for relief and rehabilitation and provided by the UNRRA. Other imports, while greatly needed, will have to be limited, most likely to absolutely indispensable items on account of transportation and organization difficulties. (including the supply position of foreign markets). It is not to be expected, therefore, that there should appear in that period any strong pressure on the part of Poland on the resources of the Monetary Fund available for her use. The situation may be rather different in the second post-war period, which might include the second and third year after the end of the war. The fact that during the war the population was completely deprived of any possibility of purchasing consumers' goods, coupled with the fact that the inventories of commodities in the country will have been exhausted completely, and will have to be replenished, may result in a large increase of imports as soon as the above mentioned transportation difficulties and the like will have disappeared. On the other hand Poland's exports will not, as yet, have been restored to an adequate level. Therefore, this second post-war period is likely to be characterized by a large temporary deficit of the balance of trade and of payments, hence, by considerable need for foreign means of payment. It is likely that after the passage of three or four years an equilibrium will be established; the exceptional additional imports referred to above will cease, while exports will be considerably expanded. It may be expected that when that phase of balanced current transactions is reached, it will not be necessary for Poland to use, to any very large extent, the means of the Monetary Fund.

The deficit of merchandise, due to the exertion of inventories of consumers' goods in the hands of trade and industry as well as of the public, is estimated at several billion zlotys. Even if we admit that the major problem will be covered by domestic production and that restrictions on consumption will be maintained, there will undoubtedly develop a much greater pressure on the foreign exchange market in Poland, as a result of the described conditions, than will be the case in countries less afflicted by the destruction of war. This problem will not be susceptible of being solved in its entirety by the activity of the UNRRA. That organization will only supply the essential articles required for relief and rehabilitation; it will not be able to contribute to saturating the market with goods. The Bank for Reconstruction and Development will extend credits for investment purposes; therefore, its activity will affect only indirectly and gradually the above described situation. It is necessary, therefore, to increase to a considerable extent the available reserves of foreign currencies supplied from other sources. It is understood, however, as already mentioned, that the heavy requirements will be transitory and that after a few years equilibrium will set in.

5) In connection with the foregoing discussion it might be appropriate to point out that in the interest of the efficient functioning of the Monetary system, monetary reserves of a country can never be utilized in their entirety. The size of the quota must, therefore, be established on the assumption that the amount granted would never be utilized in its entirety, nor, except in cases of emergency, in a very high proportion. It is, therefore, neither Poland's intent nor her interest to exhaust rapidly the facilities provided by her quotas, nor to utilize these facilities steadily.

4) If we take into consideration the various points raised in the preceding paragraphs, we must conclude that the sum of \$200 millions, proposed in the memorandum of July, 1943, is not unreasonably

high in relation to Poland's anticipated needs, while the sum of \$130 millions, which results from the standard formula, is surely too low. It seems impossible to apply the same criteria to countries, ravaged and destroyed by the war, and to countries, which enjoy relatively normal conditions of economic life. The extent of economic disequilibrium in the war-torn countries will surely be much larger and more protracted in war-torn countries, than in countries which will have been spared such destruction.

5) Since the arguments advanced in this memorandum relate essentially to the immediate post-war period, it might be inferred that after the first few years Poland's needs could be satisfied with a smaller quota. In this connection, however, the following reflections might be to the point. It is generally agreed that the economic development of the under-developed countries should be speeded up in the interest of the whole world economy. In that ~~connection~~ connection there will develop in Poland all those elements of economic life, which determine the size of the quota. It must be assumed in particular that Poland's foreign trade will experience a considerable expansion. In the particular conditions prevailing in the world in the last pre-war decade, that trade was artificially reduced; should it grow to the size which would normally correspond to Poland's national income and to the level of her economic development, there would result beyond any doubt the need for increasing the Polish quota in the Monetary Fund to a higher level, than that resulting from pre-war data. In consideration of that, the now proposed increase of the Polish quota would be merely an anticipation of that future development.