

# RADIO FREE EUROPE *Research*

## EAST EUROPE

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### NATIONAL ECONOMIC PLAN FOR 1972

Summary: In spite of the fact that there is still no five-year plan for 1971-1975, a second successive annual plan was passed toward the end of December 1971 covering a part of this period — namely, the national economic plan for 1972. For the first time, this plan represents officially the intentions of the new leadership. Although in particular indexes it does not differ basically from the previous plans, it does, however, quite distinctly favor solution of a wide range of social problems and especially those connected with raising the living standard of the population. On the other hand, it pays a lot of attention to the sphere of investments, as much from the point of view of the tasks, as from that of providing the means which would guarantee their implementation.

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The influence of the political volte-face in December 1970 and a certain amount of disorientation connected with it, mainly with regard to the choice and concentration of the directions of the country's economic development, is still evident to this very moment. This, in particular, has had a "detrimental effect" on the formulation of the five-year plan for 1971-1975, which has not, up to now, been adopted by the Sejm. It is evident that the bill concerning the five-year plan will not be passed by the present Sejm (1) but only by the new Sejm after the elections, and therefore cannot be adopted before next April, or, what is more likely, before next May. Thus — although there is no lack of similar cases in the past — the five-year plan will be approved only after nearly one third of the period it is supposed to cover has already gone by. Although the minutes of the Sixth PUWP Congress have already given some indication of the intended changes in the Polish economy in 1971-1975, there was, nevertheless, a lack of clarity about the particular solutions, and the bulk of this material only contains demands concerning this sphere.

- (1) Jozef Tejchma, in a speech delivered at the Sejm on December 22 and published in Trybuna Ludu on December 23.

For this reason, the presentation of the formally binding economic plan for 1972 (2) seems rather interesting, because it illustrates the intentions of the new leadership. It is also interesting in view of the fact that the plan for 1971, although modified after the political changes in December 1970, was still burdened by the concepts of Gomulka's administration. Moreover, the general confusion in the socioeconomic sphere, which was particularly strong in the first months of 1971, resulted in the fact that the administration's sticking to an implementation of those tasks outlined in the plan was often accidental, and later there were to be observed even more signs of improvisation on the part of the leadership than of any systematic supervision of plan implementation.

Thus, 1972 will be the first year in which the new leadership can be held truly responsible for any deviations from the formal economic plan -- should any such deviations actually occur.

Judging by the opinions published in the press (3) it seems that this year's economic plan is composed of three dominant trends: a) attempts to guarantee a balanced market through the intensification of industrial and agricultural production and by increasing imports of consumer goods; b) efforts to carry out new investments more efficiently, and c) further expansion of foreign trade. Premier Piotr Jaroszewicz made an even more detailed breakdown of important specific tasks. (4) This classification contains seven "particularly important problems" on which the implementation of the economic plan depends. Along with the above-mentioned problems or tasks, they are:

A further modernization of industry;

An intensification of agricultural production;

More active participation by scientific and technological workers in the implementation of the plan;

Increasing efforts to improve the standard of living.

The last of the above-named problems is particularly important, because, according to Jaroszewicz, about 1,000,000 persons in the labor force will receive pay raises in 1972.

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(2) Monitor Polski No. 59, 27 December 1971, Item 381.

(3) For instance, the commentary on the Sejm discussions published in Trybuna Ludu on December 23, or the article by Stanislaw Chelstowski entitled "The Offensive in 1972" in Zycie Gospodarcze, 5 December 1971.

(4) See Polish Situation Report/60, Radio Free Europe Research (EERA), 23 December 1971, Item 2a.

Plan for 1972 in Figures (5)

A characteristic feature of the 1972 plan is a broader treatment of tasks in the sphere of improving living conditions (supplies for the market, housing, social services, etc.). This was also expressed in the text of the resolution which, right after the portion dealing with the national income, presented as chapter 2 the part entitled: "Increase in the Living Standard." This bias is best expressed in the difference between the increase of national income produced (6.1 per cent), and of the national income distributed (8.0 per cent). This difference (resulting mainly from the expected increase in Poland's foreign indebtedness to be employed for purchases abroad of capital goods, as well as consumer goods) is the main source of a certain degree of acceleration in the rate of increase of the standard of living. Moreover, this seems quite feasible, in view of the assumptions that an increase in the national income produced during the past year amounted to 7.2 per cent (instead of the planned 5.4 per cent). Some reserves are also undoubtedly hidden in the cautious planning of the rate of increase of about 8 per cent in industrial production (while that achieved last year amounted to 9.5 per cent) and of agricultural production by 4.6 per cent (last year's was about 4.5 per cent).

In effect, consumption is expected to increase 7.2 per cent (the rise in personal income is to go up by 6.3 per cent), while average earnings are to rise 3.5 per cent. Although average earnings rose by 5 per cent during 1971, this happened mainly as the result of pressure from the workers following the December riots. Therefore, the increase in average earnings outlined in the current plan (coupled with a price freeze on a large part of consumer goods) is certainly rather high, considering Polish conditions. This increase, however, will apply mainly to certain groups of employees, about 1,000,000 in all, whose salaries have been glaringly low (for instance, teachers and some groups employed in light industry).

In spite of the projected expansion of foreign indebtedness, there seems to be no guarantee that the rapidly expanding purchasing power of the population will be covered by an adequate supply of goods. Hence, the broad propaganda campaign during the current year for additional production, over and above the official plan, of 20,000 million zloty worth of goods (mainly consumer goods). At the same time, great stress is laid on the need to adjust the assortment of goods to market demand. While on this subject, mention should be made of the beneficial effects of the lifting -- for all practical purposes -- of the customs barriers between Poland and the GDR (and a similar lifting of barriers between Poland and the CSSR which will go into effect within the next few months), which, with the simultaneous lifting of restrictions on travel across the corresponding borders, must produce pretty definite economic results. This will, most probably, result in the population's putting into circulation its savings for the purpose of buying abroad those articles which are scarce in Poland.

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(5) See table, p. 6.



All the same, it is expected that market shortages of food and light industry products will continue throughout 1972. In spite of the considerable planned increase in deliveries of building materials, the general situation in construction will most probably not improve, in view of the expected increased interest of the rural districts in farm-building construction..

Some tension is also certain to appear in the investment sector. The increase in outlay on investments is very high (9.8 per cent), and only through cutting down the increase in stocks, which is projected in the plan (but whose achievement is doubtful), is the share of total accumulation in the distributed national income supposed to fall from 28.5 per cent to 28.3 per cent. An interesting point is the increase in the share of funds for the purchase of machinery and equipment in the general outlay for investment, and the earmarking of larger amounts of foreign currency for the purchase of finishing machinery and materials, to ensure that shortages in deliveries will not delay completing at least the most important investments and putting them into production.

As for the planned high increase in imports (16.4 per cent) some major difficulties are bound to crop up in drawing on the accumulated foreign balances Poland has with some countries of the Eastern bloc and over the effective utilization of credits granted to Poland. In the end, the over-all adverse trade balance in 1972 should be partly offset by the surplus balance in the non-commodity foreign sector (800 million foreign exchange zloty).

The 1972 increase in the labor force will be 28,000 greater than the projected increase in employment (317,000 people). The most drastic disproportion in this sphere will appear in the voivodships of Wroclaw, Koszalin, Zielona Gora, and Cracow. Some of these voivodships, however, share borders with the GDR or the CSSR, and therefore, the flow of labor between Poland and these bordering countries is expected to be greater during 1972 than ever before.

Although really radical changes in the economic management system cannot be expected before 1973, (6) nevertheless, certain changes will take place during the current year. Thus, for example, the restrictions on the number of workers employed will be lifted for about 90 per cent of all enterprises: they will be retained, however, with regard to administrative personnel. The method of calculating labor productivity will also be abolished, as will that of the bank adjustments of the wage fund on the basis of the implementation of the plan of total production. From now on, it will be based on the index of implementation of the so-called added production, that is, of that part of the increase in the value of goods which took place as a result of the manufacturing process in a given plant.

As far as the individual branches of industry are concerned, a striking feature is the planned rapid rate of increase of production of the electromechanical and chemical industries (by 9.2 per cent and 8.7 per cent, respectively).

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(6) See Polish SR/3, RFER (EERA), 21 January 1972, Item 2.

In spite of numerous declarations stressing the need rapidly to expand the production of light industry and the food industry, the planned production increase in these two branches is actually lower than the average increase projected for industry as a whole.

From the point of view of specific sectors, it is worth noting a particularly rapid planned increase in the production of copper (35 per cent) and plastics (15 per cent).

Another interesting feature is the large boost in the funds assigned in 1972 for scientific research (15 per cent in comparison to 1971). (7)

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(7) Zycie Gospodarcze, 12 December 1971.

Comparison of Some Important Indexes of the National Economic Plans  
for 1971 and 1972

	Plan	
	1972	1971*
Increase in national income produced (per cent)	6.1	5.4
Increase in national income distributed (per cent)	8.0	5.1
Value of industrial production (thousand million zloty)	1,340.0	1,235.0
Increase in industrial production (per cent)	8.2	8.0
Increase in total agricultural production (per cent)	4.6	2.4
Of which: crop production	6.3	2.0
animal production	2.7	3.0
Increase in per capita consumption (per cent)	6.3	3.5
Net increase in investments (per cent)	9.8	9.0
Share of investments in national income (per cent)	23.4	23.0
Investments in Group A (thousand million zloty)	235.3**	191.3
Increase in socialized industry wage fund (per cent)	7.8	4.2
Increase in average gross earnings (per cent)	3.5	-
Increase in incomes from pensions (per cent)	13.6	-
Number employed in national economy (thousands)	11,187.0	10,571.0
Of which: number employed in socialized economy	10,304.0	9,903.0
Increase in number employed excluding agriculture (thousands)	317.0	184.5
Of which: number employed in industry	136.0	76.0
Increase in productivity in socialized industry (per cent)	5.7	6.3
Increase in productivity in building construction (per cent)	5.1	5.5
Number of dwellings handed over for occupancy (thousands)	198.0	182.0
Of which: total area (thousand square meters)	11,073.0	10,100.0
socialized building construction (thousand square meters)	5,950.0	5,190.0
Increase in deliveries to market (per cent)	6.5	4.1
Of which: food products delivered by the food industry (per cent)	4.1	2.3
industrial consumer goods (per cent)	7.6	-
Value of exports (thousand million foreign exchange zloty)	16.1	13.9
Of which: goods produced by the electromechanical industry	6.9	6.2
Value of imports (thousand million foreign exchange zloty)	18.2	14.6
Of which: goods produced by the electromechanical industry	7.6	6.0

\* According to the provision of the bill passed by the Sejm on 23 December 1970 (a later corrected plan has not been published in full).

\*\* Assumed implementation in 1971 -- 212,900 million zloty.