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POLAND TRIES AGAIN

During the 13 years of Gomulka rule, the Polish ruling elite has acquired the rather unfortunate habit of treating economic reform as a convenient political football in its perennial factional in-fighting. The blame for this must be shared equally by the various brands of hardliners, by the technocrats, by the middle-of-the-roaders and by the quasi-liberals. Thus, unlike Hungary, for instance, there are very few Party politicians in Poland who can claim to have taken a consistent, objective and matter-of-fact stand on the issue of the New Economic Model. Here, Gomulka himself is, of course, the principal culprit. It is his ambivalent and often well-nigh opportunistic style of leadership which is primarily responsible for the fact that Poland, once the outstanding pioneer in the field of economic reform, must now be counted among the most persistent foot-draggers.

But neither the lack of a coherent and clear-cut policy line, nor the absence of a firm and consistent leadership, can absolve the Polish ruling elite from sharing a large part of responsibility for Poland's notoriously on-again-off-again approach to the essential problem of new methods of planning and management. After all, it was not Gomulka, but the other top members of the establishment who have quite deliberately decided to treat economic reform as a legitimate game (though, more often than not, only a side issue) in their recurrent struggles for power. This is particularly true of the most ruthless contenders for political power -- the Partisan faction.

The first and most comprehensive version of the Polish economic model, as evolved during the early post-October (1956) period, never had much chance of progressing beyond the stage of a coherent theoretical blueprint. The main mistake committed by the Polish economic reformers in the 1956-57 period was that

they wanted to achieve too much too soon. (1) The time was not yet ripe for implementing pragmatic reforms on such a scale. The other countries of the Soviet bloc, including those which later introduced economic reforms much along the lines advocated in Poland in the mid-Fifties, regarded the 1956/57 blueprint Polish economic model as the epitome of ideological revisionism. Indeed, a strong pressure was put on the Gomulka regime by those countries to stop playing with fire. (2)

This hostile outside pressure was, however, only one of the factors which prevented the practical implementation of the Polish economic model. Much more decisive in this respect has been the active resistance of the dogmatic forces within the Polish establishment. Those forces, defeated temporarily in October 1956, have been fighting against the implementation of the Polish economic model both on ideological grounds and because their vested interests and special group privileges were seriously threatened by the new organizational and operational patterns, as foreseen in the reform blueprint. But the new system of planning and management was not the primary objective of the hardliners' counter-offensive. What they really aimed at was to use the failure of the new economic model as a political lever to restore the power position within the Party which existed prior to the October events, and they were indifferent to any harm done to the national economy in the process. Thus, many experiments intended as pilot schemes for the new methods of planning and management were deliberately sabotaged and obstructed by the bureaucratic superstructure.

By late 1959, the dogmatic counter-offensive had achieved most of its objectives. The Polish Economic Council -- a body of experts created for the express purpose of working out the theoretical principles of the Polish economic model -- had, for all practical purposes, ceased to exist. (3) The changes already implemented in the organizational structure of Polish industry were

- (1) There is no room within the scope of this article for an extensive description of the 1956-57 version of the Polish economic model. For more details see M. Gamarnikow: Economic Reforms in Eastern Europe, Chapter II, "Poland: The Frustrated Pioneer."
- (2) This hostile pressure was later fully admitted by the official Polish media. See. W. Brus "Some General Remarks on the Changes in the System of Planning and Management," Gospodarka Planowa (Warsaw), November 1966, p.11.
- (3) The Economic Council became moribund in mid-1959, although it was not formally dissolved until the end of 1962.

effectively countered by the strengthening of centralized control, with its profusion of operational directives. The proposed reform of wages and prices, due to be implemented in 1958, was abandoned altogether. Workers' Councils, which were originally intended to co-manage the independent enterprises, were shorn of all their essential prerogatives, foreseen in the pertinent 1956 legislation. (4) At the same time, the very concept of a Yugoslav-type Workers Self-Management system (a prominent feature of the 1956/1957 version of the Polish economic model) was formally disowned. (5)

More significant still was a remarkable political comeback of unrepentant dogmatists and hardliners. By mid-1959, all those members of the Polish ruling elite who were genuinely associated with the October program of political and economic reform had been effectively ousted from positions of power and, in many cases, pushed into political oblivion. This resulted in a very meaningful shift in the balance of power within the Party leadership. The details of this dogmatic restoration in Poland and the factional in-fighting which brought it about are beyond the scope of this article. What is pertinent, however, is that within the framework of this political comeback of pre-October forces, three notorious hardliners were appointed to top economic positions in Poland. (6) Shortly afterward, the powers of the central planners were greatly strengthened (7) and that was -- for all practical purposes -- the end of the first phase of economic reform in Poland.

The return to a monocentric economic system and methods of direct control inevitably created serious economic difficulties, which reached their climax in the winter of 1962/1963. Consequently, in the fall of 1963, the Polish ruling elite began again to look more critically at the arbitrary methods of planning and management. This led to renewed interest in economic reforms which had been so

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- (4) "The Draft of the Decree to Be Issued by the Polish Council of Ministers About the Organization and Prerogatives of the Workers' Councils," Trybuna Ludu (Warsaw), 1 November 1956, an official PAP release.

See also: M. Kalecki: "Workers' Councils and Central Planning," Nowe Drogi (Warsaw), December 1956.

- (5) "The Draft of a Bill on Workers' Self-Government," Trybuna Ludu (Warsaw), 11 October 1958, an official PAP release.
- (6) In October, 1959 E. Szyr -- the chief planner of the pre-October era, and J. Tokarski -- the Minister of Machine Industry at the time of the Poznan uprising, were appointed deputy premiers (for economic affairs), while T. Gede was made deputy chairman of the Planning Commission.
- (7) "AR": "Increased Tasks and Prerogatives of the Planning Commission" Trybuna Ludu (Warsaw), 5 January 1960.

hastily abandoned after the dogmatic restoration. In March 1964 the Party leaders, preparing for their Fourth Congress in June, published a set of theses outlining, among other things, certain concrete measures which were intended to reactivate some aspects of the new economic model. Although quite a few of those proposals were subsequently watered down in the final text of the Fourth Congress resolution, the bulk of them did survive and a more or less definite program of economic reform, based on this truncated blueprint, was later approved by a Central Committee Plenum held in July 1965. (8)

Thus, after an interval of nearly six years, economic pragmatism again became a part of the official policy line in Poland. But the political situation in the corridors of power was by then entirely different from that which prevailed in the early post-October period. At that time, the dogmatic elements within the Polish ruling elite had been decisively routed and were in full political retreat. The quasi-liberal faction, favorable to economic reforms, held the levers of power and -- what is equally important -- controlled the information media, which it used very extensively to promote more pragmatic concepts of "socialism." In contrast, the 1964/1965 version of the reform blueprint was devised and sponsored by middle-of-the-road apparatchiki, not as an article of faith, but under the pressure of sheer economic necessity. The champions of the 1956/1957 version of the Polish economic model were genuinely convinced that the orthodox centralized system of planning and management had outlived any usefulness it ever possessed. The hesitant promoters of the 1964/1965 edition of economic reform were not. Besides, they feared and distrusted any structural and operational changes which could weaken their firm control over the Polish economy and deprive the Party establishment of its "leading role" in economic affairs.

This lack of political will to push through genuine pragmatic changes in the methods of planning and management explains the different approach to the whole issue of economic reforms in the mid-Sixties. There was far less stress on the theoretical rationale behind the proposed reform measures and, apart from some rather academic dissertations on the subject of the profit motive, very little was said about the operational pattern of the new system. The whole emphasis was put on preparing a number of elaborate bureaucratic measures, necessary (so it was argued) to set the new system in motion. All in all it was a thoroughly Parkinsonian attempt to inject a certain degree of economic rationalism into the Polish body economic. This was to be achieved by some intricate juggling with the standard indicators of centralized planning plus a certain degree of decentralization in the sector of investment financing. The need for a detailed market analysis as the basis for production plans was also

- (8) For full information on this second version of the Polish reform blueprint see M. Gamarnikow, "Economic Reform in Poland," East Europe, July 1965.

stressed, so as to give this emasculated blueprint a sort of consumer-oriented appearance. But this hotchpotch of unrelated pragmatic half-measures was also replete with built-in safety devices which perpetuated bureaucratic controls.

Yet, despite all its limitations, the 1964/1965 blueprint for economic reform did have some long-term potentialities. The proposed changes in the methods of planning and management, however inadequate, were nonetheless a step in the right direction. They could well serve as a starting point for developing a broader and more cohesive program of economic reform, given the political will to put such a program into effect. Thus, all that was needed to make those pragmatic measures fully operational was a change of heart on the part of the Polish ruling elite. And while the people who held the levers of power in the mid-Sixties were clearly incapable of such genuine involvement, their eventual successors could well be expected to be more pragmatic in their outlook and more willing to go ahead.

This is why even this devitalized version of economic reform was unacceptable to the powerful pressure groups of dogmatic ultras, political hardliners and entrenched bureaucrats. They fought the approval of the reform blueprint every inch of the way, playing skillfully on the kindred apprehensions and reservations of Gomulka and his close associates. And when the watered down version of the pre-Congress theses has finally become an integral part of the official Party program, the dogmatists and the hardliners reverted to their favorite tactics of procrastination, deliberate inaction and other subversive forms of bureaucratic sabotage. These tactics proved so effective that all the proposed economic reforms virtually remained on paper. In July 1967 Zycie Gospodarcze, the organ of loyalist economic reformers, complained bitterly that although two years had already passed since the final approval of the new methods of planning and management by the Central Committee Plenum, the actual implementation of the reform on all levels still left much to be desired. (9)

Discussing the reasons why the 1964/1965 version of the new model failed even to get off the ground, Zycie Gospodarcze put the main blame on "old habits and conditioned reflexes which are the heritage of the old system." It also castigated very harshly the dogmatic mentality of those who were entrusted with the implementation of the new system. "They stick to old methods and familiar routine," charged the Polish weekly, "in the hope that everything will return to the old ways." (10) This was as clear

(9) J.G. (J. Glowczyk, the editor-in-chief), "The Reform and Men," Zycie Gospodarcze (Warsaw), 30 July 1967.

(10) Ibid.

an accusation that deliberate procrastination tactics were being used to sabotage reform as the Party censors would ever permit.

By the time the article in question appeared in Zycie Gospodarcze, however, the dogmatists and the hardliners were already marshalling their forces for a massive escalation of their counter-offensive against economic reform. As usual, however, neither the new model nor the economic reformers were the real target of this onslaught. The carefully prepared mass attacks on economic reform and its champions were meant to serve only as the means to a far more ambitious end -- an all-out bid for supreme political power in Poland. The economic reformers were simply chosen as the initial objective because so many of them happened to be of Jewish origin.

Incomprehensible as all this may seem to a Western mind, the event which made Polish economic reforms (and, through guilt by association, their reform program too) especially vulnerable to the ideological onslaught of the hardliners was, of all things, the Arab-Israeli war of June 1967. Those uninitiated into the tortuous ways of Party politics in Poland and the brutal tactics of factional warfare among the Communist elites may well be excused if they fail to see any logical connection between the defeat of the Arab armies in the Sinai peninsula and the fate of economic reform in far-away Poland. But the Polish hardliners grasped all the internal implications of the Middle East conflict very quickly indeed.

The end effect was that anti-Semitism became a legitimate political weapon in the intra-Party struggle for power. This weapon, used at first against some minor fry in the mass communication media, began to be exploited for all it was worth after the student revolt of March 1968 had shaken the very foundations of Gomulka's regime. The main blame for this outburst of political dissent was authoritatively attributed to a "Zionist plot" directed against People's Poland. This, in turn, made anyone with a trace of Jewish origin an obvious candidate for a political purge. And the dogmatists and the hardliners, who had espoused anti-Semitism as a political weapon, became the principal witch hunters.

Prominent economic reformers, such as Professor Brus, were among the earliest victims of this ideological persecution. They were denounced publicly not only as "Zionist agents," but also as "the principal carriers of the deadly bacilli of economic revisionism." (11) For the hardliners and their allies were not satisfied with hounding the leading reformers out of their jobs,

(11) W. Iskra "The Ideological Backbone of the Economy," Trybuna Ludu (Warsaw), 23 April 1968.

out of public life, and even out of the country.(12) They came to the conclusion that the time had come to deal a death blow to the very idea of economic reform and thus to destroy once and for all this perennial threat to the vested interests of entrenched bureaucracy.

This assessment was based on quite valid premises. The middle of 1968 was certainly a very suitable time for mounting such an all-out attack on the theory and practice of the new economic model. As a prelude to the invasion of Czechoslovakia, Moscow and its allies put into top gear an ideological offensive of their own, directed against all manifestations of "revisionist" heresy. Within the framework of this bloc-wide propaganda campaign, both the Czechoslovak and Yugoslav economic reforms were denounced almost daily in Soviet, East German and Bulgarian periodicals. In Poland, economic reformers and their supporters in the Party establishment were reduced to the status of un-persons and were thus in no position to defend themselves and their pragmatic concepts. The middle-of-the roaders were reeling under the powerful onslaught of the Partisan faction, which was openly grasping for the supreme political power, and they were only too glad to see the main fury of the post-March witch hunt deflected to a different target.

This was clearly too great an opportunity to miss and all the foes of economic reform in Poland moved in gleefully for the kill. To create a proper political atmosphere, various third-rate scholars, ultradogmatic theoreticians and opportunistic nonentities were mobilized for a massive propaganda campaign directed against economic reformers and all they stood for. Suddenly, there was a veritable spate of pseudoscientific articles castigating a number of prominent economists and their "revisionist" ideas. The technique of such antirevisionist broadsides was invariably the same: gross exaggerations of the political threat involved in the reforms, insinuations, and ideological denunciations. Thus, in one keynote article the pragmatic reformers were accused of advocating an economic system in which "the real power will pass into the hands of a narrow group of economic experts, [while]... the leading role of the Party would be reduced to a minimum." (13)

This specter of the technocrats exploiting the opportunity offered by the implementation of the economic reform program to take over the levers of political power was -- of course -- deliberately raised by the Partisans and their hardline allies, so as

(12) For instance, Professor Brus lost his job in April 1968, was transformed into an un-person, and was forced to leave Poland in October of that year.

(13) M. Krajewski, "Socialist Democracy and Market Socialism," Trybuna Ludu (Warsaw), 29 March 1968.

to secure the support of the Party apparatus in their own drive for supreme power in Poland. On the one hand, it was a blatant appeal to the vested interests of this special group; on the other, it made quite clear to all who had been initiated into the ground rules of factional in-fighting within the Communist elites that the real target of all those charges and denunciations was not the hapless reformers named in the text (since they were already down and out anyway), but those members of the Party establishment who had supported their "revisionist" and "antisocialist" ideas and provided them with the seal of ideological orthodoxy. In this sense, the vicious attacks on economic reform and its champions were merely a reflection of the struggle for power, a struggle waged within a faction-ridden ruling elite.

But while the economic reforms were only a side issue for the power-hungry Partisan leaders, or rather a convenient stick with which to beat their political opponents, some third-rate scholars and obscure traditionalist theoreticians had their own private accounts to settle. For more than a decade they had to watch helplessly as the reformers and their pragmatic solutions basked in the national and international limelight, while their own unbendingly dogmatic brand of pure "Marxism" was held in contempt and their "scientific" work ignored. Their ideological and professional frustration, as well as plain human jealousy, is easy to perceive. Now (so they thought) their hour had struck and they had a chance to take revenge for all the past slights in the field of scholarship and public life. So they kept attacking the "revisionists" with all the pent-up fury which had been accumulating for years. They not only denounced "the market mechanism" for promoting "enrichment as the central value of life," (14) but hurled abuse and epithets right and left. Thus the ideas of a certain prominent Polish economist were described in one of the most notorious antireform broadsides as "a very typical example of subversion through vulgar bourgeois thought, a subversion which attempts to eliminate the Marxist theory of historical materialism and to undermine the victorious prospects of the socialist system." (15) The same author accused other progressive economists in Poland of "working hard to purge our economic theory of all the Marxist 'myths' and 'dogmas,' of entrenching themselves in "anti-socialist and revisionist positions" and of "acting as apologists for bourgeois ideology." (16)

This campaign of denunciation and abuse continued for several months. And the very fact that most of those brutal attacks were published in Trybuna Ludu, the central organ of the Polish Communist Party, gave them the stamp of official authority.

(14) Ibid.

(15) W. Iskra, "Ideological Backbone of the Economy," Trybuna Ludu (Warsaw), 23 April 1968.

(16) Ibid.

The only real weakness of this frontal onslaught on the theory and practice of economic reform was the obvious unwillingness of all reputable economists and political theoreticians to participate in such a public hate-in. Left to themselves the third-rate scholars, mobilized by the Partisans and their hardline allies, soon ran out of any new arguments and even of abuse and epithets. Slowly but inexorably, the antireform campaign in Poland began to lose momentum.

This gave the serious, middle-of-the-road economists a chance to defend at least the vestiges of a pragmatic approach to economic problems. A typical example here was the article written by Mieczyslaw Mieszcankowski in June 1968. (17) The author still paid lip service to the neodegmatic line, by condemning "revisionism" in economic thinking (although in very restrained terms). But the main thrust of his article was directed against "leftist revisionists," who were sharply criticized for their attempts "to eliminate or to restrict such useful tools of economic analysis as the law of value, the profit motive, material incentives, or cost-accounting methods." Moreover, the author made it perfectly clear (if only to those who are trained to read between the lines) that those "leftist revisionists" whom he accused of "spreading the cheap slogans of political and social demagoguery" and of propagating economic solutions "devoid of any scientific foundations and practical usefulness," (18) were, in fact, the notorious Partisan protégés and other ultradogmatic third-raters.

Under the impact of such articles, the virulent campaign against all forms of pragmatic economic thinking has lost much of its initial momentum. The attacks on "economic revisionism" were briefly revived after the invasion of Czechoslovakia, when a substantial number of mandatory (at the time) broadsides against the ideological heresies of Czechoslovak and Yugoslav reformers were published in all Polish mass communication media. (19)

(17) M. Mieszcankowski, "Ideological Problems of the Economy," Zycie Gospodarcze (Warsaw), 9 June 1968.

(18) Ibid.

(19) For instance: A series of five articles under the joint title "Yugoslav Economic Reforms in Practice," by J. Wilkowski and M. Zalewski, published in Trybuna Ludu (Warsaw), 8,9,10,11 and 12 September 1968; S. Chelstowski and Z. Wyczasany, "Yugoslavia after Economic Reform -- Stagnation and Its Results," Zycie Gospodarcze (Warsaw), 8 September 1968; A. Bober, "Two Tendencies" and "Yearning for the Market," Zycie Warszawy (Warsaw), 28 and 29 August 1968; S. Albinowski, "The Czechoslovak Economic Model -- An Evolution Toward the Past," Trybuna Ludu (Warsaw), 30 August and 2 September 1968.

This time, however, various pseudoscholars of the "pure Marxist brand" were held firmly on the leash, while the ethically repugnant but (given the circumstances) politically unavoidable chore was assigned to more reputable economists, who (by and large) took good care not to rock the reformist boat too badly. Thus, the Hungarian new economic model was never challenged at all, while the Czechoslovak and Yugoslav reformers were reproached (often more in sorrow than in anger) for going too far, too soon. There were also -- needless to say -- some obligatory (at that particular time) attacks on the "revisionist theories of Ota Sik," (20) but, on the whole, all such criticism tended to be matter-of-fact, and was seldom vicious or abusive. Besides, by October 1968 this new spate of antireformist articles was turned off rather abruptly, obviously on orders "from above."

There were two basic reasons why the open season for economic reformers and their pragmatic solutions came to an end. The first was a definite shift in the political balance of power within the Party establishment, and the second was the rapidly deteriorating situation of the Polish economy. The combined effect of those two diverse factors was to make the ruling elite far more amenable to a fresh dose of economic pragmatism. Thus the stage was set for a third try at introducing meaningful economic reform in Poland.

Let us now take a closer look at the essential ingredients of this new situation. As far as the shift in the balance of political power is concerned, there appears to be a general consensus among all the serious political analysts that only the outbreak of the Czechoslovak crisis saved Gomulka from becoming (at best) a mere figurehead of a new power structure, dominated by the Partisans and their hardline allies. Indeed, there is some evidence that Moscow did intervene to stop Moczar's drive for supreme political power in Poland and that the Kremlin leaders gave powerful backing to Gomulka and his group during the critical period preceding the Fifth Party Congress. No doubt the Soviet ruling elite had ample reasons to prop up a loyal and trusted ally, who played such a positive (from their point of view) role in "solving" the Czechoslovak problem. Besides, the Russians were certainly in no mood for yet another major change in the top leadership within their East European empire.

But while all-out Soviet support for the Gomulka group might well be accepted as the decisive factor in settling (at least for the time being) the outcome of the dramatic power struggle which broke out in Poland after the "March events,"

- (20) For instance: Two articles by J. Chlopecki, "The Father of the Czechoslovak Reform" and "Radical Reformers," published in Kierunki (Warsaw), 22 and 29 September 1969.

the new power structure in the Party establishment which finally emerged after more than seven months of intense factional in-fighting reflected a substantial change in the balance of internal forces. And, paradoxically enough, neither the Gomulka group proper nor the Partisans were the principal beneficiaries of this shift.

Gomulka and his principal associates did manage to hold on to the most important Party and governmental posts, but they were no longer the dominant force in Polish politics. This was amply demonstrated by humiliating setbacks suffered by Gomulka's top lieutenants during the election of Congress delegates, as well as by the huge size of the protest vote at the Congress itself. (21) The Partisans -- on the other hand -- have gained many secondary positions in the Party and state apparatus, especially at grass-roots level in the provinces, but they have failed to achieve their primary political objective -- i.e., real political power -- where it counts. Their leader -- General Moczar -- was not even promoted to full membership in the Politburo.

This stalemate between the principal contenders for political supremacy has been skillfully exploited by other factions and special interest groups within the Polish establishment, and it is they who have eventually emerged as the dominant force in the post-Congress power structure in Poland. Under the impact of Moczar's drive for the top leadership, Gomulka was forced to seek the active political support of all those elements whose vested interests could be endangered by a total victory of the Partisans and their hardline allies. Thus he gained the political backing of the influential "technocrat" group, as well as that of the powerful junta of regional Party secretaries. Also the various loose groups of moderates, apprehensive about the Partisan excesses, rallied to the beleaguered First Secretary.

- (21) Thus CC Secretary Artur Starewicz failed by six votes to be elected a Congress delegate at the regional conference in Zielona Gora and succeeded only at a second try in Krakow -- cf. H.J. Stehle, "Warsaw Congress of Adaptation", Die Zeit (Hamburg), 15 November, 1968. Again, during the Central Committee elections at the Congress itself, the names of such prominent Gomulka men as Szyr, Jedrychowski and Starewicz were crossed out heavily. Szyr received 1,003 votes, Starewicz 1,058 and Jedrychowski 1,076 out of the total of 1,693 votes cast. Cf. N. Bethell "Poland Recovers from a Year of March Disaster," The Times (London), 20 March 1969.

It is the basic law of politics that all such political backing at the crucial time of an all-out power struggle has to be paid for in terms of political influence. Inevitably, therefore, all those diverse groups which gave their support to Gomulka during his head-on confrontation with the Partisans have gained an important voice in the corridors of power. But the real beneficiaries of the post-March 1968 political upheaval in Poland were not Gomulka's halfhearted supporters, but the younger generation of better-educated Party apparatchiki.

The power struggle at the top may have ended in a virtual stalemate, but in the lower echelons it has created a great many opportunities for rapid promotion. The massive purge of alleged "Zionists," "revisionists," "leftist opportunist," "rightist opportunists" and other victims of the indiscriminate post-March witch hunt created many vacancies in the apparatus of power. Besides, the Gomulka group wanted badly to refurbish its Partisan-sponsored image as the "tired old men," and political patronage was working overtime. The net effect was that, ever since March 1968, a large number of people in their late thirties and early forties have advanced to positions where they can exert real political influence.

In political terms, all those new entrants into the corridors of power could hardly be classified as "liberals" or even "progressives." But they were definitely far less dogmatic than their predecessors, much better educated and much more conscious of Poland's complex economic problems. Quite a few of them could even be considered economic, agricultural and financial experts and, as such, they fully appreciated the pressing need for a more pragmatic approach to questions of planning and management. Thus the shift in the power structure within the Party establishment created a much more favorable political climate for the approval of yet another program of economic reform, providing that such a program could be contained within the limits of ideological orthodoxy, and yet would promote greater productive efficiency.

The urgent need for working out such a program was underscored by the rapidly deteriorating economic situation. A period of centralist restoration exacted its usual toll of mismanagement of the national resources and, by the second half of 1968, the Polish economy found itself in the throes of yet another of its periodic crises. The symptoms were painfully familiar. Huge overinvestment of scarce capital goods, with no resources available to finish more than a fraction of the new construction projects; investment cycles dragging on for years, while the original cost estimates were grossly exceeded; employment both in the factories and on the macroeconomic scale well above planned levels, low labor productivity, and a drastic disparity between the product mix of

industrial output and the effective industrial and consumer demand. (22)

The biggest headache was the overspending on investments. The Polish Five-Year Plan for 1966-1970 provided originally for an expenditure of 840,000 million zloty for investment purposes. Of this, 40,000 million zloty were to be kept in reserve to meet unforeseen contingencies. By 1969, however that reserve was already exhausted and an additional sum of 60,000 million zloty had to be found (obviously at the expense of the consumption fund) to cover the rising costs of new construction projects. (23) Even so, only a limited number of "selected" investments were expected to be completed by the end of 1970. The construction work on the remainder was to be "frozen" or "temporarily suspended." It was yet another proof of the inherent wastefulness of the old command economy system of free investment grants.

Elsewhere, too, the return to directive methods of planning and management played havoc with the original Five-Year Plan targets and estimates. Ever since 1966, employment limits have been systematically exceeded, both at microeconomic and macroeconomic levels. By the end of 1968, employment outside agriculture had reached a level of 9.4 million people (24), as against the planned target of 9.7 million scheduled for the end of 1970. (25) Such substantial overemployment not only tended to drive labor productivity down, but has inevitably resulted in the huge above-the-plan growth of the wages fund (i.e., the total earnings of those employed in the socialized sector). All those factors, combined with the well-known inflationary impact of the overlong investment cycles, created a very severe pressure on the scarce supplies of consumer goods. (26)

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- (22) All those ills of the Polish economy were explicitly enumerated in the Report of the Central Committee of the PUPP, presented at the Fifth Party Congress; cf. Nowe Drogi (Warsaw), December 1968, pp.7-11.
 - (23) Gomulka's concluding speech at the Second Plenum of the PUPP CC, Trybuna Ludu (Warsaw), 9 April 1969.
 - (24) Biuletyn Statystyczny (Warsaw) No.3, Table 5, p.8. (The Polish 1966-1970 Plan was based on the assumption that employment would grow at an annual rate of some 300,000.)
 - (25) Unsigned editorial: "The Program of Universal Development of Our Country," (Nowe Drogi (Warsaw), December 1966, pp.6-7.
 - (26) G. Pisarski: "The Achievements and the Difficulties of Dynamic Growth," Zycie Gospodarcze (Warsaw), 22-29 December 1968.

Faced with this type of irrefutable evidence of the inherent inadequacies of command economy, the Polish ruling elite decided that henceforth the traditional, extensive methods of promoting economic growth ought to be discarded in favor of the intensive ones. This basic policy decision was apparently made some time prior to the Fifth Party Congress, where it was officially promulgated by Gomulka and other principal speakers. It was pointed out, however, that it was obviously too late in the day to introduce any substantive changes during the remaining period of the current five-year plan. Therefore, the new system was to become fully operative in January 1971, while the years 1969-1970 were to be treated as a transitional period during which the main economic task was "to create appropriate conditions for the reconstruction of the national economy in the next five-year term." (27)

In accordance with the basic policy decision, the Congress's resolution devoted a lot of space to the proposed changes in the system of planning and management. Owing to the political composition of the delegates, however (and perhaps also because of lack of time), those reform directives were couched in very general terms, which could mean all things to all men. Nevertheless, the Congress resolution could -- at a pinch -- be regarded as mandate of sorts for elaborating a more cohesive program of economic reform.

After the official endorsement of the new policy line by the Fifth Congress, the Young Turks, within the Party establishment, managed to consolidate their power positions in two important sectors. They took over all the top command posts in the economic superstructure and they initiated a reform-oriented ideological discussion in all the mass communication media, to popularize their pragmatic ideas. In December 1968, in one big sweep, the chairman of the Planning Commission, his two deputies, as well as the chairmen of the Committee on Labor and Wages and the Committee on Science and Technology, were dismissed under one pretext or another, while Poland's top planner for the last 12 years -- Jedrychowski -- was made Foreign Minister. The direction of economic affairs was taken over by a new team, composed of younger technocrats and experts. This team was to be supervised at Politburo level by a former member of the post-1956 Economic Council, Boleslaw Jaszczuk, who became the new economic overlord. This mass take-over of all the top positions in economic superstructure was later supplemented by numerous changes at ministerial level, including the key chairmanship of the Polish National Bank.

At the same time, the Party faithful and the economic apparatchiki -- so recently exposed to a spate of antireform diatribes from dogmatic ultras -- were now being reindoctrinated again to condition them for the forthcoming ideological rehabilitation of the market mechanism, the profit motive and other instru-

(27) "Resolution of the Fifth Congress of the PUWP," Trybuna Ludu (Warsaw), 21 November 1968.

ments of economic pragmatism. The stage for such a rehabilitation campaign was set shortly before the Fifth Party Congress, when a prominent economic reformer, Dr. Stefan Kurowski (himself an erst-while victim of vicious personal attacks by the dogmatic ultras), was allowed to publish a series of three articles in the mass circulation Zycie Warszawy, in which he discussed at length the potentialities of the application of a market mechanism in a Communist-type planned economy. (28) After the political setbacks suffered by the Partisans and their hardline allies at the Congress itself, this reindoctrination campaign was stepped up considerably. The new ideological formula was put in a nutshell by Bohdan Glinski a loyalist economic reformer, who wrote;

A great majority of economists in all the socialist countries agree that, at the present stage of the development of socialist economics, the mutual relationship between the plan and the market has changed. According to the prevailing trend of thought, these two basic concepts, instead of being opposed to one another, are, in fact, complementary. (29)

Paradoxically enough, this was precisely the basic idea permeating Professor Brus's reformist theories, as explained in his well-known book on the use of the market mechanism in economic planning. (30) But the new forces in the post-Congress power structure were not really interested in the rehabilitation of Brus and the other victims of the 1968 antireformist witch hunt. The sole purpose of their indoctrination campaign was to establish the ideological legitimacy of their own pragmatic concepts.

The next logical step was to define more precisely the extent and the directions of the proposed changes in the methodology of planning. As already indicated, the mandate obtained at the Fifth Congress by the champions of the new economic system was somewhat shaky and inconclusive. Thus it was very desirable, from the political point of view, to spell out at least the broad lines of the proposed qualitative changes in the technique of planning and management and to give them the official seal of authority. This political prerequisite for working out a concrete program of economic reform was duly obtained at the plenary meeting of

(28) S. Kurowski "The Problems of the Plan and of the Market," a series of three essays, published in Zycie Warszawy (Warsaw). 2,3 and 5 October 1968.

(29) B. Glinski "The Role of the Market in a Planned Economy," Gospodarska Planowa (Warsaw) No.12, December 1968.

(30) W. Brus General Questions Concerning the Functioning of a Socialist Economy, State Scientific Publication (PWN), Warsaw, 1961.

the newly elected Central Committee, held in early April 1969. (31) This body, whose political composition reflected the post-Congress balance of power within the ruling elite, has given its full endorsement to the broad outlines of the new system, as contained in the Politburo Report and elaborated by Jaszczuk, the new economic overlord. Thus, the new team in charge of economic affairs was given a full mandate to go ahead and formulate its reform proposals in a more concrete form.

One has to emphasize again that the main purpose of the April 1969 Plenum was political rather than economic. Hence no detailed blueprint of economic reform was presented at this meeting and no approval was sought for a concrete program. In fact, there is every indication that no such coherent program has yet been worked out, although some very meaningful changes in the methodology of planning and in the principles of management have been already agreed upon and officially promulgated by the powers that be.

For instance, some of the main features of the new Polish economic system were discussed at length in an authoritative article published in Zycie Gospodarcze above the signature of Jaszczuk himself. (32) Other measures have been described in the official documents of the Second Plenum (33) or have been proclaimed since in the plethora of official statements on the subject. Thus, despite the fact that all those changes in the methods of planning and management have not, as yet, been correlated into a coherent whole and put together in a form of a single, official document, it is still possible to give the reader a fairly accurate outline

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- (31) This was the first substantive meeting of the new Central Committee elected at the Fifth Congress, since the First Plenum was a more formality, necessary only to "elect" the new Politburo and the CC Secretariat. The fact that this first substantive meeting was devoted to the problem of economic reform indicates clearly that the new elite considered this the most urgent question on its agenda.
- (32) B. Jaszczuk: "The Policy of Intensive Development," Zycie Gospodarcze (Warsaw), 1 June 1969.
- (33) The Politburo Report presented to the Second Plenum of the PUPP CC; Jaszczuk's and Gomulka's speeches delivered at the Plenum, and the Resolution of the Plenum. Cf. Nowe Drogi (Warsaw), May 1969.

of the new economic system that is likely to emerge in the early Seventies.

It is already quite certain, for instance, that this new system will be based on a qualitatively different methodology of planning. Under the traditional, monocentric system, a detailed version of the national plan was worked out by the central planners and the main indicators of this plan were then passed down the chain of economic command in the form of mandatory directives. Thus, the central planners prepared concrete and detailed plans for the individual ministries; each ministry did the same thing for its subordinate industrial associations (Zjednoczenia); and the associations divided the work among the individual enterprises. Hence, under the old system the central planners and the intermediate organs of the industrial superstructure enjoyed full powers of setting up the production tasks for the subordinate units, and of operational control. It was a typical staff-and-line organizational pattern, giving no scope whatsoever for initiative and entrepreneurship at the lower levels of the industrial administration.

Under the new system, this traditional modus operandi is to be completely reversed. As Gomulka put it at the Second Plenum: "From now on the plan will be built from the bottom upwards, from the enterprises, through the associations and the ministries, to the Planning Commission." (34) In more sophisticated terms, one could say that the new planning technique is intended to strike a balance between the principle of self-determination of production tasks at the enterprise level and the basic needs of the national economy, as predetermined by the ruling elite. Thus -- in contrast to the old monocentric methods -- the individual enterprises will be given a real chance to work out their own production plans, instead of being told what to produce by higher echelons. True, those plans must still be approved by the superior organs in the chain of economic command. But under the new system, the enterprise directors will have not only a right but a duty to propose their own production targets, and they can argue the advantages of their own version of the plan, instead of accepting meekly the mandatory directives "from above."

Jaszczuk, in his Zycie Gospodarcze article, explained the new Polish methodology of planning in much greater detail. The whole process of working out a draft of a five-year plan begins at the level of the Planning Commission, which prepares a long-term economic prognosis, covering the period in question. Such a document -- according to Jaszczuk -- should not only indicate the probable trends of development in the national economy, but must also contain reliable estimates of the future market requirements (in both the industrial and consumer sectors), as well as the

(34) Gomulka's concluding speech at the Second Plenum. Cf. Trybuna Ludu (Warsaw), 9 April 1969.

total volume of resources available. This long-term prognosis is then handed down the chain of economic command until it reaches the individual enterprises, where the actual work on preparing the draft of the national plan is supposed to begin.

The management of each enterprise, as well as the appropriate organs of workers' self-management, is meant to study this long-term prognosis carefully and to relate it to production potentialities. On this basis, every enterprise is supposed to work out its own production plan (or, better still, several alternative versions of it). Those plans are then sent to the appropriate industrial association for scrutiny and approval. At this stage the self-imposed production tasks are to be checked by competent officials of the association, to test their conformity with the main indicators and the basic guidelines of the long-term estimates (this means the proposed growth of employment, increase in labor productivity, intended investment expenditure, etc.). (35) All objections raised by the association have to be discussed with the management of the enterprise concerned, in order to find a mutually acceptable solution.

After all such differences have been settled, the agreed production targets for individual enterprises are supposed to be integrated into one comprehensive plan, covering a whole branch of industry. Those plans must, in turn, be presented to the appropriate ministries, where a similar co-ordination procedure is foreseen. Finally, the ministries forward the finished product to the Planning Commission, where those plans are again checked against the long-term estimates and, subsequently, serve as the basis for preparing the draft of the national economic plan. The plan, after the formal approval of the Council of Ministers and parliament becomes a binding legal document.

This methodology -- up to a point, of course -- is very much akin to the empirical planning techniques developed in France by Jean Monnet, the founder of the Commissariat du Plan. The common elements are: the long-term prognosis, which is passed down the lines of the economic superstructure; and the construction of the plan from enterprise level upwards. The basic difference is that in France the end product of this planning process is purely indicative, while in Poland it remains mandatory. Again -- in France -- various special interest groups (such as trade unions) are active participants in the stage-by-stage process of working out the national plan, while in Poland they have no real say in the matter. But even with all those limitations, the new methodology of planning introduced by Jaszczuk's team amounts to a substantial departure from the old pattern of an arbitrary command economy and strict bureaucratic controls.

(35) Cyrankiewicz's exposé at a special seminar for higher officials of the economic apparatus. Trybuna Ludu (Warsaw), 15 May 1969.

Perhaps the most telling symbol of this breach with the old, monocentric methods is the qualitative change in the status of the Planning Commission. Under the traditional system (as elsewhere in the Soviet bloc), the central planners played a pivotal role not only in the process of planning, but also in the operative management. They were not only the taskmasters, who predetermined the production targets at all levels of the industrial superstructure, but also the supreme controllers of day to day performance. In short, the central planners used to run the whole economy. but within the operational framework of the new Polish system they have been assigned a very different and a more peripheral role. Thus, the central planners are to be relieved of all responsibility for operative management, which would devolve on the ministries, the industrial associations and the enterprises. Nor are they supposed to participate actively (and certainly not with a decisive voice) in the actual process of setting up the production targets of the national plan. Their main task is to be one of preparing long-term economic forecasts and of predicting the future trends of economic and technological development. (36) Thus they can no longer be regarded as the masters of Polish economy, but rather ought to be considered its servants.

It is by no means certain, however, whether the new planning techniques, which have such a common-sense look on paper, will in fact work efficiently in the complex world of nationalized industry, with its multitude of vested interests and time-honored practices. Indeed, the first tryout of the new methods, in the course of the preparatory work on the 1970 economic plan, has run into serious trouble. (37) But even if one assumes that all those initial difficulties could be straightened out to some extent, there still remains the crucial problem of establishing the basic criteria by which the merits and the drawbacks of the various alternative versions of a given production plan can be objectively assessed. Under the old system this problem simply did not arise, because the central planners acted as the supreme arbiter. Now, however, for more objective criteria than the planners' fiat, or arbitrary directives by higher echelons, will be required. This, indeed, is the essential weakness of the new Polish system -- at least at the present stage. How to decide that one product mix is preferable to another? How to reckon the expected profitability of each line of production and how to compare their estimated costs? What criteria should be used to measure the economic efficiency of a given enterprise? All those questions still await an authoritative and unequivocal answer.

- (36) "Intensification of Production is the Only Way to Increase the Social Wealth," Jaszczyk's speech at the budgetary session of the Polish parliament, Trybuna Ludu (Warsaw), 22 December 1968.
- (37) "The Letter of the CC-Secretariat of the PUPP About the Implementation of the Resolutions of the Plenum," Trybuna Ludu, (Warsaw), 16 September 1969.

True, some tentative suggestions concerning such criteria have already been made. Professor Pajestka, generally considered as the top backroom brain behind the Jaszczuk team, clearly favors the use of a "controlled" market mechanism. "Our reforms," he asserted in one of his articles, "do not envisage a free and uncontrolled action of the market, but a conscious utilization of the market mechanism, in order better to adapt production to our needs." This "conscious utilization," explained Pajestka, involves a deliberate use of price and financial controls to preserve market equilibrium. (38) But Jaszczuk in his authoritative Zycie Gospodarcze article (39) emphatically advocated input-output analysis as the proper method of assessing profitability and industrial efficiency. One can say therefore that, while the new economic leadership does seem to favor the use of more objective (and empirical) criteria for assessing economic performance, the actual methods of choosing between the available alternative still remain to be decided upon.

Indeed, as far as the future modus operandi of the new Polish model is concerned, there are still quite a few open questions and unknown quantities which -- as a rule -- concern the practical implementation of known principles. For instance, the methods of investment financing have already been very clearly defined. Thus, we know that the old practice of free investment grants is to be replaced by a system of interest-bearing credits, administered and supervised through the banking network. A standard rate of 3 per cent interest is to be charged on all investment credits, with a complicated system of bonuses and penalties, depending on the length of the construction cycle and conformity with the original cost estimates. (40)

But it is rather unclear as yet who is supposed to make the actual choice between the competing claims for the allocation of investment funds and on what basis he is to do so. Thus, we are told that the decisive factor in making such a choice would be comparative effectiveness of the investment outlays involved in the available alternative. But no one has explained, as yet, how this comparative effectiveness is to be objectively measured and

(38) J. Pajestka "Adapting Production Relations to the Dynamic Progress of Productive Forces," Ekonomista (Warsaw) January-February 1969.

(39) 1 June 1969.

(40) S. Majewski "Changes in the Methods of Investment Financing," Gospodarka Planowa (Warsaw), August, 1969.

by what standards. Nor do we know whether such tests would also be applied in the case of the so-called "central investments," i.e., construction projects, which are, as a rule, politically (or ideologically) motivated.

In short, the blueprint of the new Polish economic system is not -- as yet -- complete. But this is by no means the main problem. There is still a lot of time before the new model is supposed to be become fully operative, i.e., till January 1971. The pertinent decisions could still be made, the ambiguities clarified, the gaps filled in and the appropriate instruction distributed to all levels of the economic superstructure. Hence, the really crucial issue is not whether a workable and pragmatic blueprint can be completed in time, but whether the Polish ruling elite will muster the necessary political will to implement such a program of economic reform, without resorting to its traditional tactics of substituting halfmeasures and compromise solutions for the real thing.

No doubt, there are some powerful groups in Poland which do intend to push the reforms through. But the odds which they are likely to face are very considerable. At the moment, the champions of the new system seem to have the full support of Gomulka and his close associates. But Gomulka's record as a consistent advocate of economic reform is notoriously bad. Twice before, in 1958/1959 and again in 1967/1968, he caved in on this issue under the heavy pressure of conservative elements and various vested interests. Due to his lack of comprehension of economic problems, Gomulka seems to be always ready to sacrifice rational economic reforms on the altar of "Party unity," a particular fetish of his. Such an attitude -- needless to say -- greatly strengthens the hands of the dogmatists and hardliners, who, despite the setbacks they suffered at the Fifth Congress, remain very much in the saddle.

Apart from the conservative opponents of economic pragmatism, the Polish reformers are also facing a strong opposition from assorted vested interests bent on preserving the old system, or rather their own power position, their jobs, and their privileges. Indeed, the entrenched bureaucrats have already resorted to their favorite tactics of Parkinsonian sabotage in order to demonstrate that the new system will not work. (41) The only answer to such tactics is ruthless personnel changes at all levels of the economic superstructure. But can Gomulka be persuaded to sanction mass dismissals of obstinate bureaucrats and incompetent political appointees within the economic superstructure, whom he still regards as "good comrades" and the best guarantee of the Party's leading role in economic affairs?

(41) Radio Warsaw, 25 September 1969.

Thus, no one can deny that the Polish reform program is facing considerable odds. But it is also a fact of life that the implementation of the new methods of planning and management is a "to be, or not to be" question, as far as the future development of the Polish economy is concerned. For the only alternative to a really meaningful change is a further dose of the notorious "little stabilization" and yet another major economic breakdown in the not-too-distant future. The new entrants into the corridors of power understand this dilemma much better than the old guard, and their number is growing from month to month. The balance in the power structure is changing slowly but inexorably in favor of a younger generation of better educated and more pragmatically inclined Party apparatchiki. And here lies the main hope for a really qualitative change in the economic system in Poland.

Michael Gamarnikow