

RADIO FREE EUROPE *Research*

EAST EUROPE

● POLAND
16 March 1967

PLAN FULFILLMENT IN 1966

Summary: On February 8, 1967, the Main Office of Statistics published a communiqué on plan fulfillment in 1966. It appears, from the data published in the communiqué, that the national income rose by six per cent in comparison with 1965, while the national income for distribution rose by seven per cent. The value of the overall production of nationalized industry increased by 7.4 per cent. Overall agricultural production was 5.5 per cent higher than for 1965.

At the same time, growth was noted in:

- investment outlay, by 7.6 per cent;
- foreign trade rose by 4.3 per cent;
- employment in the socialized economy, by 3.5 per cent.

According to the communiqué, the average real wage rose by three per cent.

The communiqué glosses over many subjects and is unclear on others, in order to blur the appearance of several economic deficiencies which showed up in 1966.

x x x

Certain Circumstances Concerning Plan Fulfillment in 1966

When analyzing the fulfillment of the 1966 plan, it seems advisable to consider factors which are not directly connected with it but which aid in understanding it. One such factor is the fact that the plan for 1966 was prepared without being closely linked with the targets for the whole five year plan (1966-1970). Because of serious difficulties in defining economic development for the whole period, only the plan for the first year was prepared in 1965. The five-year plan was approved by the Sejm almost a year later, in December 1966. Thus, one can assume that the 1966 plan was a sort of trial balloon, and the observation of its fulfillment would offer material for comparison with the long-range plans then being prepared.

In 1966, the national economy for the first time encountered the problem of large numbers of people looking for work. This was

caused by the start of the so-called demographic high, i.e., young people born in the post-war baby boom reaching maturity. The plan took note of that, anticipating a smaller increase of labor productivity, much below the rate in previous years. The plan for 1966 also included targets designed to eliminate disproportions which appeared in 1965 and in previous years. It was mainly a question of halting the process of disparity between the rate of development of imports and exports. When the draft plan for 1966 was submitted, it was anticipated that the export growth rate in 1965, as compared to 1964, would be 1.6 per cent and the growth of imports would be 10.8 per cent. For this reason, the plan for 1966 aimed at reversing this trend by expanding exports. It appears from the plan fulfillment figures that this turned out to be only a declaration of intent, which was not implemented.

The successful results of agriculture in 1965 (an overall increase of 7.4 per cent) were judged atypical, and for 1966, a 3 per cent decrease of overall agricultural production was actually planned.

In connection with this pessimistic prognosis, the plan anticipated only a symbolic increase in the standard of living.

Basic Data of Plan Fulfillment

Industry

In 1966, the value of overall production of the socialized sector of industry rose by 7.4 per cent as compared with 1965, an increase of about 7.5 per cent in the production of the means of production and of 6.8 per cent for consumer goods. This small difference between the growth of groups A and B is quite atypical. As recently as December 1966, statistical estimates showed a more rapid growth of consumer goods production. Probably only the intensification of production of the means of production in the last weeks of the year helped reverse the ratio. As a comparison, in 1965, despite a fairly regular production increase in both groups, the growth rate of means of production was 1.2 points higher (in 1966 -- 0.7 points higher). The commodity production plan was implemented by 101.5 per cent.

The highest overall production growth was in the chemical industry (13.3 per cent), the machine industry including the electrotechnical branch, transportation, the metal industry (9.6 per cent), and the garment industry (12.5 per cent).

In more specific terms, particularly noteworthy was the increase in production of aluminum by about 17 per cent (as a result of the opening of a new plant in Konin), of steam turbines by 37 per cent, of crude oil by 18 per cent (however, this did not cause a reduction of imports), of nitrate fertilizer by 17 per cent (even though the target was only 95 per cent fulfilled). There was a decline of production (or lack of increase) in the case of natural gas, of farm machinery and tools (a startling fact), synthetic rubber and fodder mixes.

There was some progress in the production of durable consumer goods.

Agriculture

Despite the pessimistic anticipation of planners, overall farm production rose only slightly less than in the particularly propitious year of 1965. An increase of 5.5 per cent was achieved and agricultural commodity production rose by 8.4 per cent. As a result of the exploitation of reserves hidden in the low agricultural targets, it was possible, despite failures in other areas, to exceed to a considerable degree the planned increase of national income.

The generally successful agricultural results in recent years are shown by the table below:

Farm Products	Crops			q per ha	Yields	
	Million tons	Indices	1962-65=		Indices	
		1965=			1965=	1962-65=
		100	100		100	100
Four Grains	15.5	98.9	108.8	19.0	99.0	110.5
Potatoes	46.8	108.1	107.6	169.0	109.7	110.5
Sugar Beets	13.6	110.4	119.2	312.0	120.5	117.7
Meadow Hay	11.1	112.0	134.8	45.8	112.0	133.9

The number of tractors in agriculture at the end of 1966 was 137,000, representing an increase by 10.6 per cent in comparison with the previous year. This had no influence, however, on reducing the number of horses in the countryside, quite the contrary -- the number of horses on individual farms increased by 1.7 per cent.

According to estimates, the overall value of farm products purchased by the state (excluding the state farms) was about nine per cent higher than in 1965.

Investments

Investment outlays in the socialized economy exceeded the planned total in 1966 by 1.4 per cent, and compared with the previous year, were 7.6 per cent higher. As a result of that excess, the share of investments as part of the distributed national income rose from 17.8 per cent (as planned) to 17.9 per cent. In 1965, the investment share amounted to 17.2 per cent.

However, the exceeding of the planned investment expenditure was not caused by the greater physical volume of investments, but

chiefly by underestimates and higher expenditures on machinery and equipment. The actual investment fell short of the plan, as shown by the plan fulfillment percentages of construction and installation enterprises (96.9 per cent) and in particular of construction of new buildings (93.7).

The program was not fulfilled in the case of several central investments. Serious delay was noted, for instance, in the development of the nitrate works in Tarnow, in the coke industry, in the petrochemical plant in Plock and in many other enterprises essential to further economic development. All in all, however, the fulfillment of the plan of the production plant construction was higher than the fulfillment of the planned non-productive construction. Particularly glaring and painful for the population was the failure to fulfill the housing construction target. Plan shortfalls were experienced both in terms of the construction of the planned number of apartments and in the planned housing area. The previous year's level in housing construction was not attained.

Foreign Trade

Foreign trade is the second sector of the plan, after investments, in which there was a real breakdown. It is not a question of the overall value of turnover (here the plan was slightly exceeded), but rather of the planned structure of trade.

A characteristic of Polish foreign trade is the tendency for imports to rise more rapidly than exports, despite the contrary intention of the plans. As in previous years, this also took place in 1966. In comparison with 1964, exports in 1965 rose by six per cent, while imports increased by 13 per cent. The plan for 1966 intended to improve the situation, anticipating a rise of exports by 5.4 per cent and of imports by 5.2 per cent. In practice, this meant an attempt to maintain the proportions of the previous year. It transpired, however, that, in practice, even this small undertaking proved impossible: in 1966, exports, rose by two per cent in comparison with the previous year, while imports rose by 6.6 per cent. This represents further deterioration of the trade balance which had been developing over the years. Last year, even the positive net earnings from services did not suffice to cover the trade balance deficit, which amounted to some 90 million dollars. This means that Poland's total foreign indebtedness increased.

Apart from this essential disproportion, there were also, in 1966, unfavorable changes within the structure both of exports and imports. Particularly striking is the failure to fulfill the target of machinery and equipment exports (91.5 per cent of the plan) and of industrial consumer goods (93.8 per cent). It should also be noted here that the intensification of turnover in these two export branches is treated as the basic task of foreign trade. Under these circumstances, the overall export plan was fulfilled only by increasing food and agricultural exports. Naturally, this worsened the structure of turnover and reduced the effectiveness of exports. For the first time in many years, there was a serious shortage in the export of machinery to other countries of the Communist camp.

There is a noteworthy increase in the proportion of the imports of machinery and equipment. Equally characteristic is the decline (and the failure to fulfill the plan) in the imports of industrial consumer goods. In the latter case, there was even a decline in the absolute value, as compared with the previous year.

All in all, the year 1966 was one of the most difficult periods in the history of Polish foreign trade.

Employment

In 1966, average employment in the socialized economy rose to 8,582,000 persons and was 3.5 per cent higher than average employment in 1965. Considering the 7.4 per cent increase in overall industrial production in the same period, one may state that this rise was due to a certain improvement in the planned increase of labor productivity. On the other hand, one must remember that the productivity increase for 1966 was planned very conservatively and was much below that planned in other Communist countries and in many highly developed Western countries. The achievement of fairly successful results in 1966 was possible only through exceptional, even for Polish conditions, administrative pressure aimed at slowing down the trend to increase employment. As late as August 1966, there was still a basic disproportion between the growth of production and of employment. The strict control of employment quotas in enterprises mainly affected construction firms chiefly using labor migrating from the rural to urban areas. This, in turn, resulted in the fact that the halting of the employment increase was not officially reflected in larger numbers of people looking for work. A person intending to find work for the first time outside agriculture does not leave the country for good before finding a job and does not register as unemployed. This does not change the fact that there exists considerable hidden unemployment in the countryside.

National Income, Wages

National income in 1966 rose by about six per cent in comparison with the previous year, but the national income for distribution rose by seven per cent. This fairly large increase in national income is due mainly to the successes in agriculture and to the already described changes in foreign trade. The average nominal gross wage in socialized industry rose by 4.1 per cent which, in principle, should compensate for the rise of retail prices in the same period. The official increase of the cost of living by 1.2 per cent over the 1965 level is certainly underestimated.

x x x

The above data characterize only the quantitative results of economic activity in 1966. The year 1966 -- the first year of the current five-year plan -- was to be, according to solemn official statements, a period of breakthrough, both so far as quality and modernity of production are concerned. This factor (quality and modernity) was to dominate among the aims last year. And here the plan broke down most thoroughly.

It became obvious, in the very first months of the year, that the stocks of goods in industry, in internal and in foreign trade were rising alarmingly. As a result of systematic increases, it

was estimated, +) according to the situation at the end of October, that the increase in stocks had accounted for half of the increase in overall industrial production. The basic reason for this was precisely the low quality of manufactured goods and the failure to adjust assortment to market desires. This is shown by the fact that the stockpiling took place mainly in domestic and foreign trade organizations. In October, the stocks in foreign trade rose by 58 per cent in comparison with the same period in the previous year. And the previously quoted figures pertaining to the failure to fulfill export targets show that these stocks were of little use in foreign trade.

Similarly, increased stocks in domestic trade did not help achieve the desired increase of turnover. The turnover rose by 6.7 per cent, while the increase in payments from the wage fund rose by 7.9 per cent and the payments from the enterprise fund rose even more. At the same time, savings in the State Savings Bank (PKO) rose by about 23 per cent, which shows, inter alia, that consumer funds were being set aside.

Antoni Marek

Appendix: Statistical tables

Main Sources: Communiqué of the Main Office of Statistics (GUS) on the fulfillment of the national economic plan and the development of the national economy in 1966.
Reports from Sejm debates (Trybuna Ludu, 12 October and 10 December 1966).

108.5
102.5
103.0
102.0
109.0
113.3
106.4
109.8
104.9
102.7
108.0
102.5
112.5
104.6
104.8

Electric power and heating
Food industry
Iron and steel industry
Non-ferrous metallurgy
Machine, electrical, and
transportation and
metal industry
Chemical and rubber industry
Construction material industry
Glass and ceramic industry
Paper industry
Textile industry
Garment industry
Leather and shoe industry
Food industry

+) Zycie Gospodarcze, 1 January 1967.

Appendix to the report "Plan Fulfillment in 1966"

1. Overall Development of the National Economy in 1966

Itemization	Index 1965 = 100
Produced national income	c. 106
Total industrial production	107.4
- production of the means of production	106.8
- production of consumer goods	105.5
Total agricultural production	105.5
Investments in the socialized economy	107.6
Foreign trade turnover (in current prices)	104.3
Employment in the national economy	103.5
Labor productivity:	
- in industry (value of overall production per employee)	103.6
- in construction (value of basic produc- tion per worker)	106.0
Consumption fund per capita	c. 106

x x x

2. Increase of overall production in various industrial branches

Industrial Branches	Index 1965 = 100
TOTAL	107.4
including:	
Electric power and heating	108.2
Fuel industry	102.5
Iron metallurgy	106.9
Non-ferrous metallurgy	106.9
Machine, eletrotechnical, transportation and metal industry	109.6
Chemical and rubber industry	113.3
Construction material industry	106.4
Glass and china industry	109.8
Lumber industry	104.9
Paper industry	105.7
Printing industry	105.8
Textile industry	106.5
Garment industry	112.5
Leather and shoe industry	104.6
Food industry	104.8

x x x

3. Production of principal goods

Products	Units	Production	Percent of Plan Fulfillment	Index 1965=100
Electric power	mld kWh	47.4	97.9	108.1
Coal : hard coal	mln t	122.0	100.4	102.6
lignite	mln t	24.5	93.2	108.3
Crude oil	1000 t	400.4	109.7	118.2
Processed oil	1000 t	3705	103.9	105.4
Natural gas	mln m ³	1376	91.4	99.9
Coke	mln t	14.7	99.1	102.0
Crude steel	1000 t	9850	101.5	108.4
Rolled metal	1000 t	6578	100.9	107.3
Zinc	1000 t	193.0	101.1	101.3
Electrolytic copper	1000 t	39.8	101.7	106.6
Aluminum	1000 t	55.2	96.8	116.6
Steam turbines	MW	674.0	117.8	137.3
Metal lathes	1000	32.6	105.2	104.8
Cement	1000 t	10041	95.8	104.9
Two-axle tractors	1000	24.6	94.7	114.3
Automobiles	1000	29.2	103.6	110.6
Trucks	1000	29.5	99.7	110.5
Seagoing ships (over 100 DWT)	1000 DWT	391.6	103.7	109.1
Household washing machines	1000	403.7	115.3	94.0
Household refrigerators	1000	334.6	97.0	115.9
Radios and radio-gramophones	1000	626.0	86.8	100.3
TV sets	1000	413.3	106.0	91.5
Elementary sulphur	1000 t	476.5	102.7	110.6
Sulphuric Acid (100 %)	1000 t	1139	101.7	107.2
Calcined Soda (98 %)	1000 t	620.8	100.6	101.1
Caustic Soda (96%)	1000 t	247.5	101.4	110.6
Fertilizers (pure content):				
nitrates	1000 t	462.4	95.1	117.2
phosphates	1000 t	366.6	101.3	106.3
Chlorine	1000 t	117.7	102.4	122.1
Synthetic rubber	1000 t	37.5	93.7	95.8
Synthetic fibre	1000 t	109.5	101.4	105.4
Plastics	1000 t	132.3	83.6	112.1
Tires (excluding bicycle tires)	1000	3031	101.0	107.5
Cellulose	1000 t	398.4	98.9	114.5
Paper	1000 t	657.1	100.0	103.1

3. Production of principal goods (cont.)

Products	Units	Production	Per Cent of Plan Fulfillment	Index 1965 = 100
Textiles: cotton and cotton-like	mln m	845.0	100.6	104.1
wool and wool-like	mln m	91.0	97.0	100.2
silk	mln m	127.6	98.6	101.5
Shoes (including rubber footwear)	mln pairs	110.5	95.2	98.4
Meat (commercial slaughter)	1000 t	1285	102.4	106.3
Sea fish	1000 t	414.3	101.4	112.2

x x x

4. Plan fulfillment and structure of foreign trade

Item	1966			Structure in Per Cent	
	million exchange zloty	Per Cent of plan	Index 1965=100	1965	1966
Total Export:	9088.4	101.2	102.0	100.0	100.0
Machinery and equipment	3226.2	91.5	104.4	34.7	35.5
Fuels, raw materials	3071.3	105.6	99.2	34.7	33.8
Food and farm products	1532.1	127.5	94.0	18.3	16.8
Industrial consumer goods	1258.8	93.8	114.8	12.3	13.9
Total Import:	9976.2	103.4	104.6	100.0	100.0
Machinery and equipment	3508.4	102.1	114.2	32.8	35.2
Fuel, raw materials	4589.4	103.1	106.6	46.0	46.0
Food and farm products	1263.5	112.8	93.4	14.5	12.7
Industrial consumer goods	614.9	95.1	97.6	6.7	6.1