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THE SECOND PLENUM OF THE PUWP CC AND ITS BACKGROUND

Summary: The subject of the debates, and later the resolution, of the Second Plenum of the PUWP CC aroused lively -- and generally approving -- interest among professional people. In addition to opinions dominated by unconcealed Schadenfreude, caused by the fact that previously proclaimed gloomy prognoses had been confirmed, the prevailing view is that the choice of methods selected by the Plenum to combat economic shortcomings is a good one and that the application of these methods might result in a real breakthrough so far as skill and efficiency in management of the national economy are concerned. In fact, however, it seems somewhat premature to attempt any far-reaching generalizations, and in any case to proclaim that the Polish economy has found a successful way out of the present impasse.

While it is quite clear that it is still too early to make any really categorical statements, a comparison of the resolutions of the last Plenum with other, similar Party resolutions seems justified. The best material for purposes of this comparison is offered by the resolutions of the Fourth Party Congress and the Fourth Plenum of the CC/1965/. (1) A comparison of the similarities and differences contained in these documents should help us approach a more general conclusion.

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- (1) The resolutions of the Sixth CC Plenum (April 1966) have been purposely bypassed, since they contained only practical directives designed to even out the existing disproportions in implementation of the investment plan. The Plenum in question did not introduce any essential changes in the actual concepts of programming, financing and controlling the implementation of investments.

The publicity given the subject and later the economic decisions of the Fourth PUWP Congress were supposed to create the impression of an act of great importance. The belief that particularly strong propaganda was needed was justified by the following circumstances:

1. The period preceding the Fourth Congress was particularly unfortunate from the point of view of economic results. The rate of economic growth, only a short while before a main propaganda argument, had greatly slowed down (especially in 1962). The popular feeling was that the rise in the cost of living was exceeding the rise of nominal purchasing power;
2. The popular resentment which had been rising for years, that the more ambitious model changes had been abandoned (2) might well be expressed, under these conditions, by the reproach that the slowed-down rate of economic growth was the result of the lack of an economic concept;
3. The future of the Polish economy truly demanded that basic reconstruction decisions be made at that time.

This is not the place to evaluate whether, and to what extent, the Congress resolutions took into consideration the real needs, but one can state that they were edited in such a way as to suggest that the Party had really found the formula for leading the economy into a period of swift development.

The first characteristic of the Congress Theses was their completeness. They included all the branches of the economy and had something to say about almost all areas of economic activity. Another important aspect was the overall generalization and mediocrity of the statements. All in all, in a flood of verbiage and word-juggling, designed to avoid too radical solutions, the few portions which might have aided in solving at least some of the existing problems were totally swallowed up.

In order to make the comparisons mentioned at the beginning, we should consider only the statements made at the Congress concerning the problems of investments and planning methods. Below are a few of the more characteristic decisions contained in the resolutions of the Fourth PUWP Congress.(3)

- (2) Advanced at one time by the Economic Council, which had been dissolved somewhat earlier.
- (3) Quoted from the publication Minutes of the Fourth PUWP Congress (Ksiazka i Wiedza, 1964). The selection of the resolution as representative of the views at that time, rather than the speeches or the main report, was prompted by the fact that, in the course of the Congress, certain views were modified and only the final formulations of the resolution appear representative.

In the matter of planning methods, the main emphasis was laid on the continuity of planning and on alternative plans. The requirement of continuity was to have been fulfilled by the introduction of the principle of two-year plans, although the plan for the second year was to include only the main indices. The alternative planning -- according to the resolution -- was initially to include only certain parts of the plan and was gradually to lead to the preparation of the entire plan in several versions. As might be expected the actual planning concept presumed centralist ties:

National economic plans are to be passed in good time, thus enabling enterprises and other economic organizations to establish detailed plan targets before the end of the calendar year rather than forcing them to work without planned targets /emphasis added/.

Thus, the role of the enterprise was to lie mainly in "splitting the plan up into parts." In similar fashion, the decisions concerning the application of the so-called directive indices (4) did not go too far, in relation to the existing conditions.

The scope of directive indices should be continually brought up to date and reduced gradually as other means of influencing the economy are developed.

In practice, this meant that one index would be replaced by another, a new method of economic control would supersede an older and less useful one. Also in this manner it would be possible to make the plan reflect changes on a continuing basis. A broad interpretation of the enigmatic "other means of influencing the economy" was not applied in practice in the years that followed. The resolution did point out the need for improving economic cost accounting and increasing economic responsibility. It even suggested that a turnover tax on means of production be introduced. Contrary to earlier expectations, however, the resolution was highly circumspect in formulating proposals for imposing interest rates on fixed assets and for methods of financing investments:

After appropriate preliminary preparations and experiments, one should establish a period for the introduction of a differentiated rate of interest for fixed assets. One should also extend the scope of financing investments through credits.

- (4) These were indices (such as profits, wage fund, production value, etc.) supplied to the enterprises as obligatory planning norms.

Somewhat more, or even -- as it now appears, after the Second Plenum -- considerably more new ideas were contained in the consideration of concrete investment problems. Outstanding here is the concept of a central investment reserve "...for the financing of investment needs unanticipated at present which might emerge in the course of plan implementation." Merely the setting up of financial reserves does not deal with the problem of inadequate real resources for investments.

As other parts of the plan, so also the program, along with individual investment projects, was to be prepared in several versions, so as to permit the selection of the variant promising the best results and the highest possible increase of the national product. Particular priority was to be given to investments helping to increase exports.

One should also say that certain decisions concerning the regulation of investments -- today treated as something new -- actually originated in the decisions of the Fourth Congress.

Among them one might mention:

1. The proposal that normative deadlines be established, within which the newly-constructed plants would achieve full operation;

2. The decision that the implementation of investment plans be evaluated in factual indices (for instance, the factory itself rather than the value of the construction) and that the opening of the plant within the prescribed deadline be also taken into consideration;

3. The principle that funds be concentrated on the continuation of construction already begun, while reducing funds for new constructions;

4. The proposal that new normative indices be introduced also in the matter of industrial construction.

These were, generally speaking, the decisions of the Fourth Congress so far as questions of methods of planning and investment were concerned. They were not particularly startling; they could best be described as necessary adjustments and improvements of the existing system. More ambitious suggestions -- such as the project to impose interest rates on fixed assets or to offer credits (rather than grants) for construction, appeared in the final resolution as a rather enigmatic mention of the need for "...conducting appropriate preparations and experiments" in this area. Certainly, the chapter devoted to the methods of planning and investment in the Fourth Congress resolution could not be termed a new program or a new model suggestion.

It appeared that this circumspection of the Fourth Congress might be complemented by the then already announced special Plenum (5) to be devoted particularly to economic problems, and that at that Plenum the concepts, timidly advanced at the Fourth Congress, would be developed and affirmed. These expectations were undoubtedly at least partially fulfilled. Although the main purpose of the Fourth Plenum resolutions (6) was to strengthen industrial associations, they were nevertheless a step forward in the process of making individual enterprises more independent. This included, among other things, the increased role of industrial association in preparing plans.

...Associations should particularly ensure the implementation of plan targets for associations as a whole, as well as offer broad possibilities for developing the initiative of enterprises in preparing and implementing plans. Alternative plans should be correctly exploited both in the final stages of preparing the five-year plan and in the course of implementation of the plan in question in the annual plans.

It was also announced that directive indices, limiting the freedom of enterprises in preparing plans, would be reduced. Enterprises working for the domestic market were promised greater flexibility in adjusting plans to current demands of consumers.

Much greater progress was made in the matter of financing

It was also agreed that the financing of investments cannot exceed the value of the estimated costs of construction by more than five to ten per cent.

Furthermore, simplifications were announced in the formalities connected with the ratification of investment projects, with the continuation of the regulations restricting the possibility of starting new construction.

The excerpt below is characteristic of the resolution:

All levels of planning should concentrate their attention on study of all available reserves for increasing production without new investments, and further in achieving this increase through modernization and technical reconstruction. Only after these possibilities had been exhausted should one start work on planning new projects. The basic duty in investment planning and investment activities lies in counteracting an excessive scattering of construction and in a freezing of funds, in shortening construction cycles and thereby in raising the effectiveness of investments.

Among the more curious facts, one may mention that the resolution provided strict deadlines for the putting into practice of various decisions. However, these decisions were actually implemented to a very slight degree and in no way produced the results intended by their authors.

With this sort of background, where is the originality, or the novelty, of the decisions of the last CC Plenum? (8) To what extent, after the passage of over three years, were the previously advanced concepts taken up again? (9)

The Plenum, as we know, was devoted to methods of preparing the plan for the 1971-1975 period and to measures designed to increase the effectiveness of investments. Both problems undoubtedly were the sort of thing for which a rapid decision by Party authorities was required. This was due to a number of reasons:

(8) The Second PUWP CC Plenum took place on 3 and 4 April 1969. The above comments on its results are based on the text of resolution published in Trybuna Ludu on 11 April 1969.

(9) In the comparisons, the Fifth PUWP Congress (November 1968) was bypassed, since its resolutions contained few concrete decisions about economic changes. The Second Plenum, on the other hand, was devoted to these matters, or rather to a few selected problems in the area of economic changes.

The basic failures in the fulfilling of the current five-year plan, magnified by personal struggles in the Party leadership connected with the struggle against so-called revisionist and Zionist elements, required that a new program be presented as quickly as possible to the public. The fact that the the Fourth Plenum resolutions resulted in failure, that they did not provide a program capable of offering a substitute for a Polish economic model, was already obvious to everyone. Furthermore, one should consider that basic changes in the staffing of the highest economic posts demanded presentation not only to the public but, more important, to the Party of as concrete a program as possible by the new team.

Nor can one disregard the fact that the Party must have been interested in ending the state of ideological "combustion" in economic circles. Political activity in economic circles in 1968 was useful to the Party in its campaign to strengthen its hold over society. After this goal was achieved, maintenance of the previous atmosphere could only be disruptive. The leftist elements which had become active in the preceding year could also influence practical solutions and this -- as no one in Party leadership doubted -- could have paralyzed the economy for a long period of time.

Apart from this general background, there were also practical considerations. There was no time for the preparation of a complex concept of a modified economic plan. At the same time, there was the urgent need to establish, as soon as possible, the criteria for preparing the next five-year plan. Should this plan be based on the old criteria, it would make it far more difficult gradually to introduce changes in the economic structure.

Furthermore, it was necessary to select some branch of the economy or some aspect of the problems involved, and, by regulating the activities of that branch, to influence the synchronization of the economy as a whole. This arose from the previously outlined dilemma: the necessity to restore the shaky balance of the plan in a period when there was lack of the time necessary for the preparation of a complex program of corrective changes.

There are many areas of the economy which exert a main and guiding influence over the economy as a whole -- for instance, the manner and rate of dealing with economic problems or employment, investments. It was decided to select investments. Despite appearances, this choice was not forced upon the planners solely by the existing economic situation, although it was a reasonable choice. There is no basis to the claims that the degree of

failure to fulfill the investment plan was any worse after the first three years of the five year plan than the degree to which investments in the earlier plans had been implemented. Nevertheless the recent and dramatic emphasis on the investment problems has focused the public's attention on this issue to an extent surpassing any previous interest exhibited in this subject. On the other hand, however, there is no doubt that the implementation of the investment plan was very poor and that an improvement in that area would improve the whole economy. Nevertheless investment policy is closely related to the problem of employment and a number of other important economic dislocations.

But one cannot bypass still another consideration. The disclosure of essential failures in the fulfillment of the current five-year plan had to result in increased criticism. The Party decided that it could not afford over-all criticism of all economic anomalies. It was easier to control a campaign of criticism against one selected field. And this was done. After Gomulka's speech in Katowice (10), containing data on the failure to implement the investment plan which startled the public, the entire trade and general press concentrated its criticism on this very problem. There were even cases of peculiar balancing acts designed to indicate, under cover of criticism of investments, some as to other areas of economy. Actually, the press greeted the Second Plenum resolution as a sui generis outline of a new economic program.

To come now to the previously announced comparisons, the first impression on reading the document on investments: a more professional vocabulary and, despite wordiness, some fairly concrete formulations. A second impression: a startling (when compared with the title) preponderance of attention to investments. In fact, no more than one-tenth of the lengthy text was devoted to planning methods. These are the basic decisions in this area:

Responsibility for preparing drafts of the five-year plan rests mainly with all the ministries, associations, industrial complexes, enterprises and national councils.

Two phases in plan preparation are anticipated: the first includes introductory drafts prepared by ministries, associations, industrial complexes, enterprises and national councils on the basis of governmental directives; the second will lie in a study of the submitted drafts by higher authorities and in the establishment of the final plan.

(10) 23 January 1969 (see Polish Situation Report/9, Radio Free Europe Research, 5 February 1969).

The Council of Ministers will set up directives for the use of ministries and voivodship national councils, including the size of investment expenditures and the indices of production growth, as well as targets of technical and economic progress, with particular consideration for those branches and groups of products which should develop most rapidly (emphasis added).

In the above-mentioned second phase of plan preparation, the Planning Commission would have the right to correct the submitted drafts. Thus, no essential differences in planning methods arise from the above-quoted passage. Everything will depend on the degree of detail contained in the "governmental directives" (in practice, of the directives from the Planning Commission, which is the government body in charge of that sphere) and on the degree of coordination prerogatives possessed by the Planning Commission.

The only novel approach was expressed in the speech made by Gomulka at the closing of the Plenum, namely that "we want to build it /the plan/ from the bottom up, from the enterprises, through the associations and ministries, up to the Planning Commission and not, as previously, the other way around" (emphasis added). In the light of the text of the resolution, however, this statement can only be treated as interpretative, or as an expression of intent which was not fully developed in the final text. Nor can one forget such statements have frequently been made in the past to no effect, so far as limiting the centralistic, top-heavy system of programming the economic development goes.

As far as investments are concerned, there is a notable increase in the so-called central expenditure reserve in the next five-year plan. While this reserve, in the current plan, amounts to five per cent of allotted expenditures, in the future plan it is to amount to 20 per cent. One should take into consideration, however, the fact that this 20 per cent is to cover investments in the last two years of the next five-year plan, in the following industries: machine, chemical, light, lumber and food, and agricultural. In fact, the real reserve will be no greater a part of over-all expenditures than it was in the 1966-1970 period. Although the refusal to plan investments in the above industrial branches for the entire period covered by the plan could be interpreted as an admission of the lack of a program for branch development and of a general concept of development, it should nevertheless be greeted as a positive move. This may well be the first step in breaking the practice of making a fetish of the plan and a certain degree of progress in adjusting aspirations to possibilities. From the propaganda point of view, this solution is equally convenient, since it permits so-called planning with implementation in view, which might result in formal coinciding of plans and fulfillment.

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The equally strongly advanced concept of creating industrial complexes also stems from the Fourth Plenum resolution, as shown by the following excerpt, from that resolution:

The creation of large industrial plants should be continued, either in the form of industrial complexes or branches, whenever this is justified by economic reasons and organizational facilities.

To come back to the resolutions of the last Plenum, one might point out one of its closing sentences:

In the case of breaking resolutions and decisions in the matter of investment discipline, the Party organization should demand in the course of checking upon administrative activities, that personal consequences be drawn with respect to the guilty.

One cannot tell at present to what extent this threat will add to the feeling of responsibility. Doubts which might arise here are justified by the highly lenient tone of Gomulka's closing speech at the Plenum when he granted "forgiveness of sins" to the perpetrators of the present difficulties. It is probable that the threat will not impress the skilled, routine administrators of the higher economic echelons, secure in their feeling of virtual immunity, once more affirmed by the "amnesty" granted them at the last Plenum.

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The only conclusion which one might draw from the above comparisons should not be a surprise to any careful reader of the Second Plenum resolution. In that resolution, it is stated at the very beginning:

The Party resolutions devoted to these problems in the past were not followed consistently, and as a result, they did not lead to a radical improvement in appropriate areas.

In this statement -- undeniably just, though appearing all-too often in respect to various other Party resolutions -- lies perhaps the answer to the question whether, and to what extent, the resolution of the last Plenum might help restore balance to the economy.

It certainly can, as previous resolutions could have done, but this depends on factors beyond the scope of a resolution, namely on the skill and consistency with which the decisions are followed and put into practice. To a certain extent, the conditions are propitious: the sum of negative experiences, or actual disasters, may with time become great enough to overcome the

habit of disregarding economic laws. Certain signs of such a state are at present apparent. But there are equally apparent tendencies of subjugating further economic demands to changing and current political requirements.

In any case, the resolution adopted by the next Plenum will probably, once again, include a phrase similar to the one quoted above.

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