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Network of «Solidarity» Organizations in Leading Factories

Do użytku wewnątrzorganizacyjnego

POSITION

on Social and Ecomic Reform of the Country

Following a publication entitled „Social enterprise and other propositions and opinions connected with socio-economic reform of the country” the „Network” presents to members of our Union a larger monograph concerning the shape of the reform. The draft of the act on social enterprise is the basis of the demanded by the society model of self-management. Therefore the conception of a self-managing, independent and self-financing social enterprise constituted the point of departure for the preparation of the position on the general shape of the reform.

Material presented here is a result of discussions at the Sixth and Seventh meetings of the „Network” (on August 14 and August 26, 1981) after consultations with workers and taking into account the opinions of experts. This document is not exhaustive and should enhance the development, supplementation or amendment of the presented propositions. In particular it is necessary to work out a wider view on such issues as agriculture, trade, transportation and communication, craftsmanship, co-operative movement, etc.

Seeing the urgent necessity to formulate a unified position of the Union on socio-economic reform the „Network” addresses the participants of the First National Congress of Delegates of NSZZ „Solidarność” to include the presented material in the Program Resolution of the Congress.

Secretariat of the „Network”
(—) Jerzy Milewski

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Proposition

for the position of „Solidarity” on socio-economic reform

The following documents and projects have been taken into consideration throughout the work on this text:

1. „Government report on the state of the economy” — published by „Trybuna Ludu”, July 1981.
2. „Government program for solving the crisis and stabilization of national economy” — published by „Trybuna Ludu”, July 1981.
3. „The guidelines for Economic reform — a project” — published by „Trybuna Ludu”, July 1981.
4. „Alternatives of development” — published by PTE (Polish Society of Economics) — November 1980 (a report prepared by Leszek Balcerowicz).

I. Central Authorities

1. Introduction

The existing directive-allocative system of running the Polish economy has long been in contradiction with developed productive forces and effectively blocked their development leading to the squandering of the intellectual and material potential of the nation. One of its immediate results was the overgrowth of central and regional administration to an unprecedented degree. As a result independence of enterprises was paralyzed yielding all of its negative by-effects. The basic principle underlying economic reform is to provide safeguards for independence, self-management and self-financing of enterprises, which implies the abolishment of the directive-allocative system and the structures associated with it.

2. Council of Ministers

The tasks and degree of competence of the Council of Ministers, are specified in thesis no. 25 of „The Guidelines for Economic Reform — a Project” in an essentially correct manner. The Council of Ministers should be responsible before the Sejm (Parliament) and should be a collegial body. The Council of Ministers may establish working groups concerned with particular problems of the economy under the responsibility of particular ministers, but responsibility for the economy would rest on the whole Council of Ministers. Ministers are to participate in the implementation of the government's policy and are not to lobby for the interests of particular sectors of the economy. The competence of the Council of Ministers should be regulated by the Constitution. The powers, responsibility and scope of authority wielded by managers of central bodies of economic administration and executive regulations specifying these issues should be included in a separate Act.

3. Highest State Administration Bodies

The division of highest state administration bodies into a central planning body, ministries with the whole economy in their sphere of interests, ministries of particular branches of the economy raises doubts since this last category would not differ in reality from the present branch ministries. Ultimately all these ministries should be replaced by one Ministry of Industry and Trade.

1) Central planning body

The Sejm (Parliamentary) Bureau of Analyses and Economic Plans should be the central planning body. The Government should also possess its own planning staff which, of course, shouldn't impose any decisions on enterprises. The existence of at least two planning bodies would prevent the monopolization of central planning in the hands of the government and would ensure the preparation of several variant plans. Functions of the central planning body enumerated in annex no. I to "The Guidelines" are formulated correctly with one possible amendment namely that in case of periodical and spatial planning, representative bodies of territorial self-management should be guaranteed participation in preparation and taking of the decisions.

2) Ministries dealing with the whole economy.

Variant 1 Ministry of Finances.

The ministry of Finances should control only whether the financial system of economic organizations and state territorial bodies is concordant with the law. Principles of the hard currency policy of the state demand a precise formulation. It should be noted that taxing policy should refer only to goods, services or groups of goods and services and not to producers or sectors.

Variant 2 Ministry of Treasury.

Ministry of Finances should not at the same time be responsible for obtaining revenue for the state budget and should not formulate the financial system of economic organizations, since the logic of the economic game would otherwise be subservient to interests of the treasury and not to the maximization of the economy's effectiveness. Therefore instead of the Ministry of Finances it is proposed to establish a Ministry of the Treasury which would be concerned solely with obtaining revenue while control over financial system of economic organizations and supervision over them should be left to the Ministry of Industry and Trade.

3. Ministry of Labor and Wages.

This ministry should not be concerned with living conditions but should limit its scope of interests to the issue of labor and wages. Budgetary policy (division of national income), which includes issues of living standards, should be separated from management of the economy's functioning i.e. labor and wages policy. Problems of living standards should be dealt with by such ministries as: Ministry of Health and Social Aid, Tourism and Sport. Some of the aims of this ministry, as enumerated in "The Guidelines", seem to be misfounded since:

— The task of "shaping income proportions and improving income systems" should refer only to basic wages (guaranteed),

— the ministry may not "improve organization of labor, establish norms or work tariffs and improve conditions of work" since these lie within the competence of independent enterprises,

— the ministry may not be concerned with "preparation of the principles and system of choice, evaluation and improvement of cadres"; consultative functions on that issue should be left to specialized institutions acting on the basis of self-financing and providing advisory and training services.

4. Ministry of Trade.

Ultimately a single Ministry of Industry and Trade should be set up. In the intermediate system it would however be reasonable to establish a temporarily functioning separate Ministry of Trade which would result from the unification of the present Ministry of Foreign Trade and Ministry of Internal Trade and Services. This combination would allow the government to undertake an effective policy of market stabilization utilizing the competitiveness of imported goods in the stimulation of the native industry. Division of trade into foreign and internal is unjustified since it causes a conflict of interests between the two ministries and a split in economic policy. Each enterprise must be entitled to sign foreign contracts independently regardless of bloc divisions. Enterprises must have the right to sign contracts with foreign partners either directly or indirectly through specialized foreign trade enter-

prises, which must work on the basis of self-financing. Present central foreign trade organizations, which constitute an administrative superstructure over enterprises, must be dissolved. This will establish necessary competition which will cause ineffective and unprofitable foreign trade enterprises to go out of business. Acquisition of the services of any national, state or cooperative foreign trade enterprise should be voluntary. The right to sign contracts between two partners without the mediation of a foreign trade enterprise should be also guaranteed.

5. Temporary Office for Administration of Materials

Central distribution of certain raw materials must be temporary and should be administered by a temporary office, not a ministry. This office would be managed by a temporary plenipotentiary of the government, this temporariness being stressed both in its name and organizational structure. The office should be established by a act of the Sejm (Parliament) for a clearly limited period of time with the dates specified in the document serving as the legal basis of its functioning e.g. until the end of 1982 (So that the Sejm, following this date, would be forced to prolong its existence should it be necessary, also for limited periods of time). This would prevent stabilization of this body and eliminate central distribution from the new economic system when it ceases to be necessary.

6. Social Commission of Prices.

In the place of proposed in "The Guidelines" Basic Commission of Prices, Social Commission of Prices should be set up as a body subjected to the authority of the Sejm and not the government. In the intermediate period it would be reasonable to appoint a government plenipotentiary for prices. On the other hand government propositions to set (approve) all prices in an administrative manner are certainly misconceived. The practice of setting rigid prices should be limited to several basic commodities and in the intermediate period to some raw materials. Anti-monopoly prices policy should be administered by Antimonopoly Commission subservient to the Sejm and Economic Court.

7. Central Bank (Bank of issue)

The Central bank should be under direct supervision of the Sejm. A detailed proposition on the functions of this bank is presented in chapter V of this monograph.

8. Central Statistical Office.

The new scope of issues covered in reports prepared by an enterprise should be specified in an act on planning and statistical reporting included in a packet of legal acts necessary to get the economic reform off the ground. Central Statistical Office should be under the supervision of the Sejm.

9. Ministry of Industry.

Since enterprises are to be given much greater independence than previously accorded, a number of rights and tasks assigned in "The Guidelines" to branch ministries, should now be reconsidered. Branch ministries will be unnecessary and the tasks assigned to them can be effectively catered for by a single Ministry of Industry (in the future-Ministry of Industry and Trade). The present existence of three branch ministries is acceptable only in the intermediate period. Refusal of the Sejm to dissolve the Ministry of Forestry and Wood Industry is a mistake. Several tasks assigned in "The Guidelines" to ministries should not refer to management of social enterprise but only state enterprise. The following tasks belong here: fusion, separation and dissolution of enterprises, ratification of charters, approval of appointments and recalls of managing directors, participation in the preparation of collective contracts, evaluation of eco-

nomic activity of enterprises and other control functions. Ministry of Industry may control social enterprise only by means of legal regulations and economic instruments stated in general terms.

10. Social Ministries involved in the division of national income.

The following ministries may be labelled as socially oriented: Ministry of Health and Social Aid, Ministry of Education, Culture and Art, Protection of Natural Environment, Tourism and Sport etc. In the following paragraph we would like to present our attitude to the organization of science, technology, education at the ministerial level. All of these ministries must be rendered more effective while their costly overgrown administrative apparatus must be reduced. Especially the Ministry of Science, Higher Education and Technology should be combined with the Ministry of Education into a single Ministry of Education. Following the realization of economic reform the demand for properly educated cadres in industry, trade, services, administration and education is also

bound to change: changes will involve cadres of workers, agriculture, economics, technology, humanities and science at all levels from primary schools to universities. The problems of the development of technology should be left to specialized units of the Polish Academy of Sciences, universities and enterprises while greater independence of universities and the Polish Academy of Sciences will render the existence of a special ministry of science and technology unnecessary. Research institutes functioning outside the Polish Academy of Sciences or schools of university standing ought to be self-financing. It is also necessary to combine the Ministry of Transportation with the Ministry of Communication. The budget of the government should be settled through an act of the Sejm, which should take into consideration consequences of reductions in administration. The abolishment of the directive-allocative system will lead to radical cuts both in employment in administration and in money spent on it (by at least one half). After reductions the number of administrative posts should be limited and expenditures on administration from state budget permanently curtailed.

II. Central Management of the Economy

1. Economic planning as a social process

Planning cannot be an aim in itself but must be a process involving broad circles of society which in this way expresses its will to shape the future of the country. Otherwise it will not acquire social acceptance and planning will hardly be effective.

Planning will never get a society actively involved and will never acquire its acceptance if it is based on the ambition to plan everything. In order to counteract the decrease of social rank of a correct plan and planning notions, it is necessary to restrict planning to the indispensable, leaving the remainder to the self-controlling mechanisms. Another reason to restrict the range of planning is the fear substantiated by experience that planning covering all spheres of social and economic life becomes the way and method for developing a totalitarian system that attempts to predict and control everything. Socialized planning requires planning autonomy in enterprise self-management, territorial self-management and also at the central level. It should be assumed that an acting subject plans in order to improve its activity and not because it is imposed upon it.

Socialized planning should be operated by the principle that the final decision belongs to representative and not executive bodies, unless there is a clearly established delegation of rights. If the society is to take active part in the social planning procedure, simplification of the categories and language of planning is necessary. Social planning should be more a social matter rather than merely technical-economic. Specialist language should become a language for use in specialized elaborations. It is the society that should make the planning decisions, and not the specialists. At the central level, the only initiator of planning activity, the only place at which priority matters are discussed and fundamental choices made is the Sejm.

The Sejm Bureau of Economic Analyses and Planning, the social initiative and the government should be the sources of expertise and variant planning elaborations. The government should have its own planning body working for itself. Thus, central planning monopoly will be avoided.

To enable the society participation in, and control over planning, the economic information ought to be socialized. There should be a free flow of information, ensured by a decree, between the planning bodies while society ought to have an appropriate access to it. State authorities should inspire and facilitate elaborating and publishing independent reports, prognoses and projects within a variety of socio-economic public discussion.

2. Central Plan.

The fundamental theses of the VIth chapter of the government project „The Guidelines” are right. The aim of the central plan is to put forward strategic goals for the entire economy. The central plan is merely a plan for the government and cannot include immediate directives for enterprises and regional units. Regional and enterprise plans will be related to the central plans by means of economic instruments established by acts and also by means of information exchange.

The following types of plans are distinguished: central plans, autonomous enterprise plans and autonomous regional plans. These will be strictly related to nationwide plans of investment localization. The object of central planning is the entire national economy. Central plan decisions will not be imposed upon administrative units. The plan will determine basic dynamics and structural proportions. Contrary to the government project it is suggested that social enterprises whose production is of civilian character (not controlled by the Ministry of National Defence) should not be forced to produce for the military needs by means of directives but by voluntary contracts. Moreover, the tasks that are the results of international contracts or central investments should be carried out by means of voluntary contracts between social enterprises and state administration.

Basic balances in the central plan must be calculated on object system and not organization type system. There are perspective, 5 year and 1 year plans.

The perspective plan is a long range plan prolonged every 5 years for the next 5 years. It must be a variant plan and presented in extenso to the society.

Indispensable part of perspective planning is environmental and space planning that covers periods longer than the perspective plan. The perspective and environmental planning are prepared in reference to regions and macro-regions.

The Five Year National Socio-Economic Plan is the most important in the system of central plans. It constitutes a basis for the policy of incomes, prices, budgets and credits and is accomplished by instruments of economic control of social enterprises in the way provided by an act. Enterprises and territorial authorities make their own decisions concerning plans, their range and time span. The obligation to prepare 5 year plans by social enterprises presented in „The Guidelines” is unacceptable. No social enterprise can be obliged to prepare such plans. It is however possible that the central planning body may demand from a social enterprise to present selected

information from their many year plans in a way strictly specified by an act. Central bodies are obliged to inform enterprises and regional units about problems and directions of social and economic development of the country as provided in the National Socio-Economic Plan (hereafter NSEP). The government is obliged to present to the Sejm variants of NSEP project. Variants of the plan could also be elaborated by the Sejm Bureau of Planning and Analyses. NSEP is proclaimed by the Sejm and thus obliges the government. It is only the Sejm that may bring changes and corrections into the plan. The Sejm periodically evaluates how the plan is being accomplished, making decisions concerning corrections of NSEP.

The central annual plan (CAP) is prepared by the government and presented to the Sejm. CAP specifies the goals of 5 year plan. The Sejm may at any moment question a given version of the annual plan, or any change in it guided by the goals of the 5 year plan.

The Sejm determines the state budget which is the only complex and publicly open financial plan of the state. Government prepares a budget project in strict relation to CAP. The budget project and any suggestions of its change are presented to the Sejm by the government along with CAP.

3. Instruments of central control/management.

The kinds of central management instruments, the ways they are applied as well as the privileges and duties of state institutions in application of particular instruments should be specified by an act. Decisions about application of these instruments can be made by the Sejm, Council of Ministers, general economic ministries (functional) and by the central bank. The act should also specify the range of indispensable trade unions' accord to the application of these instruments by the government that might affect the standard of living of the population.

1. The essential matter is to abandon the dictative and distributional mechanism of management consisting on one hand in establishing tasks and on the other establishing means or limits of expenditures. In accord with the general opinion this mechanism is responsible for decrease of economic effectiveness, lack of balance, negative social effects (falsification of information, bureaucratization, disappearance of self-management). Economy control should be carried out by means of other mechanisms, that is in particular:

a) the presently universal directed distribution of materials and goods should be replaced by direct contract relations between suppliers and customers in such a way, legally guaranteed, that the supplier cannot exploit the customer;

b) Central distribution of financial means as well as limitation of expenditures in reference to economic units and, to a large extent, territorial units, should be replaced by self-financing regulated by tax system and by authentic bank crediting. The exceptions remain naturally budget expenses, though in reference to units on economic settlement basis the credits must be definitely restricted and granted on different basis than presently;

c) instructions addressed to particular enterprises must be replaced by other management instruments;

2. Therefore central management of economic organizations must undergo the following changes:

a) instruments incoherent with the logic of economic market relations should be replaced by instruments operating via income and demand basis. An important task for central bodies is to maintain conditions indispensable for proper relations (regulation of structure and function of market);

b) addressed instruments i.e. instructions prepared for concrete organizations, should give way to unaddressed instruments;

c) Central bodies should be concerned with detailed problems of concrete economic organizations only by way of exception and according to strictly formulated procedures (e.g. procedure of bankruptcy of an enterprise, procedure regulating applications for subsidies procedure, of suing enterprises on the basis

of antimonopoly law etc.). These procedures should enable a broad participation of different interested parties in open disclosing of exceptions from clearly defined rules of proper social behavior of economic organizations (e.g. social associations, individual purchases, enterprises etc.). They should also give foundations for legal proceedings. This is connected with the necessity to strengthen economic jurisdiction and to introduce several acts specifying general rules of behavior in the economy.

d) Besides instruments of management based on power (i.e. such instruments which are linked with the possibility of using legal compulsion by central bodies) there should also exist other methods of central management (agreements).

e) Beyond instruments of central management functioning permanently the government would have at its disposal extraordinary means, used in exceptional circumstances (e.g. temporary ban on certain activities, compulsory deposits, quantitative limitations). The procedure of their introduction should be formulated in such a manner so as not to allow them to become permanent elements of central management (e.g. the necessity to obtain the consent of an appropriate Sejm commission for a limited period of time).

3. Within the general regulation of the process of establishing law, and control over its implementation, it is necessary to specify legal principles of introduction and usage of central management instruments. In particular:

a) It would be necessary to specify the introduction of which instruments of management lies within the competence of the Sejm and which changes in these instruments are decided by the Sejm,

b) Changes in the instruments of management should be announced long before their introduction to enable economic units to adapt to them. Where a gradual raising of the norms may be envisioned (e.g. ecological norms) it should become regular practice to announce subsequent changes from the very beginning.

c) All economic organizations should have the right to appeal to court from all individual decisions of central (and regional) administration, including the right to demand compensation for damages caused by a decision inconcordant with the law.

Among the instruments enumerated in „The Guidelines” we accept as appropriate:

- turnover taxes and subsidies, duty payments, prices (for few products only),
- principles underlying the establishment of sinking fund and taxation of the income of an enterprise,
- instruments of regulation of individual incomes and wages,
- norms of the effectiveness of resources, including interest on means of production,
- ground rent,
- interest on bank credits and money exchange rates
- flow of information concerning the planning, based on appropriate legislation,
- regulations concerning the localization of investments;
- concessions, licences, legally specified bans and acceptances of some types of projects undertaken by enterprises,
- selective material subsidies, given to stimulate precisely formulated, socially desirable activities such as technological and organizational information, subsidizing the balance in case of investments in energy or natural environment preservation or in case of investments in underdeveloped regions),
- crediting guarantees.

Besides these the following instruments of administrative action can also be added:

- the right to establish enterprises and to submit motions to carry out bankruptcy procedure,
- prohibiting fusions of enterprises on the basis of a court verdict on monopoly practices,
- other orders and prohibitions postulated in the antimonopoly law.

A somewhat wider range of administrative instruments may be used in case of state enterprise.

Some instruments proposed in the government project „The Guidelines for Economic Reform” (chapter VI) are unacceptable for social enterprise. In particular this is the case with those instruments which they call „tools” and which have a directive or addressive character. It is a mistake to directly specify the margin and profits of enterprises, to specify centrally principles for the creation of funds of enterprises and agreements dubbed imprecisely as „interlevel”. Central administration must not have the right to establish compulsory associations of enterprises and may dissolve associations only within the antimonopoly procedure. Any influence of central authorities on the appointment or recall of managing directors of some social enterprise is also unacceptable since this lies solely within the competence of the workers' council. The proposition for administrative settlement (or confirmation) of all prices is also absolutely misconceived. Mentioned in the government project instrument of management: „universally binding principles of the organization of the market and circulation” must not become instruments with which authorities manipulate, but should be permanent rules of the economic game.

4. Central management of the market.

The freedom to sign purchase-sale contracts is the cornerstone of the market (both in consumption goods and in means of production). This implies the abolishment of regionalization or imposing of limitations on producers as well as the abolishment of the present practice of centrally specifying both sides participating in a contract. Principles of price formation will be of basic importance for functioning of the market. The prices of most commodities will result from the combination of supply and demand. In case of certain basic commodities (bread, milk, school books, flats etc.) central economic authorities should set maximal prices. Central economic authorities may exert influence on other prices only through a system of indirect taxation and a decisively limited system of material subsidies. Prices of imported goods should be established on the basis of exchange rates and duty payments.

Enterprises may freely take up any trading activities with the exception of certain specified areas, where a necessary precondition of undertaking activities would be obtaining a licence. Undertaking foreign trade should be in principle open to any enterprise and only certain specified spheres of economic activity would be licenced.

Central authorities have influence on the directions and conditions of foreign trade through appropriate policy of treaties and international agreements. These agreements are binding for state administration while social enterprises may participate in their realization by voluntarily signing contracts with appropriate administrative bodies. Compulsory introduction of tasks to the plans of enterprises or imposing such tasks outside plans, although both are advocated in the government project (page 32 of „The Guidelines”), are unacceptable even if these tasks result from binding international agreements.

The basic economic instruments for regulating foreign trade are exchange rates and crediting guarantees, as well as duty payments, subsidies, credits. When Polish zloty becomes exchangeable currency, exchange rates will cease to be established only by the government, but will be also formed due to international monetary market and appropriate international regulations. Antimonopoly policy, discussed separately, is an important part of the market control.

5. Antimonopoly regulations.

1. It is assumed that antimonopoly regulations will concern all enterprises (with the exception of state enterprises being legally monopolies such as the alcohol monopoly, tobacco monopoly etc.). Antimonopoly regulations should include several jointly functioning antimonopoly safeguards. An appropriate Act must contain a definition of monopoly practices. This may be attained by:

— variant I — an attempt to construct a general definition of what is illegal monopoly (the main vice of this solution is the fact there will always exist border cases which could be interpreted in different ways);

— variant II — enumeration of illegal monopoly practices on a list, with the authorities stepping in only when enlisted practices occur (the fault of this solution is excessive number of details on such list).

2. Institutional safeguards.

It is necessary to set up a special body e.g. Antimonopoly Committee subservient to the Sejm or Supreme Chamber of Control which would monitor and investigate monopoly practices. Antimonopoly Committee would:

a) control whether established organizational structures do not lead to direct or indirect monopolization of the market of producers or purchasers,

b) confirm applications for temporary or lasting fusion of enterprises, with the right to veto such applications,

c) receive and consider complaints of enterprises, other economic units, consumers' organizations, or individual purchasers concerning the monopolization of the market,

d) initiate on its own account or on the basis of complaints explanatory investigations,

e) carry out investigation and explanatory procedures and appeal to appropriate courts for compulsory dissolution of monopoly or for rejection of a proposal of fusion until the court formulates its verdict,

f) monitor any amendments to anti-monopoly law, conveying to the Sejm projects of changes in anti-monopoly law.

3. Legal safeguards.

Independently of the functioning of Antimonopoly Committee there should exist a universal procedure of suing enterprises for monopoly practices. Complaints may be submitted to the court by individuals, enterprises, associations of enterprises, state administration bodies, social organizations, trade unions and consumers and their organizations. In case the court rules that antimonopoly law has been violated it may:

— decree compulsory dissolution of the monopoly grouping,

— repeal a monopoly price and appeal to the Social Commission of Prices to establish an initial price,

— impose a fine on the monopolist, paid to the state budget (fines should be very high to act as deterrents),

— the enterprise which incurred damages could also sue for return of eventual losses caused by the monopoly,

— establish plenipotentiary management (in case of state enterprise) or set up a supervisory council with the participation of interested parties (in case of social enterprise).

These sanctions can be imposed jointly or separately depending on the particular situation.

4. Economic safeguards.

The best legal instruments or institutional structures (antimonopoly legislation, Antimonopoly Committee, courts) will not be able to solve the problem by themselves because monopolization is a natural outcome of market processes. Therefore it is necessary to foresee mechanisms stimulating the establishment of new enterprises which should enter new markets both in terms of products and territory. In particular:

a) It is necessary to establish legal and institutional facilities which would inform about the need to establish a social enterprise aimed at breaking monopoly or oligopoly of other social or state enterprises. This should be the task of the press, mass media, consumers' organization, federation of producers etc.

b) It is necessary to foresee, that usually a new social enterprise will be created on the basis of joint projects of other social enterprises, which endangered by monopoly of their contractors will finance the establishment of new social enterprise. This may take the form of establishing a new social enterprise and providing it with necessary statutory funds or the form of an association of already existing enterprises.

c) on the basis of the Antimonopoly Act the Sejm or national councils can establish a new enterprise allocating to it appropriate means (statutory funds). The Sejm may also address a recommendation to the government to prepare a project and an estimate of costs for the establishment of such an enterprise, or it may authorize the government to finance the establishment of the new enterprise.

d) It is necessary to postulate the establishment of import enterprises, independent of producers and functioning on the basis of self-financing.

e) The Sejm may also authorize the government to allocate certain funds from the budget for intervention purchases of commodities abroad, in order to break up monopolies through the creation of competition on internal market.

6. Central management of wages and incomes.

Regulation activities in wages and income area should operate by means of economic instruments such as:

- minimal wages determined in co-operation with trade unions and stated by collective contracts between government and trade unions indicating acceptable wage ranges,

- progressive income tax calculated per capita in family,

- wages guaranteed for particular professions and positions,

- adjustment of guaranteed wages according to the increase of living costs.

It is necessary to exclude central wage tariffs. An enterprise should enjoy liberty in establishing the employees' wages.

7. Central management of investments.

Central investments should concentrate in the sphere of infrastructure of the economy and in mi-

ning. Undertaking of great investment programs requires the consent of the Sejm and should be explicitly stated in the central plan.

Centrally managed investments in the productive sphere should be financed by bank credit and repaid from the profits of the enterprise, while investments in the infrastructure of the economy should be financed from state budget. The particular sums thus drawn from the budget will have to get acceptance of the Sejm.

Realization of central investments will be carried out by enterprises on the basis of voluntary contracts. The authorities will have influence over the size of financial investments of enterprises made on the basis of their own sources of income, only through economic instruments. Territorial authorities (local councils) invest from their own sources, subsidies from central budget and bank credits.

The government should support productive investments of private citizens, especially private farmers and craftsmen, using economic instruments. Taxation rates will serve as indications of effectiveness of the used by an enterprise means of production, and will contribute to the rational usage and creation of resources. The following resources will be subjected to taxation:

- the net value of hardware, excepting property financed from bank credits until their repayment; this instrument will be used in the intermediate period to give equal start to those enterprises which due to lack of investments (or overexploited hardware) would be handicapped at the moment of transition to self-financing system.

- area of possessed land depending on its quality and other natural resources (so called ground rent).

III. Enterprises and their Associations

1. Introduction

On the basis of the degree of independence as well form of ownership it is proposed to distinguish the following types of enterprises:

- social enterprises
- state enterprises
- communal enterprises
- cooperative enterprises
- private enterprises
- enterprises with foreign capital
- mixed enterprises

All mentioned above types of enterprises have full legal capacity and are legally qualified to conduct economic activity. Limitations imposed on certain types of enterprises (relative for example to dealing with components of the property, taking part in foreign turnover, entering new commodity or territorial markets) should be introduced only through legal regulations.

It is necessary to amend the civil code (within the limits of the economic law) along with adapting it to new conditions in order to fully characterize activities of all types of enterprises.

2. Social enterprises

Social enterprise is the basic element of the national economy and has full independence, autonomy of its work-force and is self-financing. A detailed description of the status of the social enterprise is included in the draft law on social enterprise.

3. State enterprises

The aim and the sphere of activity of state enterprises as well as the degree of their dependence on central founding body are defined in the foundation

act. State enterprises are created only in exceptional cases inspired by national interest on the basis of governmental decision verified by the Parliament. The enterprise's charter must explicitly specify the limits of its dependence upon central founding body and the principles of controlling the enterprise by means of economic instruments. State enterprise acts on the basis of self-financing. National tasks are performed through contracts with national administration. Independently of the degree and limits of supervision carried out by the founding body — all employees of a state enterprise have the right to create self-management which decides about most important motivations of the employees work. On account of the specific aims of the state enterprise the self-management status of the work-force will be the subject of negotiations between the self-management and the founding body. A detailed list of state enterprises should be included in the act on enterprises.

4. Communal enterprises

Communal enterprises are called into being by local authorities (local councils), their possessions being derived from the legally separated sector of the communal property. One may distinguish two lines of the economic activity of communal enterprises:

2) activity in the sphere of the local basic services (communal economy)

b) activity in the remaining fields

As in case of state enterprises the founding body determines in the foundation act and in the charter the functions of the communal enterprise, limits of its dependence on the founding body and the system of stimuli via economic instruments it is subjected to.

The autonomy of the communal enterprise active in the sphere of local basic services is determined similarly to that of the state enterprises.

The second group of communal enterprises acts on principles similar to those of the social enterprises with an additional obligation to pay taxes to the local budget.

5. Cooperative enterprises

Cooperative enterprises are based on group ownership of the means of production and capital brought by cooperators (shareholders). Creation of cooperative enterprises should be determined by an amended act which would also guarantee full independence of the cooperative enterprise as well as rights and duties of the shareholders which are a precondition for independence and autonomy. The main body of self-management is the cooperative council chosen by the general meeting of shareholders. In the case of employees who are not at the same time shareholders it is necessary to work out forms of their participation in self-management bodies of their enterprise on a similar principle to labor autonomy in social enterprises.

Cooperative enterprises can act within the limits of several forms: production, services and commerce, as well as link together several forms of activity.

It is necessary to stress the important role of cooperatives in Poland's economic life and their influence on the development of citizens' attitude but only in conditions of unhampered development. Shareholders themselves should state precisely the details of this problem.

6. Private enterprises

Private enterprises are based on the private ownership of the means of production. To establish such enterprises it is necessary to obtain an adequate licence from the local authorities. An essential matter is the creation and maintenance of conditions for the permanent activity of these enterprises, guaranteed by appropriate laws.

Furthermore it is necessary to establish legal mechanisms which would enable a voluntary transformation of enterprises based on private ownership after reaching a certain level of production into mixed enterprises with the participation of the socialized sector. In this way effective private enterprises will be able to develop further, which will weaken the incentives for the owners to spend the profits on luxury goods and motivate them to make further investments.

The law should determine in a unequivocal way the limits for the development of these enterprises through a clear and permanent tax system. Private enterprise is an equal participant in the economic activities in the country along with other enterprises and can enter production, service and commercial agreements with them. Everything written above refers also to private farming.

7. Enterprises with foreign capital

Enterprises of this type act in Poland on the basis of licences granted by the government, which does not rule out the necessity to obtain the consent of local authorities at the site of the chosen location. Details of the setting up of such enterprises should be determined by normative acts, which should also determine the systems of social control over these enterprises.

8. Mixed enterprises

Enterprises of different types can establish joint companies for more effective economic activity on the basis of appropriate acts and regulations in conformity with all conditions defined in them. Participation of foreign capital in Polish enterprises, and vice versa, or joint companies with foreign enterprises may be possible after obtaining licences from state authorities.

9. Association of enterprises

It is necessary to eliminate the necessity for social enterprises to belong to any intermediate structures. These structures should be liquidated by the end of 1981. Decision making powers of the former units intermediate between central administration and the enterprises have to be eliminated immediately. Their place should be taken only by voluntary associations of independent social enterprises. The only obligatory associations which may be permitted are those of state enterprises, which are not social enterprises.

1. Principles of liquidation of the former associations

Abolition of associations as obligatory groups of enterprises and liquidation of their property (as endowed with separate legal status from enterprises) would require the issuing of a special legal act. This act should determine that at the very moment of the liquidation of associations, administrative and official dependence of enterprises upon former associations comes to an end.

Organizational units, hitherto entering associations without having the status of enterprises, can attain the status of social enterprise on the basis of procedures for the formation of these enterprises determined in the act on social enterprise.

In order to render the former association's property productive the founding body calls up a board of commissioners consisting of authorized representatives of this body, self-managements of the enterprises belonging formerly to the association and a representative of the local administration, appropriate to the location of the association's central office.

It is necessary to make sure that during the realignment or liquidation of the association's property there will not be any waste, depletion of equipment or severing of natural production links between enterprises. Enterprises and independent organizational units which are not yet enterprises can create voluntary associations. Enterprises which do not declare their participation in such associations can further use the property and equipment of the former association.

The board of commissioners will set the quantity and the course of mutual clearings. Clearing of the payments could be done in the form of delivery of products or rendering of services (e.g. cooperative deliveries, technical service, services of computer center etc.).

Organizational units which came into existence totally or partly thanks to payments of enterprises grouped in an association after its liquidation become independent (e.g. association's computer center) and can clear their payments with the formerly associated enterprises either financially or by rendering properly rated services. These units may also operate as joint stock companies securing their dividends for the enterprises which previously belonged to the association.

In the case of initiated and not completed joint investments the board of commissioners can sell them (at an auction) to a new purchaser and the obtained amount of money may be distributed among the enterprises which took part in this investment. If an initiated investment is located within the sphere of interests of a particular enterprise it may, after securing the central bank's permission, issue shares and the fund obtained in such form may be used for the continuation of the investment or for the initiation of production. Remaining equipment which has a non productive character can be used directly by the enterprises of the former association to obtain income (services rendered by social and recreational objects of the association) or transferred to other units or local authorities (e.g. transformation of an administrative building into a city hotel). Property which is of no further use may be transferred to local authorities for public service.

2. Principles of the creation of voluntary associations of enterprises.

Enterprises may associate in the way of mutual agreement for the realization of joint aims e.g. sale, supplies, cooperation, rendering of services, creation of joint funds etc.

Dictation of prices and division of the market cannot be objectives for the creation of associations.

An association is a voluntary alliance of enterprises and other legal persons, created on the basis of an agreement between the interested parties to facilitate performance of joint economic activity.

Associations can consist also of cooperatives and units of unsocialized economy. A detailed sphere of the mutual rights and duties of the grouped units is each time described in an agreement. In case of matters which are not regulated by the agreement appropriate regulations of the civil code should be used, and in case of matters dealing with the creation of companies regulations of the commercial code from 1934.

Maximal flexibility is recommended in the preparation of agreements on forming an association and on the course and limitations of its activity. Generally one may distinguish two types of associations:

Type A. Associations set up to undertake joint activity of enterprises for the realization of preset aims (e.g. joint research projects, expansion on foreign markets, organization of sale etc.). Associations of this type have no property distinct from that of the grouped enterprises. Such associations may be called into life for the realization of precisely defined aims, and these aims may not be directly concerned with production (e.g. construction and exploitation of a joint social object).

Type B. Groups enterprises with strong economic and technological ties. In this case the association can have separate, isolated productive property as well as equipment and facilities serving the sphere of production, preproduction or postproduction of the associated enterprises. This property and equipment belong to the grouped enterprises and association bodies are entitled to their management and exploitation. This type of associations should have separate legal status.

Enterprises could participate in several associations. A social enterprise may join an association only after a positive result in a referendum of its entire work-force. Leaving an association is also based on the results of such referendum and is followed by a denunciation of the agreement.

3. The bodies of an association

The following bodies of an association can be distinguished:

- Council of the Association
- Managing director of the Association

The council should consist of the representatives of the associated enterprises delegated by the workers' councils. The council of the association should elect out of its members a chairman. The council can pass resolutions within the limits foreseen in the association's charter.

The managing director of the association is appointed by the Council of the Association. Managing directors of the associated enterprises take part in the meetings of the council. The charter of an association must be registered in court on the basis of the same procedure as the charters of social enterprises.

IV. Economic and Financial System of Enterprises

1. Notes on Governmental „Guidelines for Economic Reform”

1. General notes.

What the „Guidelines” are lacking is the picture of the actual extent to which the economy is decentralized and the awareness of both the convergent and the conflicting interests of the state and a genuinely independent enterprise.

Moreover, the system of economic controls, their objectives and the hierarchy of mutual interdependence as well as the decision-making organ have not been indicated.

It is difficult to accept a solution providing for the power to make decisions on economic controls to be spread over a wide range of institutions — from the Parliament, through the Council of Ministers, the Treasury, the Central Bank to „various state institutions” — as it is envisaged in the Government's draft.

The approach to economic controls displayed in the „Guidelines” permits the possibility of nearly unconstrained fixing of many of the controls, and would thus limit the power of the enterprise to take optimal decisions.

This poses a real danger by reducing economic efficiency that might otherwise be achieved. Inconsistencies within the system of controls and dissipation of decision-making powers represent a threat to overall national interests. The list of controls available to the central management should be limited and established on the basis of respective laws (refer to Chapter 2, section 3) and any possible changes in the numerical value of controls (e.g. the amount of income tax) should be made known to the enterprise with at least a year's notice.

2. Some specific notes.

a) In view of the unquestionable principle of self-financing (any change of a control parameter entails

subsequent changes in economic efficiency and thus affects living standards of certain groups of employees) a rule must be introduced which would render it possible for representative bodies to accept or reject the system of economic controls in accordance with their powers.

b) The „Guidelines” do not present a coherent system of self-financing in an enterprise. The existing inconsistencies in cost accounting such as the disregard for costs of servicing foreign credits, or for discounts are neither revealed nor provided for. Appendix no 5 entitled „The basic elements of the economic system of a self-managed state enterprise” in its B variant provides for introduction of progressive income tax.

Such a tax is justified in a stable economy showing growth trends. In an economy like ours which lacks mechanisms that would operate to avert economic decline such a tax is faulty as it will not contribute to growth.

c) In section 5 the appendix provides for import charges paid to the budget. One of the forms regulating imports is a system of custom duties since taxes levied upon imports can stimulate inflation.

d) Tax on income for consumption should be paid when a specified rate of growth of such expenditure is exceeded.

e) Referring to section 7 it must be stated that there is no rationale for an enterprise to offer credit services to its employees. Credit operations should be left to banks and relief funds.

f) There is no rationale for the principle proposed in section B providing for depreciation charges on buildings and constructions to be paid to the budget. There is no need to divide fixed assets. Depreciation charges should be paid into the fund being at the disposal of an enterprise. Besides, an enterprise should be entitled to free use of depreciation charges on buildings used for social purposes and housing. Enterprises should be allowed the right to set up and use funds in accordance with their objectives

and principles of economic calculus. This provision also covers sections 9, 11, 12.

g) Section 17 of the draft does not specify who is to carry the cost of compensations paid to make up for increased cost of living. It is assumed that this would be accomplished by way of writing certain amounts off the taxes paid to the budget.

h) Proposals for various specific forms of distributing funds are superfluous since an independent enterprise performs such a distribution on its own following the criteria it has adopted.

2. Basic economic financial principles governing the operations of a social enterprise

The following propositions drawn up in the paper „Alternatives of Development” are considered to be appropriate for a social enterprise.

Financial system of an enterprise.

A financial system amounts to a set of interrelated rules governing accumulation and expenditure of money.

General terms reference:

1. Self-financing is recognized as the fundamental principle of a financial system: with expenses being covered out of an enterprise's revenues and genuine bank credits. If the conditions stipulated here are fulfilled (mainly those referring to organizational structures and the rules of their formation), self-financing triggers off strong stimuli promoting economic efficiency:

— the wider the scope of self-financing the smaller the extent of unrepayable allocations of resources and the smaller the scale of destructive lobbying in the dealings between various industrial governmental management levels resorting to various forms of exerting pressure on central government bodies, including the distortion of information,

— self-financing assures better development opportunities for more dynamic and more efficient commercial organizations and prevents those less efficient from appropriating the resources; thus it enables socially profitable distribution of resources to be used for development,

— the necessity to cover expenses out of an enterprise's own revenues releases initiative and stimulates efficiency in an enterprise.

Practical and not only formal implementation of self-financing requires the following conditions to be satisfied:

a) radical limitation of and a change in the nature of subsidies,

b) current policy of automatically granted credits should be replaced by a genuine credit policy which would require changes in overall banking system,

c) a procedure should be worked out for dealing with inefficient enterprises,

d) payments to the budget of amounts adjusted to the financial situation should be replaced by tax rates of fixed value,

e) any payments to the budget, bank or supplier should be strictly executed.

2. The general, unconditionally observed principle of self-financing should be accompanied by mechanisms counteracting the reluctance of an enterprise to undertake long-term projects (innovation) which might temporarily reduce its profits. These might include:

a) selective subsidies and credits given at easy terms,

b) voluntary financial reserves of an enterprise in the form of bank deposits, purchased bonds, etc.,

c) compulsory reserve fund (if a) and b) are not sufficient).

3. The liquidity of money is recognized to be the second fundamental principle of a financial system governing the operations of an enterprise (and all other economic subjects). This means that the possession of money constitutes both the necessary and the sufficient condition for undertaking any commercial activities, including the purchase of goods,

which are not explicitly forbidden by the law. Only in such circumstances can money play an active role in economy or the financial measures whose operation is based on regulating the amount of money possessed by commercial organizations, demonstrate their effectiveness. Regulation of such an amount of money can affect the behaviour of commercial organization (by stimulating or restraining their activities) if possessing money is a necessary and sufficient condition for undertaking a wide range of commercial operations.

4. Controlling the extent and the structure of expenditure in an enterprise should be achieved — under such general and fixed norms — through taxes filled into its financial system — which are by nature open to changes. Thus the stability of general principles of the system can be combined with its flexibility. In special circumstances import or investment deposits might be employed. Taxes should be paid according to fixed rates per cent and not to differentiated amount rates.

5. Enterprises should possess the right to grant mutual credit:

a) in current relations between the supplier and the buyer. Business contracts should provide for net prices — with payments made within 5 days of delivery, and gross prices exceeding the former by 2 — 3% — with payments made within the next 25 — 55 days. This would enhance flexibility of commercial organizations and would relieve banks of extra operations.

b) to finance development schemes. And so enterprises — by virtue of an agreement with trading partners — might finance the expansion of their subcontractors productive capacity without expanding their own operations. It would be advisable to grant enterprises the right to issue bonds. Thus some of them would be enabled to expand their own investment activity while others — to invest available funds.

6. Legal mechanisms should be introduced that would enable free exchange of manufacturing equipment between enterprises in the following form:

a) Sale/purchase of equipment. The money thus obtained should be booked in a separate entry and might be only used for development.

b) The lease of equipment. Special agents acting as brokers might engage in such operations.

Such mechanisms are indispensable for better use of national assets and improvement in investment policies.

3. Suggestions for some detailed solutions in the financial system.

1. The financial result of the work of an enterprise ought to be measured in terms of Income, understood as the profit or loss resulting from revenue on one side and the costs of production on the other. The costs include material and non-material expenses and the deduction of amortisation quotas. The enterprise ought to have a right to include into costs the current social expenditures up to the level settled in definite quota terms for one employee.

2. The Income would serve as the source from which taxes and interest rates on bank credits could be paid, the resulting Net Income being divided into three kinds of funds: development, wage expenditure and reserve. Decisions concerning the ratio would be taken by autonomous, self governing body while settling the plan for the next year. The State could influence the structure of this ratio by means of taxing instruments. The division of Net Income into only three kinds of funds is motivated by the principle of the liquidity of money. The present set of purposeful funds constrains considerably the possibilities of money administration by the enterprise. The idea of two kinds of basic funds guarantees means for personnel purposes (first of all wages) and for production without limitations in any special directions. The reserve funds would be exploited in case of need (e.g. in case of economic difficulties).

3. There might be two kinds of wages: basic wages

indicated in the employment contract, and complementary wages, the amount of which would stand according to the profit of the enterprise after having paid all external expenses. The distribution of the funds for complementary wages will be paid in advance before closing the account for a given period and verified after the complete balance has been done.

4. Apart from fiscal functions, the taxes included in the liabilities of the enterprise would regulate the total financial balance in the economy, and also regulate the amount and distribution of income into production and consumption funds.

5. The taxes should include:

Variant A

- a) The linear tax on Net Income
- b) The tax on wage expenditure funds
- c) Possible taxes on investments (or building activities) in case of excessive investment pressure.
- d) Other taxes (ecological, ground taxes, etc.)

The source for these taxes would be Income. The linear tax on Income ought to constitute a permanent element of the financial system. It seems possible to take advantage of the reductions of this tax in order to regulate the amount and structure of the distribution of Net Income and indirectly, the expenses of the enterprise. The tax on wage expenditure funds should restrain the excessive pressure upon wages. It would be a linear taxation on these expenses after having exceeded a given pace of their increase, depending on the position of the expenses for wages in Net Income.

Variant B (suggested for the first stage of the reform)

- a) Progressive taxes on Net Income
- b) Progressive taxes on Wage Expenditure Funds
- c) Possible investment taxes in case of excessive investment pressure
- d) Other taxes (ecological, ground taxes etc.)

Again, the source for these taxes would be Income. The progressive taxes on Income should make a permanent constituent of the financial system. The control of the pace of progression should serve as a tool to regulate the amount and structure of the increase of profit. The tax on wage expenditure tax funds should eliminate excessive differences in personal income between particular groups of employees.

6. In the system there should be a possibility of making reserve funds up to the amount stated by the self-management body of the enterprise. These funds would secure the level of the basic funds (development and wage expenditure funds) in case of economic difficulties, being at the same time voluntary loans given by the enterprise for the benefit of the State. As such, they ought to bear interest, according to common procedures and regulations.

The reserve wage expenditure funds will complement the wage expenditure funds in case of fund shortage. The wage expenditure funds is meant for basic and complementary wages as well as other purposes. Decisions concerning the ratio are taken by the self-management body, the necessity of covering the guaranteed wages naturally being taken into account.

If any shortage in the development fund should occur, the reserve development fund will complete it. The development fund will be allocated to finance the progress in technology and economy as well as the investments and modernization of the enterprise. The means to finance the statutory fund may be taken from these resources and, in well motivated cases, there should be a possibility to finance repairs resulting from unexpected damages and requiring a great expenditure of means.

7. The investments of enterprises.

In accordance with the general principle of the full role of money, an enterprise may be capable of investing, granted it has the financial means, either its own or external. If there is a need to build new works, the representative body of the enterprise is obliged to get a permission for the localization from the authority which has the right to allow it (e.g. Local Council). The investments of an enterprise (for development or modernization) may be financed from its own resources which are made up from

the development fund consisting of depreciation charges and from additional deductions from Net Income or bank credit. The supply of investment goods (machines, installations, and building services) ought to be regulated only by means of free and independent agreements between the suppliers and their customers.

8. Prices in the relations between enterprises.

The general principle is that most of the prices be freely ruled, though simultaneously controlled by central authorities. However, the following conditions ought to be fulfilled:

a) The existence of non-monopoly organizations and procedures of anti-monopoly control should be secured.

b) The access to competitive import with an adequate rate of exchange of currency should be made possible.

c) All the factors which generate constant deficit, first of all the whole mechanism of central management with accompanying imperative decisions and distribution of goods should be eliminated.

d) The self-financing system of the enterprises ought to be introduced.

These conditions fulfilled, there will be a flexible demand for the products of particular tradesmen. In these prices will mark proper directions of substitution both in production and consumption.

The suggested mechanism of price formation is bound to work slightly differently with raw materials and products. Most of the raw materials used and produced in our country ought to have prices based on the world prices of the Inner Market with the prices of the World Market (provided an adequate rate of exchange of currency is maintained). The turnover of raw materials between the trades persons and the customers inside the country would be carried on in accordance with prices influenced by both the World Market and native conditions for production and transport. It is essential to reevaluate the Polish zloty in order to neutralize the impact of the increase of the world prices upon the Inner Market. However, if the prices of raw materials were too unsteady, the application of a system of special accounts of inter-periodical clearings seems possible. As far as ready products are concerned, the influence of the prices of World Market should also occur. Thus the price of native products ought to be comparable with foreign prices after having applied a sort of converting device. This in turn could lead to a sound competition between the native and foreign products.

Distribution of income

		Revenue				
		Income		Costs of production		
		External payments	Internal payments (Net Income)	amortisation	Material costs	Non-material costs
Other taxes ecological etc.	Interest rates					
	Linear tax on wage expenditure fund					
	Linear tax on income					
	Reserve wage expenditure fund					
	Wage expenditure fund					
	Reserve development fund					
		Development fund				

4. Some solutions of the financial system in the transition period.

In the suggested financial and economic model an important and difficult problem emerges, namely the problem of establishing fair conditions for starting the work. The enterprises which undertook all the obligations resulting from the self-financing system cannot be made responsible for the negative

consequences of the former decisions which did not depend on them. On the other hand they should not have these advantages which they do not deserve. We suggest equating these conditions by means of subvention quota or special handi-caps.

The worst characteristic feature of the transitory period is a constant shortage of supplies. Due to the new system and its economic policy the shortages gradually ought to become less and less acute. Only the goods which are in the shortest supply (coal, energy, foreign currency etc.) ought to be rationed and distributed by State in the transitory period.

The introduction of the following principles is suggested:

a) Parliament (Seym) ought to accept the list of goods comprised in State monopoly for purchase and distribution.

b) Only goods in short supply ought to be included in this list.

c) The rations and directives ought to have extended time horizon.

d) The rations will be addressed to enterprises and their unions (and not to central bodies).

e) The surplus of the rationed goods ought to be released to Free Market sales.

Apart from material and foreign currency rationing the planning central body may settle the limits of investment credits, which after having been accepted by Parliament (Seym) become directives for the banking system, provided that adequate proportions for particular trades will be kept. As for the prices of products, the belief is held that they ought to be freely shaped according to the production possibilities, and consumers' demands. The protection of the social minimum maintenance will be secured by a system of compensations and social benefits. Taxes (especially taxes on commodities giving profits too large in relation to their social usefulness) should serve as the main source for these benefits. In the transitory period, the price settled according to the production costs would gradually approach the market price. On the basis of a probable market price, in the present economic situation of the country, the sales price would amount to the cost of production plus 1/4 of the difference between the costs and the market price. In the second year it would be 1/2 of the difference etc.

V. The Banking System

One of the most important tools of the economic policy in the suggested economic system is money and credit policy, and the interest rates are among the decisive parameters of choice for enterprises. Consequently, vital changes in the functions and the structure of the banking system are necessary. This system ought to help to realize the central economic policy and to provide for a flexible flow of resources to various economic organizations on the basis of autonomous decisions of banks. Also, it ought to protect the Market Balance in the country and prevent inflation.

1. The structure of the banking system.

In its final shape the banking system would constitute the following, organizationally separate, institutions:

a) The Central Bank — NBP (National Bank of Poland)

b) State owned, commercial banks — deposit banks

c. Cooperative societies banks and combined state-co-operative ones

d. Other banking institutions (saving banks, consumers' credit institutions and communal banks)

e. Joint stock companies.

A Council of Banks with the president of NBP as its leader should also be established, (Banks of nation — wide activities like PKO, PGZ, Bank Handlowy SA, PKO SA etc. would be associated within this Council).

This Council would have mainly coordinating functions. Experts and consultants — specialists in specific disciplines ought to be appointed in this Council.

2. The Central Bank (NBP).

As an institution, the NBP would find its place among the central authorities, however, it should be autonomous in order to perform properly its statutory functions, first of all to protect the stability of Money Market. Thus the president of the Central Bank ought to be appointed by Parliament for a definitely stated, adequately long period of time. The proposal for such an appointment should be made by the Prime Minister. The president would take part in the meetings of the Cabinet, and would not be subordinated officially to the Minister of Finances.

The bank would have its central office and regional branch offices. The present, three — grade system of the organization and administration of this bank ought to be replaced by a two-grade system: Central Office and Branch Offices (this would mean

closing down provincial branch offices and reorganization of the transaction offices). The regional branch offices needn't correspond to the administrative division of the country into regions.

The Central Bank ought to be divided into Issue Department and Banking Department which would serve as a bank for other banks. The Central Bank would be responsible for working — out a program of money policy, and then for its realization. What especially should be kept in mind is the primary aim of maintaining the economic balance and securing the purchasing power of money, which can be achieved by regulating the amount of money in circulation. To achieve the above mentioned aims the Central Office of the Bank has to:

- pass judgements on the suggestions for economic plans, as regards their influence upon the economic balance. These judgements are presented in Parliament while the plans are being discussed,
- analyze the present economic situation of the country,
- counteract against the disturbance of the economic balance modifying the money policy, particularly interest rates.

The Central Bank would also be obliged to introduce motions in Parliament concerning the change of the plans in case any disturbance of economic balance should occur. Besides, the Central Bank would have the following tasks:

- treasury control and the state budget settlement
- working out the balance of payments, and the balance of foreign liabilities and assets
- the issue of cash according to firm, centrally settled regulations
- regulating the activities of its own branch offices
- clearing the foreign accounts on behalf of the state
- refunding the Deposit Banks and controlling their activities.

The regional branch offices would have to act according to the principle of economic clearing.

Strengthening the position of NBP as a Central Bank on one hand, it is necessary to limit its function as a credit bank on the other. This requires changes in its organizational structure. The idea of separation and grouping of some of the present regional offices into several independent commercial, state-owned banks ought to be considered in the further stages of the reform. Also PKO (common Saving Bank) ought to be separated from the Central Bank. It should acquire the character of a nation-wide loan and savings bank for people, trade unions and other social organizations having the control over the key positions of its management.

3. Deposit Banks.

Deposit Banks, though enterprises, would have special status, which will be indicated in the way of establishing them, and special, different from other banks set of rights and obligations of their employees. The central and regional authorities would have the right to establish banks with capability of financing definite sphere of the economy on nation-wide and regional scale. The authorities who establish a deposit bank would control the activities of the bank from the point of the accordance with Law and the rules and regulations of the bank. It would also settle the general principles of the representative board of the employees of the bank. The Local Council or other adequate authorities will make decisions as to who should become a member of this supervisory board, in case the bank has regional range. In the case of a bank with a nation-wide range, such decisions will be taken by the central authorities. Apart from the representatives of the authorities, this Board should include representatives of the Central Bank, trade unions, creditors etc. Deposit banks ought to be amenable to the Central Bank's supervision (or the Council of Banks) whose task it would be to exert control of the activities of the bank from the legal point of view. Deposit Banks are self-financing enterprises. The deposits come from economic organizations, housekeeping and other economic subject. Bank Handlowy SA ought to have a special status of a commercial bank with mixed foreign or native capital. The possibility of establishing in the country or abroad specialist banks with a share of foreign capital ought to be taken into account. These banks would be set up by the Cabinet after consulting the Council of Banks, according to the banking law.

4. The Central Bank vs Deposit Banks.

The Central Bank would exert influence upon the Deposit Banks by:

- a) regulating the rate of the obligatory cash reserves.
- b) deciding upon the interest rates on the credits which the banks are granted.
- c) charging with interest rates the credits granted by deposit banks. The credits would be charged with additional surcharge settled by state, contingent on the nature of the credit and its purpose.
- d) deciding upon the highest degree of the credit amount which may be granted a particular customer by a Deposit Bank.
- e) Issuing allowances to grant consortium credits.

5. Banks vs social organizations.

Any social organization ought to have a right to avail itself of the services of more than one bank. The banks must cease their controlling activities of economic organizations. Thus banks would not be authorized to intervene in the policy of these organizations. However, on the basis of special agreement

with their customers they could acquire such rights. To put it specifically, further financing of these organizations would depend on whether they are willing to introduce new administrative methods or not. Even including bank representatives in the managing staff could be a condition for further financing.

Only reliable enterprises, that is ones which guarantee repayment considering the economic risk will be granted credits. If an enterprise declares itself insolvent, it will go into liquidation. This will be preceded by a reform process in which creditors, and especially the bank, will hold the leading role. The relations between the bank and the enterprise ought to be constituted by a credit transaction, which is the only legal document stating the range of rights and obligations of the creditor and the customer. This document should state the purpose of the credit, the way its repayment will be secured and the limits of the bank control. The Civil Law Code (Obligations) ought to be supplemented by rules concerning the bank credit, for the validity of the credit transaction to be strengthened. This should be the basic and the only act regulating these matters according to the law. The statutory set of rules and regulations of NBP ought to acquire the status of a legal act. The same applies to regulations concerning opening and controlling foreign currency accounts by individuals as well as by economic organizations.

6. Self-management representative body in a bank.

The Self-management body in a bank would be entitled to a narrower range of rights as compared with the powers of their counterparts in social enterprises. It is suggested that in the regional branch offices of NBP and the Deposit Banks, the representative boards of the employees have the following rights:

1. Passing votes on the distribution of profit.
2. Accepting (or not) the appointments and dismissals of managing directors.
3. Passing opinions on the candidates for the positions of vice-directors and chief accountants.
4. Passing votes on accepting the Balance Sheet for year, and granting the bank director account acceptance.
5. Settling the personnel policy.
6. Settling the rules and regulations of work.
7. Controlling the overall activities of the enterprise.
8. Electing the chair person and the presiding officers of the Council.
9. Passing votes on purchases and sales and on charging fixed assets.
10. Passing votes, on social and cultural matters concerning the staff.
11. Accepting applications to the government for decorating with orders and medals.
12. Controlling the information media.
13. Cooperating with the self-management bodies of social enterprises and with the local authorities.

VI. Territorial Self-Management

1. Essence of Territorial Self-management.

1. Territorial self-management is a representative body which represents the people of a given territorial unit. The powers of regional self-management are defined by the Constitution and other parliamentary acts.

2. Besides parliamentary acts and their executive regulations the functioning of territorial self-management is regulated by resolutions of local law passed by territorial self-management. Self-management should be allowed to institute local law within a wider range than it is now; this right should be given a legal basis in a new parliamentary act, which practically does not exist now.

3. Territorial self-management consists of obliga-

tory self-management at all levels of the country's administrative divisions (local council) as well as of self-management of inhabitants of those territorial units, which do not have administrative character (village, group of villages, housing complex). The voivodeship Council should consist in half of councillors elected in direct elections (with the number of mandates to be vested in basic territorial units proportional to the number of their inhabitants) and in half of equal-size representations of community Councils.

4. Local Councils should have a legal right (defined by a parliamentary act) to form territorial agreements which would serve specified long or short-range goals. Common funds, commercial enterprises and public-service undertakings as well as other institutions may also serve such goals.

2. Guarantees for Self-management.

1. The political guarantee for territorial self-management are the democratic principles contained in the electoral law.

2. In recognition that the organizational and financial autonomy of self-managing territorial units is their greatest source of strength we support a proposal raised by theory and practice that territorial units be granted legal status.

3. Financial administration of Local Councils should be characterized by autonomy. The factors which guarantee financial autonomy are:

- a) national property entrusted to local councils, i.e. municipal property,
- b) income from taxes and local charges,
- c) central state subsidies which would equalize economic disproportions between the country's territorial units.

3. Local Councils as distinguished from administration

1. Within territorial units we distinguish:

a) general administration, which is an executive body of territorial self-management and is appointed by it,

b) nonunified administration which is substantially independent of local councils (e.g. mining, military, custom, railway and other administrations) but is obliged to coordinate its decisions with the councils,

2. Administrative bodies of local councils are subject to constant control and a periodic obligation to obtain an absolution from the council.

3. There is a need to change the system of administrative law so that the range of judicial control over administrative decisions is increased.

4. It is possible to form adequate administrative bodies which would be common for a number of territorial units at the state level (e.g. joint city-community council).

4. Local Council and the enterprise.

1. Local council may influence the operation of a social enterprise only through economic and financial stimuli (e.g. tax exemptions) which are granted to it by parliamentary acts. These factors are the only mechanism through which territorial self-management can influence publicly-owned commercial enterprises, thus making possible realization of long-range territorial, economic and social plans and local zoning. The sphere of employment in a social enterprise should not be in the competence of the councils and their administrations. The existing employment departments of territorial administration may only play a coordinating and informative function.

2. Due to its service character and function of communal enterprise, the range of subjugation of such enterprise to local council will be defined in each case by the founding act and the charter of such enterprise (overall definitions should have the form of a parliamentary act).

3. The functioning of state enterprise (PKP railway, postal services, power engineering) cannot infringe upon legal rights of a local council.

5. Territorial division of the country.

The widespread demand for a reform of the existing territorial division of the country, introduced in 1975 is considered justified. The cost of such a move would be high, especially in the country's present economic situation but political, social and economic damage resulting from the functioning of the present division seems much higher. The government, aided by scientists, and with acceptance of public opinion should prepare a model of territorial division and define stages of its introduction, taking into

account the present conditions and possibilities in the country.

Defining the ultimate model and the stages of its implementation economic considerations, road system and population factors are not the only ones to be taken into account. It should also take into account cultural and historical integration. The prepared division should also take into consideration the necessity of the regional authorities to be well provided with scientific and cultural centers as well as with experienced administrative cadres. The reform of the territorial division should also neutralize new and old regional animosities which threaten the solidarity of the Polish society.

Although immediate modifications of community boundaries and fusion of voivodeships are necessary spontaneous attempts at modifications should be opposed.

6. Additional comments.

The position presented above is based on the constitutional concept of self-management: Local Councils at the basic level (of the town, community and voivodeship level) are bodies of citizens' self-management of the corresponding areas of the country.

In the above propositions the term „territorial self-management” has been used because the scope of this term is wider and covers not only local councils but also other forms of representations of people living in towns and villages.

Self-management of territorial units which are not of administrative character are in towns committees of the inhabitants of housing complexes or housing blocks and in the village — groups of villages council. Councils of Groups of Villages as forms of self-management should not be confused with the farmers' self-management. The farmers' self-management, which corresponds to the workers' self-management represents producers of agricultural products as far as their productive, professional and social interests (e.g. usage of funds for the development of agriculture, sale of land, farming machines etc.) are concerned.

The existence of municipal property included, in the constitutional understanding in national property, isolates a category of public property with a specific legal status. It is not, however an absolutely new category if we take into account the existence of the so-called rural group property which is a relic of community property, liquidated at the end of the 40's.

Public property should include:

1. national property which is administered by:

- a) the State Treasury,
- b) central property funds (e.g. State Land Fund,
- c) publicly-owned commercial enterprises,
- d) local councils' (municipal property).

2. cooperative property.

3. Property of other social organizations (e.g. various associations).

The question of the electoral system for territorial self-managements requires further treatment. However it is necessary to point out here that the following principles should be taken into account:

1. The right to propose candidates belongs to:

- political organizations,
- social organizations, including trade unions, unions of writers, artists etc., registered associations, employees' self-managements and their associations,
- citizens which would present a list with a specified number of signatures supporting some candidate.

2. The candidate for a seat in territorial management should be closely linked with the given territorial unit. The above solutions refer only to territorial self-management in opposition to the employees' or farmers' self-management, which may form associations of a regional character (commissions for cooperation), but have no institutional authority over the functioning and decisions of the bodies of territorial self-management.

VII. Comments on the Implementation of Reform and Solution of the Crisis

1. General Comments.

As far as social and economic reform is concerned the following proposals are made:

1. Quick, overall and sweeping economic reform is necessary.

2. The principal requirement for the success of the reform is its public acceptance, both with regard to its substantial solutions as well as the procedure, methods and means of its implementation.

3. The climate of confidence in the proposals contained in the „Guidelines for Economic Reform” as well as in the Government and Parliament is a decisive factor in bringing about public acceptance of the reform's assumptions.

4. A way has to be found to overcome psychological barriers created by widespread feeling that the society has to suffer the main burden of social costs of the reform although it is not responsible for the present crisis, caused by the previous groups in power.

5. Among the sources and reasons for the present attitudes and apprehensions of the society there are the following:

5.1. The Government's focus on the issue of retail price rises and their consideration of price rises as an issue separate from economic reform.

5.2. Lack of complete information on social and economic effects of the announced retail and wholesale price rises.

5.3. The government has not considered and has not included fully other ways and means for liquidating inflationary surplus of money on the market, which would be less severely felt by the people than those connected with the reform of retail prices. Reserves connected with the changes in organizational structures and the principles of managing the economy should be initiated first. This would increase the efficiency of making use of resources, materials and permanent assets as well as human potential and his creative potential.

5.4. Interference of certain party and government groups with social initiatives which suggest modifications of the governmental draft for economic reform. The demagogic criticism launched at the draft for a social enterprise Act, worked out by the „Network”, is an example of such action. Such reaction on the part of the authorities (and the mass media controlled by them) strengthens the people's conviction that it is futile to present propositions and opinions which are different from the governmental ones since they are considered a hostile action directed at unquestionable and unerring authority.

6. It is hard to expect that the complex mechanism of functioning of the proposed economic reform will reach the consciousness of the whole society even when all accessible mass media are wisely used. Therefore it is of utmost importance WHO will speak and write about the need for reform.

Credibility of persons appearing on Polish TV and explaining the assumptions and the need for implementing the reform, including the difficult operation of retail price increase, is a necessary condition for creating among our people a favorable climate for the governmental draft for an economic reform. In this context one wonders at the negative position of appropriate authorities as regards the question of granting the representatives of „Solidarity” leadership or its experts access to the mass media, and especially TV.

7. The governmental draft for economic reform, viewed as a whole, should be open to all solutions proposed in social drafts. In particular, the proposals raised by Leszek Balcerowicz should be taken into consideration. In order to protect, to the largest extent the interests of large masses of people statements and advice dealing with „The Dangers and Safeguards of the Economic Reform” (see „Alternatives

tywy Rozwoju — Alternatives of development, p. 69—82) should be taken into consideration.

8. The analysis of „Guidelines for Economic Reform” — when not all legal acts and elements which comprise its system are present, does not allow for taking a position on all the issues connected with the reform (in its entirety). The detailed comments presented below do not exhaust the problems connected with this issue. Irrespective, however, of all substantial reservations the utmost importance of the climate of social confidence in the authorities should be stressed once again. It is the condition for gaining the acceptance of the society for the idea and implementation of economic reform.

2. Detailed comments.

1. A decisive factor in the reform's success is preparing the workers for the management of enterprises in the new system of running the economy. The process of preparing the workers should be initiated already in the first stage of the reform through support given to all initiatives for an authentic self-management movement. Formation of self-managements in the third phase of the reform as proposed by the government (i.e. at the end of 1981) would make it impossible to start the implementation of the reform on January 1, 1982.

2. One of the principal elements of the reform is the legislation on enterprise. It has to embrace the functioning of enterprise and employees self-management.

3. The basic task of trade unions during the economic reform is to execute proper safeguards for the people against the negative effects of the reform's implementation. Our union has to see to it that the social price of the reform (including the effects of the rise in the prices of consumer goods and employee transfers) are as low possible.

3.1. Since it is necessary to limit employment in administration, in some factories or even whole branches of industry the government should:

a) present and thoroughly explain the program for the employees displacement which is treated by the people with apprehension and mistrust,

b) strengthen employment services to cover employment agencies, vocational advising, training in new professions etc. The employees undergoing job-instruction or looking for a job should receive proper pay. The employment policy should be closely consulted with trade unions.

3.2. In connection with the widening gap between individual wages, incompatible with the public sense of social justice, the introduction of the following income regulators is proposed:

a) a system of social benefits based on so-called social minimum income,

b) equalizing tax paid for per capita income in each family. Fixing the amount of social minimum income should take place at the beginning of the year according to the expected rise in the cost of living. Minimum wage, lowest pensions and annuities as well as other benefits based on social minimum should increase in ratio to the increasing social minimum.

When defining the income which comes under taxation one should subtract from it all sums appropriated for investment in farms, craftsman's workshops and private enterprise. The amount of the declared income should be made public through the accessibility of lists of tax-payers to the public.

3.3. Since some commercial enterprises will run into financial problems when they gain autonomy, they would also require certain safeguards:

a) transitory use of extra charges or levelling encumbrances dependent on the presentation by a given enterprise of proper program for improving its situation,

b) the creation during period of transition, when the enterprise makes high profits, of an obligatory reserve fund in order to make it impossible for additional inflationary pressure on the market to develop

This will be the primary protection against burdening the workers with the effects of the hitherto existing enterprise management.

3.4. In order to do away with price-and-product-line manipulation of enterprise in the period of transition (period of imbalance) the following actions should be undertaken:

a) introduce anti-monopoly regulations making it possible to sue enterprises which gain unjustified profits.

b) promote the creation of consumer organizations, publishing independent opinions about the products of various enterprises (including the right of announcing a boycott of some products) and having the right to sue enterprises,

c) Control at the central level the fixing of prices of basic consumer goods;

d) influence maintenance at a steady level or increase of the production of consumer goods (by changing turnover tax or subsidies) when the production of those goods could be withdrawn by producers after the introduction of self-financing and the freedom to change the line of product.

3.5 The introduction by the government of a whole set of protective tariffs (measures), discussed with trade unions, must precede the main reform mainly to convince the people that the government is not trying to implement the reform only through drastic lowering of the standard of living.

4. The reform of retail and wholesale prices is an element of the overall economic reform. It cannot be introduced separately and it cannot precede the reform. Each change in prices must be accompanied by a proper system of compensation after consultations with trade unions. In the future rise in the cost of living should be compensated for after yearly consultations with trade unions as regards the level of wages and social benefits. Tying together changes in retail prices with a program of gradual withdrawal of rationing system.

5. „The crucial packet of reform” should also include certain changes in agriculture, negotiated with the independent farmers union „Solidarność” and other agricultural organizations of farmers. All sectors of agriculture should be granted equal access to means of production, credits etc. Rural self-management, consisting of representation of village inhabitants elected democratically at a gathering of all inhabitants, should monitor this access. The condition for the intensification of production in agriculture is granting the farmers institutional guarantees which would ensure the stability of farming (ownership) and profitability of agricultural production.

6. The one-time price rise, proposed by the government should improve prices relations and check the waste of bread and flour products. However, the state should build a system of protectionary measures and subsidies for food production. This must be achieved through maintaining price relations and not through their constant changes (which leads to a galloping price and wage spiral) but through subsidies of the means of agricultural production.

7. In the Government's „Guidelines for Economic Reform” the problem of transport, which is a very important part of national economy, has been neglected. Absence of measures in this respect which would enable transport system to get out of the present situation may seriously impede the implementation of the reform.

8. Overcoming the crisis requires an immediate realization of two contradictory goals: improvement on consumer goods market and a fast increase in export. The Government's measures to increase export production should include a need to inform workers about conditions of exchange and efficiency of foreign trade. At the moment the information concerning this is insufficient and unreliable, which forces the union to organize its own system of gathering information concerning the size of production and

distribution of food products. This is connected with the sore point of food imports.

9. In the period of transition it will be impossible to avoid the allocation of certain resources and materials. But the need for rationing does not justify the formation of obligatory enterprise associations. Allocations should be carried out through a Temporary Office for Administration of Materials.

10. One of the most acute symptoms of the crisis is the painful shortage of energy and fuel. It creates increasing problems in industry and agriculture and is especially painful for the people. Opinion on the present situation in the coal mining industry:

The starting point of our position on the situation in the coal mine industry are the Agreements signed in Jastrzębie last year, which postulate the following:

— „all Saturdays and Sundays are work-free — beginning on January 1, 1981. If any work legally work-free days is necessary, the rule of its absolutely voluntary character should be observed, beginning on September 1, 1980.

The coal resources, as the whole nation's property — are to be rationally administered”.

We state the following:

1. The present mining potentiality amounts to approximately 165—168 million ton a year.

2. A reliable plan of distribution of coal for basic national industries and export ought to be worked out on the basis of this estimation.

3. Measures should be taken to improve the working conditions of miners in order to achieve this estimated potentiality.

Miners who work under the ground, especially those working in forefields, are exposed to many unwholesome factors, the number and intensity of which exceeds frequently the acceptable standards. The extent to which these factors are noxious is evidenced in that the average working period of a miner is 17 years, and usually at the age of 42, that is far before the proper time, he has to be granted disability pension. In 1979 there were 4.7 thousand instances of retirement and 7.6 thousand instances of acquiring disability pension. Thus, according to these figures, the postulate of lowering the retirement age of miners who work under ground is well motivated. The retirement age should not exceed 50. Furthermore, other workers ought to have their retirement age lowered by five years, and everybody who has worked for 25 years in a mine (especially those who work under the ground) ought to be entitled to full pension, regardless of the retirement age. Work in such harmful and arduous conditions requires adequate regeneration conditions, first of all in the form of sufficient food supply, and rest on week-ends beyond the polluted territory of Silesia.

Besides, we postulate:

a) concerning the social and employment issues:

— The engagement of new workers and their education in order to maintain or possibly to increase the employment level.

— High and socially acceptable standard of wages and privileges of miners.

— A definite solution of the acute housing problem of miners.

— Securing decent working conditions, living standard and medical care.

b) Concerning the technological and organizational issues, we postulate further:

— The continuation of investments which have been started (building new mines or exploitation of tunnels in existing mines) in order to maintain, or possibly increase the productive efficiency of coal mining industry in the years to come.

— The specification of investments which are indispensable to maintain the present state of mining efficiency.

— The specification of investments which are indispensable to achieve a possible increase.

— Rational exploitation of the ledge: exploiting all seams in an economically motivated way.

— By all means preventing exploitation loss (making use of the exploitation system, the degree of me-

chanization system, the degree of mechanization etc.).

- The preference of a system of exploiting from the layer's bounds, as a more efficient one.
- Securing the regular mining process by preparing the work in the forefield.
- Providing for a sufficient number of machines and spare parts, and for their quality.
- The introduction of additional equipment, necessary in case of particularly arduous auxiliary activities.
- A true improvement of working conditions as regards the safety and hygiene of work (providing for protective personal equipment of good quality, protective clothing etc.).
- Undertaking investments leading to vital improvements in the quality of the coal for sale. The immediate start of all preparatory steps in order to introduce the new economic and financial system, in which the final result of the work of enterprises is measured in terms of profit gain or loss. Only a quick and overall introduction of the economic reform may make the application of the above mentioned postulates possible, first of all due to the fact that because of the reform enterprises will be fully independent, being administered by true, self-managing body — representatives of the enterprise.

3. Final remarks.

The year 1981 is meant to be an indispensable preparatory period, the true reform being expected to begin on 1st January, 1982. According to governments proposals, it will take 2—3 years to apply this reform and during this new transitory period the economic crisis must be overcome and the fall of production stopped. Then the elimination of the shortage of consumption goods and arresting the constant growth of foreign liabilities should occur. The end of the transitory period is supposed to be marked by a constant tendency towards production increase and growth of living standard.

Hard though the task of achieving the economic balance is, its undertaking is absolutely necessary. However, the transitory period means for the society further renuncements and costs rather than effects of the reform. Thus measures should be taken by government, self — managing bodies and by the whole society so as not to prolong the transitory period. Further delay of the moment in which the positive consequences of the reform could be seen may result in a heavy strain upon the patience of the society. With the society discouraged, there would be no chance for the new economic system to work. The release of all restraints cramping the economic initiative of individuals as well as organizational units is a condition under which this reform could be made a success and people could trust its program.

Summary

The system of centralized socialist economy stopped functioning. Directives have no effect, distributed goods do not reach their places of destination and bureaucratized administration is incapable of solving even the simplest problems. The country is sinking into chaos and crisis.

In this situation we present a project of a deep, total reform of our economy. Reform which is to restore dignity to human labor and universal respect for well organized work, as well as to remove all obstacles interfering with economic initiative.

This requires deep changes both at the level of central centers of power as well as in the enterprises.

The present system of providing enterprises with planned directives, rewarding them for satisfying preset figures, supplying them with appropriate raw materials, investments and financial means to fulfill their planned objective, limiting employment and wages, setting prices etc., this whole so-called hand control over enterprises executed by the center, must cease to exist. Enterprises must be independent, self-managed and self-financing.

Independence

Acquisition of independence by enterprises requires a widespread reorganization of the central administration. All branch ministries will have to be liquidated and substituted ultimately by a single Ministry of Industry and Trade. It is necessary to do away with the principle which allows the planning institution to manage enterprises. The Government should have only its planning staff and besides to avoid monopolization of planning by the Government it will be necessary to create several variants of the plan and to guarantee real influence of the society on planning by means of Sejm (Parliamentary) Bureau of Analyses and Economic Plans. Central Bank, Social Commission of Prices and Main Statistical Office should be all independent from the Government. These institutions should all be subservient directly to the Sejm (Parliament).

It might be acceptable, but only in an intermediate period, to set up a Temporary Office for Administration of Materials which would not have the status of a ministry but would be managed by a plenipoten-

tentiary of the government and would have the right to limited distribution of really scarce raw materials. The importance of the Council of Ministers should grow and it would jointly be responsible before the Parliament for the state of the national economy and for the activities of each minister.

To prevent central administration from being again deformed into a bureaucratic machine administering enterprises, it will be necessary to empower the Parliament to settle the number of its employees and the amount of money allocated for its budget (cut at least by half).

Instead of detailed plans, including both important and unimportant elements, central plan should be concerned solely with delimitation of strategic aims of the economy.

Such plan will cease to be an instrument of administering the economy because enterprises will work for profit and not to fulfill objectives included in the plan.

It should be a plan only for the government and not for the enterprises. Enterprises will be able to prepare for their needs, their, own independent plans. The government will be capable to stimulate the activities of enterprises in strategically desirable direction for the realization of the central plan, not through direct orders which destroy independence of enterprises but through economic instruments such as taxes, duty payments etc., which would only serve to enhance appropriate actions.

It is necessary to do away with setting of all prices by the government and with imposing on enterprises particular contractors and purchasers. It is necessary to introduce complete freedom in signing contracts on the basis of prices determined by the market. Only few products (bread, milk, school text-books etc.) should have maximal prices set by the government.

To prevent competing enterprises from creating monopolies to the detriment of the purchaser, one can foresee a whole system of safe-guards specified in antimonopoly law.

By the end of 1981 all intermediate administrative levels between the enterprise and the ministry should be abolished, since such organizations are

often forcibly maintained. Their property should be divided between enterprises grouped in them and used for different aims. Their place could be taken by groups of enterprises formed on the basis of the free will of workers' self-management bodies.

Self-management

Self-management in an enterprise means making its employees and their representatives, workers' council, the highest managing authority. Organizational and official dependence of managing directors of enterprises on administration and party nomenclature must be eliminated and a principle must be introduced that only the workers, council may appoint and recall a managing director. The managing director must be subservient to the workers' council and must realize its resolutions managing the enterprise on a day to day basis. Workers' council is to be elected in universal, equal and direct elections with secret ballot by all employees of an enterprise. Its duty should be to state the strategic aims of the enterprise. Some of its obligations should be: passing resolutions on the direction of the functioning and development of the enterprise; on its plans, structure, regulations, principles of cadre polity, decisions concerning the division of its profits, signing of contracts for cooperation and export or import, decisions on the appointment of managing directors and unlimited control over the functioning of the enterprise.

Full independence in terms of property and organization must be given to territorial self-management (councils and other representations of the inhabitants of the cities and villages). It is especially necessary to change electoral law to territorial self-management bodies, where the right to nominate candidate should be given not only to political organizations but also trade unions, workers' self-management bodies and citizens who manage to collect an appropriate number of signatures to back up a candidate.

Self-financing

Instead of subsidizing „planned deficits” it is necessary to introduce the principle of self-financing consisting in the enterprise covering all its expenses from its own profits (or possibly bank-credits). This means that enterprises functioning better will be able to

develop and those functioning badly may even go bankrupt.

Wages of the employees should depend on profits of the enterprise, so the workers could directly benefit from their good work. This would mean however that in unprofitable enterprises, and especially decaying ones, wages would be lower or even become endangered. To protect the interests of the employees it is therefore necessary to introduce so-called guaranteed salary of a fixed in agreements amount, leaving only the rest as dependent on profits. Enterprises, on the basis of decisions of self-management bodies, would also set up reserve funds, which in the case of general bankruptcy could be used as safeguard wages for employees. Minimal wages and allowed wage differential, corrections of guaranteed salary as the costs of living go up, will be settled in negotiations with trade unions.

In order for profit to become the main stimulus of economic activity of an enterprise it is necessary to stop automatic crediting of any unprofitable, even if planned, activity. The old principle that credit is given only to those who can guarantee solvency, should be reintroduced. This requires changes in the banking system. Central Bank would be responsible for economic and market equilibrium, and would control the emission of money; remaining banks should work as self-financing institutions, interested in giving credit only to those who are profitable and guarantee the return of the loan.

Social enterprises and others.

The basic type of enterprise will be social enterprises. They will group all present state enterprises which will gain independence, self-management and self-financing. Most communal enterprises will work on the same principles. The term „state enterprise” will be reserved only to those enterprises which will function in the sphere of so-called basic services (such as the railways, post office etc.). These will have limited independence. In these enterprises as in commercial banks and local branches of Polish National Bank, self-management will also exist but will have slightly diminished competence due to the lack of full independence of these enterprises. Without self management would be only private enterprises, both national or foreign owned which would be given equal rights in our economy.

Draft for an Act about Social enterprise

Article 1. A social enterprise is the basic organizational unit of national economy; it functions independently on the basis of economic calculation, it is endowed with legal status, comprises its organized workforce, administers the part of national property which is entrusted to it and is run by the employees' self-management body.

Article 2, section 1. A social enterprise carries on economic activities aimed at achieving intended economic and social results, making rational use of the means at its disposal.

section 2. The enterprise carries on activities to model among its employees a conscientious attitude towards performing their duties and observing the principles of social coexistence.

ESTABLISHING ENTERPRISES.

Article 3, section 1. An enterprise on a nationwide scale is established by a minister or another central state administrative body, a regional enterprise by a regional administrative body.

section 2. Regional bodies of state administration may form joint enterprises on the basis of resolutions passed by appropriate local councils.

section 3. If the obligation of founding a given enterprise does not result from a plan passed by a proper elected body (the Sejm, local councils) its formation requires the consent of such a body.

section 4. The charter of formation defines the name, location and object of the activities of an enterprise.

Art. 4, section 1. The body founding the enterprise is required to appoint a preparatory committee consisting of representatives of the Ministry of Finances, trade unions, institutions for the preservation of natural environment, scientific associations and experts.

section 2. The aim of the preparatory committee,

* Including amendments introduced at the fifth meeting of the „Network” on 30 July 1981.

mentioned in section 1, is to present an opinion as to the advisability of founding the enterprise.

Art. 5, section 1. The founding body entrusts the enterprise with a part of national property.

section 2. Entrusted property is at the disposal of the enterprise managed by its self — management body.

Art. 6 section 1. The enterprise receives legal status from the moment it is registered by common courts.

section 2. The manner of keeping the register of social enterprises will be determined in an ordinance of the Minister of Justice.

Art. 7, section 1. A social enterprise may associate itself with a foreign subject.

section 2. The procedure for forming and principles of functioning of a joint enterprise, mentioned in section 1, will be defined in a separate act.

Art. 8, section 1. Social enterprises may form and leave associations on the basis of resolutions passed by the workforces of involved enterprises in a referendum.

section 2. Associations of enterprises, mentioned in section 1, may not evolve into monopolies as specified by anti-monopoly act.

CHARTER OF AN ENTERPRISE.

Art. 9, section 1. The charter of an enterprise is approved by its workforce in a referendum.

section 2. The provisions of the charter may not contradict the provisions of the act.

section 3. The charter of an enterprise is to be registered in court according to the procedure defined in article 6.

PRINCIPLES OF MANAGING THE ENTERPRISE.

Art. 10, section 1. The enterprise is managed by its workforce by means of their self-management body.

section 2. The workers self-management consists of all employees of the enterprise.

section 3. Self-management bodies with the exception of the general meeting of the workforce are elected. Members of self-management bodies are responsible before their electors and may be recalled only by them.

section 4. The highest way of expressing the workforce's opinion is a referendum which is conducted on the basis of a resolution of workers council or a motion signed by not less than 10% of the members of the workforce.

section 5. Self-management administers the property of the enterprise and lays out the general trends for the activities and development of the enterprise as well as decides how to divide the profits.

section 6. Proper bodies of self-management may enter into agreements and contracts with state and administrative bodies.

section 7. The managing director of the enterprise, as an executor of the resolutions of self-management, effectively manages the enterprise according to the principle of one — man management.

BODIES OF THE ENTERPRISE.

Art. 11. The following bodies of a social enterprise can be distinguished:

1. general meeting of the workforce (delegates).
2. worker's council,
3. presidium of the council,
4. auxiliary self — management bodies,
5. the managing director of the enterprise.

GENERAL MEETING OF THE WORKFORCE (DELEGATES).

Art. 12, section 1. It is within the competence of the general meeting of the workforce to:

1. annually evaluate the activities of the council and the managing director of the enterprise,
1. annual council resolutions when it is justified.

section 2. In enterprises employing over 200 persons the function of the general meeting may be taken over by a meeting of delegates.

Art. 13, section 1. Summoning of the general meeting is in the power of the presidium of the worker's council.

section 2. The presidium of the council is obliged to summon the general meeting at the motion of:

1. 10% of the workforce of the enterprise,
2. enterprise trade union bodies,
3. workers' council.

section 3. Workers are to be informed about the place, date and agenda of the general meeting at least 7 days before it is to take place.

Art. 14, section 1. Resolutions of the general meeting are passed with an unqualified majority of votes when 50% of the workforce is present.

section 2. Resolutions passed on matters within the powers of the general meeting are binding for the council, the presidium, the managing director and all employees of the enterprise.

Art. 15. Decisions concerning fusion, division or liquidation of an enterprise are taken through a referendum of the workforce.

WORKERS' COUNCIL.

Art. 16, section 1. The number of members of the workers' council is determined by electoral law.

section 2. Elections to the council are general, equal, direct and secret.

section 3. The council's term of office is 4 years.

section 4. Active electoral rights belong to each employee of the enterprise.

section 5. Passive electoral rights belong to employees working in the enterprise for at least 2 years. This last limitation does not refer to newly organized enterprises.

section 6. Passive electoral rights do not belong to the managing director, his deputies, the head accountant and legal adviser. The management, their deputies, head accountants and legal advisers of departments or branches of an enterprise do not have passive electoral rights at the level of their organizational units.

section 7. The council members may not hold managerial posts in social and political organizations.

Art. 17. A council member may be in office only two consecutive terms.

Art. 18. The procedure for electing and recalling council members is defined by electoral law.

Art. 19. It is within the powers of the council to:

1. pass resolutions concerning basic trends of economic activity and development of the enterprise,
2. vote on the plan of the enterprise,
3. resolve the organizational structure of the enterprise,
4. pass resolutions concerning the division of profits,
5. appoint or recall the manager,
6. express opinions on the candidates for deputy managers and head accountant,
7. pass resolutions concerning changes in the profile of production or services,
8. pass resolutions concerning the acceptance of annual balance of payments and account of results, as well as grant vote of acceptance to the managing director,
9. pass resolutions concerning economic agreements and cooperational contracts with other enterprises,
10. sign agreements of cooperation with state administrative bodies,
11. establish principles of personnel policy,
12. establish work regulations,
13. control the overall activities of the enterprise,
14. elect the chairman and members of the presidium of the council,
15. pass resolutions concerning the purchase, sale and mortgaging of immovables and other permanent assets,
16. pass resolutions concerning social, material and cultural matters of the enterprise workforce,
17. pass resolutions concerning import and export contracts,
18. approve proposals to confer medals and state distinctions,
19. administer the information media of the enterprise.

Art. 20. The council may demand from the managing director and employees of the enterprise any

reports, information or clarifications and inspect the state of the property of the enterprise.

Art. 21. The managing director of an enterprise is obliged to present his views in writing with regard to all kinds of initiatives, proposals and opinions of the council within 14 days of the day they were brought up.

Art. 22. The resolutions of the council passed on matters within its powers are binding for the managing director and employees of the enterprise.

Art. 23. The council's sessions take place at least once every three months.

Art. 24. The presidium of the council is obliged to call an extraordinary session of the council if one third of the members of the council, 10% of the entire workforce or the managing director place an appropriate written motion.

Art. 25. The resolutions of the council in order to be passed require an absolute majority of votes in the presence of at least 2/3 of its members.

Art. 26. The council may appoint permanent or temporary working committees, defining their authority and procedures of their functioning.

Art. 27. Members of the council have the right to present, through the presidium, questions and proposals on all matters concerning the enterprise.

Art. 28. Work contracts of members of the council cannot be terminated while they are in office nor within two years after they finish their term. Their working conditions and pay may not be changed to their disadvantage. This article does not infringe on regulations concerning terminations of contracts without notice.

PRESIDIUM OF THE COUNCIL.

Art. 29. The presidium is in charge of the work of the council and is its executive body.

Art. 30. The presidium consists of: the chairman of the council, his deputy, secretary and members.

Art. 31. It is within the competence of the presidium to:

1. prepare drafts of resolutions of the council,
2. control the execution of the resolutions of the council,
4. organize the work of working and advisory committees,
5. verify information presented by the managing director to the workforce or council on financial — economic and technical state of the enterprise.
6. maintain control over the functioning of auxiliary bodies of workers' self-management (departmental councils, branch councils, factory councils),
7. execute other functions commissioned by the council.

AUXILIARY SELF — MANAGEMENT BODIES.

Art. 32. In enterprises consisting of more than one factory, workers' self-management bodies function also in units which are fully financially self-managing (departments, branches).

Art. 33. Workers' self-management bodies, mentioned in article 32, are subject to all regulations concerning self-management bodies of enterprises.

Art. 34. The charter of an enterprise may include a clause allowing for the creation of workers' self-management bodies also in units which are not self-financing (in departments, in separate organizational units).

Art. 35. The competence of bodies mentioned in article 34 is defined by the charter of self-management.

THE MANAGING DIRECTOR.

Art. 36. The managing director of an enterprise carries out the resolutions of workers' self-management bodies.

Art. 37. The managing director carries out executive management in the enterprise, organizing the work of the staff on the principle of one-man management, represents the enterprise outside and performs legal acts on behalf of it.

Art. 38. It is within the powers of the managing director to undertake any decision concerning the enterprise which are not within the competence of workers' self-management bodies.

Art. 39. In matters restricted to the competence of the self-management bodies any legal acts of the managing director must be preceded by appropriate resolutions of these bodies.

Art. 40. Prior to passing any resolutions by self-management bodies the managing director is obliged to present in writing his opinion concerning their economic, social and legal results.

Art. 41. The managing director is obliged to voice his objection against any resolution of the self-management body which contradicts the law. The objection of the manager withholds the execution of the resolutions.

Art. 42, section 1. The managing director is appointed by the workers' council following a public competition.

section 2. The managing director's term of office is defined by the council in the contract it signs with him.

section 3. The council recalls the managing director prior to the termination of his contract by refusing to give him a vote of acceptance.

section 4. The managing director may be also recalled in a referendum of the entire workforce.

Art. 43. The managing director appoints his deputies and head accountant after presentation of opinions on candidates by the workers' council.

PLENIPOTENTIARIES OF THE ENTERPRISE

Art. 44, section 1. Plenipotentiaries of the enterprise are appointed and recalled by the managing director of the enterprise.

section 2. Full plenipotentiary powers must be granted in writing, otherwise they are void.

section 3. Granting and withdrawal of plenipotentiary powers must be made public in the enterprise register. This however does not refer to plenipotentiaries for particular functions or for trial plenipotentiaries.

Art. 45. Deputy managing directors act on behalf of the enterprise on the basis of plenipotentiary powers granted to them by the managing director.

SOLVING DISPUTES BETWEEN SELF-MANAGEMENT AND THE MANAGING DIRECTOR

Art. 46, section 1. Disputes between self-management bodies and the managing director resulting from article 41, may be resolved with the help of a mediating committee set up jointly by both sides.

section 2. In case such mediating committee is not appointed or it fails to resolve the conflict each party may submit the dispute to court.

THE PROPERTY OF THE ENTERPRISE.

Art. 47. The enterprise exercises rights over the property entrusted to it.

Art. 48. The enterprise is accountable for its responsibilities according to the provisions of the civil code.

Art. 49. When an enterprise is liquidated the state body which founded it decides how to appropriate its property. Prior to making its decisions it must seek the opinion of the employees expressed in a referendum. The decision of the body mentioned above must be preceded by an investigation performed by a committee of experts.

Art. 50. The enterprise establishes funds described in separate acts.

Art. 51. The enterprise contributes to state budget and regional budget by paying taxes as determined by regulations of financial law.

STATE SUPERVISION.

Art. 52, section 1. The state extends its influence over the functioning of the enterprise by means of legal regulations and specific economic parameter.

(taxes, custom duty, credits) settled in a general manner.

section 2. Setting of prices which are not reserved for decisions of state bodies is within the powers of the enterprise.

Art. 53. State bodies may intervene in the internal affairs of the enterprise only within limits set by parliamentary acts.

Art. 54. The functioning of the enterprise is subject to control of state control bodies.

Art. 55. The enterprise has the right to appeal within 7 days against any decision of state bodies. The appeal suspends the execution of the decision.

Art. 56. Disputes between state bodies and enterprises are resolved by courts.

Art. 57, section 1. When the enterprise suffers losses due to the execution of a decision of state control bodies it has the right to demand damages according to procedures specified in civil code.

section 2. Disputes arising from decisions mentioned in section 1 are settled in court.

JOINT REGULATIONS FOR ENTERPRISE BODIES AND TRADE UNIONS.

Art. 58. If the resolutions passed by self-management bodies or decisions of the managing director concern issues within the competence of trade union, prior to passing these resolutions or making decisions enterprise bodies are obliged to enable trade unions to take a position on these issues as specified by trade union act and code of work.

TEMPORARY REGULATIONS.

Art. 59. State enterprises functioning on the basis of the decree of 1950 (Journal of Laws No 18 from 1960, position 111) become social enterprises in the sense of the present act unless their employees determine otherwise.

CONCLUDING PROVISIONS.

Art. 60. This act does not refer to PKP (Polish State Railways), PPTiT (State Postal Service), banks, PZU (State Insurance Company), power engineering as well as enterprises controlled by the Ministry of Justice and Ministry of Defence.

Art. 61. The decree of 26 October 1950 concerning state enterprise (Journal of Laws No 18 from 1960, position 111) loses its validity as well as executive regulations on its basis.

Art. 62. The act of 20 March 1958 on workers' self-management (Journal of Laws No 77, position 307) loses validity as well as executive regulations issued on its basis.

Art. 63. This act comes into life on

* * *

JUSTIFICATION.

This act is an integral part of the socio-economic reform of the country. The reform should do away with the central directive — allocative system of economic management, creating in its place social enterprises, whose functioning would be based on self-management, independence and self-financing.

The social enterprise is the main type of enterprise along the existing state enterprises (like railways, communication, power engineering), cooperative enterprises, budgetary units, joint stock companies and private enterprises.

Social enterprises are excluded from the domination of state administration. Other types of enterprises like cooperatives, budgetary units, stock companies and private enterprises do not fall under the provisions of this act.

Social enterprise is the basic organizational unit of the national economy which undertakes independent activity on the basis of economic calculation and self-financing, endowed with legal status, comprising organized work-force and entrusted with part of national property and managed by workers' self-management bodies.

Social enterprise implements the constitutional principle of workers' participation in the management of enterprises (article 13). The draft of the act contains an assumption that the workforce participates in management directly and indirectly through self-management bodies. Self-management bodies are not the only bodies in the enterprise carrying out managerial functions. The general meeting of the work-force and especially the Workers' Council serve as head management bodies of an enterprise. The managing director is subservient to the Workers' Council. He executes its resolutions, carrying out effective management. State control over social enterprise is also envisioned. This control will not however infringe on the independence and self-management of the social enterprise due to the fact that it will not be performed through the issue of administrative directions or decisions on the appointment of the managing director, but through the usage of so-called economic instruments (parameters) and legislation.

Social enterprise administers the national property entrusted to it in order to attain effective economic results by producing merchandise or providing services.

Means of production constituting part of national property entrusted to the enterprise may be sold to purchasers who may be or not units of national economy. Income obtained in such manner may not be used for wages or social needs of the work-force of an enterprise since means of production are not group property of the work-shop. Limitations on the sale of these assets to units of non-nationalized sector of the economy result from separate acts specifying the rights of non-nationalized units to purchase assets.

Also in case an enterprise is liquidated dispositions concerning its property are given by a state body which founded it. In this manner the social enterprise constitutes the realization of the socialist principle of socialization of state ownership of means of production. It embodies therefore a realization of the constitutional principle of „strengthening social ownership as the fundamental basis of the economic strength of the country and the welfare of the nation" (article 5 section 4).

The work-force becomes workers' self-management and as such votes in a referendum on the charter of the enterprise. The highest form of expressing the will of the self-management on all important issues concerning the functioning of social enterprise is the referendum of the work-force.

Workers' self-management administers the enterprise through special bodies which are elected in general democratic elections. The bodies of a social enterprise are:

1. General Meeting of the Work force (delegates)
2. Workers' Council
3. Presidium of the Workers' Council
4. Auxiliary self-management bodies
5. The managing director of the enterprise.

The General Meeting of the Work-force (in large enterprises — delegates) undertakes annual evaluation of the activities of the Workers' Council and the managing director and in justified cases annuls the resolutions of the Council.

The Workers' Council is elected in general, equal, direct and secret elections by all employees of an enterprise, for a 4 year term but for no longer than two consecutive terms. The following persons may not be elected to the Workers' Council; the managing director of the enterprise and his deputies, head accountant, legal adviser, chiefs of services, persons on head posts directly subservient to the managing director, persons having head functions in socio-political organizations and persons who have worked for less than 2 years in the enterprise. The basic powers of the Workers' Council include: passing resolutions on the directions of activity and development of the enterprise, plans, structure, regulations, principles of personnel policy, signing agreements on cooperation, and export or import, appointing and recalling the managing director as well as giving or refusing to give a vote of acceptance for him, giving opinions on candidates for deputies of the managing

director and head accountant, electing the chairman and presidium of the Council.

The Council has unlimited powers to control the activities of the enterprise.

Presidium of the Council manages the works of the Council and is its executive body. The Workers' Council is headed by a chairman who represents the Council outside the enterprise and organizes the work of the Council and the presidium. It is possible to distinguish the following auxiliary self-management bodies: Department Council, Branch Councils etc.

The managing director of the enterprise, executing the resolutions of self-management bodies, carries out effective management on the principle of one-person management. It is within his powers to undertake decisions, not reserved for self-management bodies. The managing director is appointed by the Workers' Council following on open competition and his term in office is specified in the contract. The Council recalls the managing director before his term in office expires when it refuses to give a vote of acceptance. The managing director appoints his deputies and head accountant after hearing the opinions of the Council.

The managing director is obliged to present in writing his opinions concerning economic, legal and social effects of resolutions of self-management bodies prior to their being passed. Only when the

resolution contradicts the law is the managing director obliged to voice his objection, thereby withholding the execution of the resolution. Disputes developing between self-management bodies and the managing director are resolved by a mediating committee. In case mediation procedure is unsuccessful each party has the right to take the disputed issue to court. The managing director's objection, his postponement of the execution of a Council resolution, resolving of the problem by mediating committee or court refer only to disputes on whether resolutions of self-management body contradict the law. The state exerts influence on the enterprise by means of legislation, agreements between state and enterprise and economic instruments such as: taxes, duty payments and credits which are specified only in general terms to ensure equal economic opportunities for all enterprises and to prevent these instruments from taking the form of addressed orders. The enterprise has the right to set prices, if these are not reserved for state authorities. State bodies may interfere in internal affairs of enterprises only through parliamentary legislation. The activity of the enterprise may be controlled by state control bodies. All disputes between bodies of state control and enterprises are resolved by independent courts. Workers' self-management bodies are strictly obliged to negotiate all decisions concerning the statutory scope of activities of trade unions.

A proposal for the Self-management Charter

Chapter I General provisions

§ 1

The Workers' Self-management, further referred to as Self-management, consists of all employees of an enterprise.

§ 2

The administration of the enterprise is carried out through Self-management representative bodies.

§ 3

The Self-management has at its disposal all the assets of the enterprise. It makes vital decisions concerning the main domains of activities and development of the enterprise as well as the distribution of profits.

§ 4

Adequate Self-management representative bodies have the right to negotiate agreements and contracts with state authorities.

Chapter II

§ 5

The following executive bodies of Self-management should be distinguished:

- (1) The Workers' Council further referred to as Council,
- (2) The presidium of the Workers' Council, further referred to as presidium,
- (3) The auxiliary Councils of Departments, Sections, Branches and Factories.

These Councils act according to the rules and regulations settled by the Workers' Council.

§ 6

Except for the General Meeting of the whole work-force, all executive bodies of Self-management

are elected. The members of the executive bodies of Self-management act on behalf of their constituencies and can be dismissed only by them.

§ 7

1. The most decisive form in which the will of the Self-management is manifested is the referendum of the entire work-force.

2. A referendum is carried out on the basis of:

(a) a resolution of the Council.

(b) a proposal which gained the support of at least 10% of the members of Self-management.

The Council is authorized to:

1. Take decisions concerning the main sphere of the economic activities and development of the enterprise.

2. Settle plans for future activities.

3) Vote on the organizational structure of the enterprise.

4. Take decisions concerning the distribution of profits.

5. Appoint and recall the managing director of the enterprise.

6. Present opinions on the candidates for the positions of deputy managers and head accountant.

7. Take decisions concerning changes in production and service profiles.

8. Pass votes on accepting the Annual Balance and Account and grant this acceptance to the managing director.

9. Take decisions concerning negotiations with other enterprises and conclude contracts and agreements with them.

10. Conclude agreements on cooperation with state authorities.

11. Settle the personnel policy.

12. Carry out the instructions and regulations of work.

13. Inspect the overall activities of the enterprise.

14. Elect the chairman and the presidium of the Council.

15. Pass votes on purchase and sales and charging fixed assets.

16. Pass votes on social and cultural matters concerning the work-force.
17. Take decisions concerning import and export agreements.
18. Accept applications to the state for decorating with orders and medals of merit.
19. Control the mass media.

§ 9

The presidium is authorized to:

1. Prepare the drafts of the Council's resolutions.
2. See to the accomplishment of these resolutions.
3. Summon the sessions of the Council.
4. Organize the work of experts and working commissions.
5. Verify the information given by the managing director concerning the technological, economic and financial situation of the enterprise.
6. See to the functioning of auxiliary executive bodies of Self-management (Department, Section, Branch or Factory Councils).
7. Perform other activities commissioned by the Council.

§ 10

The chairman of the Council controls the work of the presidium and represents the Council.

§ 11

1. The General Meeting of the entire work-force (or delegates) is authorized to:
 - evaluate the annual activities of the Council and the managing director,
 - annul, in well motivated cases, the resolutions of the Council.
2. Enterprises which employ more than 200 employees may replace the General Meeting of all employees with the Meeting of Delegates, which would retain all of its functions.
3. The Delegates are elected according to the regulations indicated in the Electoral Law which is established by means of referendum.

§ 12

1. Members of the executive bodies of Self-management are not allowed to take up any functions in the key positions of social or political organizations and in the management of the enterprise.
The reserved positions and functions are indicated in the Electoral Law, which also states the regulations of vacating them.
2. Any position in the executive bodies of the Self-management may be held only for two consecutive terms.
3. The term in office of all executive bodies of the Self-management is four years.

§ 13

1. The proceedings of the Council take place during its sessions. The presidium summons the Council for its regular working sessions at least four times a year. The presidium is obliged to convene a special session of the Council, if there is a motion supported by at least by one third of all the members of the Council.
2. The first session of the Council ought to be summoned in a month's time since the day of election at the very latest.
3. The sessions of the Council are public.
4. The procedures of the Council are regulated by a set of instructions resolved by the Council.
5. The presence of 2/3 members of the Council is required to pass a vote on a given resolution. The resolutions are passed when there is an absolute majority of votes i.e. 50% of valid plus 1 vote.

§ 14.

1. The initiative of devising the motions of the Council may be left to the presidium, members of the Council and the Managing director.

2. The resolutions of the Council are signed by its chairman and an authorized member of the presidium.

3. The Council may constitute working committees, permanent or temporary, which decide upon the range and mode of their activities.

4. The members of the Council have the right to issue motions and questions to the managing director concerning all kinds of problems connected with the enterprise.

5. A member of the Council cannot be dismissed from work during his term in office and in two year's time after his term expired. Also his working conditions and wages cannot be changed to his disadvantage during this period. The provisions of this article do not affect the rules on terminating the engagement contract without a preceeding notice.

Chapter III

The rights and obligations of the member of Self-management.

§ 15

A member of Self-management has the right to:

1. Directly participate in the profits of the enterprise, which is realized in the form of additional wages. Depriving the members of Self-management of the right to participate in the profits may occur only in special cases indicated in the regulations.
2. Participate in social, cultural, educational and medical benefits provided by the enterprise.
3. Perform responsible functions in executive bodies of Self-management after having worked for longer than two years in this enterprise. This limitation is not valid for newly established enterprises.
4. Appoint and dismiss members of the executive bodies of Self-management.
5. Form the drafts and vote on the charter of the Self-management and on the electoral law.
6. Participate in General Meetings of the work-force or in the meetings of other executive bodies.
7. Issue motions and postulates to executive bodies of Self-management and to the managing director.
8. Have access to information about all kind of decisions and resolutions issued by executive bodies and the managing director on the economic activity of the enterprise.
9. Participate in meetings or sessions are devoted to him personally.

§ 16

A member of Self-management is obliged to comply with the provisions of the charter and the resolutions of executive bodies and to accomplish the dispositions and orders of these bodies.

§ 17

An employment contract for at least half-time job entitles the employee to membership of Self-management. An employee may simultaneously be a member of more than one Self-management. However, he loses his passive electoral rights.

§ 18

From the moment of resigning from a job one ceases to be a member of Self-management.

Chapter IV

Regulations valid for both Self-management and the managing director

§ 19

The managing director carries out the resolutions of the executive bodies of Self-management.

§ 20

The managing director administers effectively the enterprise on the principle of one-person management.

§ 21

The managing director is authorized to take any decisions concerning the enterprise which are not reserved to the Self-management.

§ 22

If a managing director intends to undertake legal actions toward a third party in matters reserved for Self-management adequate resolutions of the executive bodies of Self-management should precede it.

§ 23

1. A managing director is obliged to present in the form of a written document judgements concerning the possible economic, social and legal consequences of a given resolution prior to it being passed by the Council.

2. A managing director is obliged to express disagreement in the form of a written document if any resolution issued by an executive body contradicts the law. Due to his protest the law-breaking resolution is suspended.

§ 24

A managing director represents the enterprise in its external relations also in matters relating to property.

§ 25

1. Any disputes between the executive body of Self-management and the managing director may be solved with the help of a mediatory committee appointed by both parties.

2. If no mediatory committee is appointed or if the committee fails to solve the problem under dispute it is passed to the court to find its arbitration there.

Chapter V

Joint regulations for Self-management and trade unions

§ 26

If resolutions passed by Self-management bodies concern issues within the competence of trade unions prior to passing these resolutions Self-management bodies are obliged to enable trade unions to take a position on these issues as specified by Trade Union Act and Code of Work.

Chapter VI

Concluding provisions

§ 27

Members of the Council are not paid for performing their duties. The chairman and members of the presidium may continue working in the enterprise after a resolution on that issue is passed by the Council.

§ 28

The first elections to the Council are organized by the Founding Committee of Workers' Self-management.

§ 29

An integral part of this charter is the Electoral Law accompanying it.

Proposition for a Standard Electoral Law for Elections to Workers' Self-management

Chapter I

General provisions

§ 1

Electoral law concerns elections of members of Workers' Self-management bodies, further called the Self-management.

§ 2

Each member of Self-management has the right to propose his candidates and to participate in elections to Self-management bodies.

§ 3

Each member of Self-management has passive electoral rights after working in a given enterprise for 2 years. A member of a Self-management body may not hold the following posts:

1. At the level of the factory:

Managing director and his deputies, head accountant, chief of services, member of the Factory Commission of „Solidarity” or analogical function in other trade unions, member of the Plenum of the Polish United Workers' Party and analogical functions in other political organizations.

2. At the level of a department:

Manager and his deputies, member of the Departmental Commission of „Solidarity”, member of the executive of a Departmental Party Organization of

the Polish United Workers' Party,

3.

§ 4

In order for the candidate's name to be included in the list of candidates he must submit an oral or written consent.

§ 5

The number of candidates to a Self-management body should exceed at least twice the number of places to be filled.

§ 6

Elections are equal and based on secret ballot.

§ 7

Elections are valid if at least 2/3 of entitled persons participate in them. Those candidates who get the largest number of votes are elected to the Self-management body, they must however have at least 50% of the votes plus one.

Chapter II

Election of members of the Workers' Council

§ 9

Members of the Workers' Council are elected, de-

pending on the size and structure of the enterprise, either by General Meeting of the Work-force (Delegates) or by meetings in organizational units further called Electoral Constituencies.

§ 10

The number of members of the Workers' Council, depending on the size and structure of the enterprise, should be proportional to the number of members of the Self-management but not larger than 70 persons.

§ 11

The number of membership mandates of the Workers' Council or delegates to the General Meeting of Delegates is proportional to the number of members of Self-management in given Electoral Constituencies.

§ 12

Elections are carried out in the following manner:

1. The Workers' council (Founding Committee of Self-management) whose term in office is to expire establishes an Electoral Commission a month before the end of its term.

2. Candidates are proposed in Electoral Constituencies at pre-election meetings.

3. Candidates are obliged to answer any questions concerning mainly their program of activities, addressed to them by participants of the meeting.

4. Candidatures along with their characterization must be made public at least 14 days before election day.

5. Technical matters and the exact date of the elections are settled by Electoral Commissions and made public together with the list of candidates.

6. Each voter may give his vote for at the most the number of candidates equal to the number of mandates from his Electoral Constituency. Otherwise his vote is invalid.

7. Validity of elections is confirmed by the Electoral Commission at the latest in 24 hours from the moment the voting is finished.

Chapter III

Election of the chairman and Presidium of the Council

§ 13

Election of the chairman of the Workers' Council.

1. The chairman of the Workers' Council is elected by the Workers' Council.

2. Any member of the Workers' Council who gives his consent and gains the acceptance of at least 10% of the members of the Council in open voting may become the chairman of the Council.

3. Candidatures for the chairman of the Council along with their characterization must be made public at least 14 days before election day.

4. After closing the list of candidates for the chairman, the Council elects from its members an Electoral Commission which carries out the election.

5. The candidate who gets the largest number of votes becomes chairman, provided he received at least 50% plus one votes.

6. Each voter votes for only one candidate.

§ 14

Elections of members of the Presidium of the Workers' Council.

1. The number of members of the Presidium, which includes the chairman, is determined in open voting by the Workers' Council.

2. Members of the Presidium are proposed by the chairman out of members of the Workers' Council.

3. Each member of the Presidium, proposed by the

chairman, must be accepted by the majority of the members of the Workers' Council in secret voting receiving 50% plus one valid votes.

4. The chairman is obliged to establish the membership of the Presidium within one month of his election.

5. Failure to fulfill the previous condition is equivalent to the resignation of the chairman from his function, which automatically leads to a new election of the chairman.

Chapter IV

Election of Delegates for the General Meeting of Delegates

§ 15

Delegates for the General Meeting of Delegates are elected:

- a) in enterprises with more than 500 employees,
- b) in enterprises consisting of several factories, where the number of employees in separate organizational units exceeds 200 persons.

§ 16

The General Meeting of Delegates of the work-force consists of Delegates elected according to the formula from 1:5 to 1:40, depending on the number of employees and available meeting place on the premises of the enterprise (organizational unit).

§ 17

The number of mandates for the General Meeting of Delegates of an enterprise (organizational unit) possessed by a given organizational unit is proportional to the number of members of Self-management of appropriate Electoral Constituency.

§ 18

In enterprises, consisting of several factories, with a two tier structure of Self-management bodies, the following bodies are simultaneously elected in separate Electoral Constituencies:

- a) Delegates for the General Meeting of Delegates of the given organizational unit,
- b) Delegates for the General Meeting of Delegates of the enterprise,
- c) members of the Workers' Council of the given organizational unit,
- d) candidates for members of the Workers' Council of the enterprise according to a formula established by appropriate Electoral Commission.

Chapter V

Concluding provisions

§ 19

In case the first election round does not give the necessary membership of the Workers' Council or its chairman, Electoral Commission is obliged to organize a subsequent election round.

§ 20

The principles of running for office in the second election round are determined by the Electoral Commission.

§ 21

In case of election of the Workers' Council by the General Meeting of Delegates the procedure of such elections is characterized in Chapter I. Only Delegates may be candidates for Council members.

Statement No. 10

of the Network of „Solidarity“ Organizations from Leading Factories

Warsaw, 26 August 1981

1. The Seventh Meeting of the „Network“, which took place in Warsaw on 25 and 26 August 1981, was devoted to formulating a proposition of „Solidarity“ position on socio-economic reform. The draft text formulated at the Sixth Meeting of the „Network“ in Rzeszów and published in Statement no. 9 dated 14 August 1981 served as the basis for discussion. The Meeting was organized by the Factory Commission of „Solidarity“ in „Ursus“ Mechanical Works. „Network“ participants again stated that the basic legal act on which the whole reform legislation should be based is the draft of the act on social enterprise prepared by the „Network“.

2. It was decided that in the nearest future the text of the „Proposed Solidarity position on the issue of social and economic reform“ will be supplemented by a short and clear introduction (or summary) which will explain the position of „Solidarity“ in terms understandable to workers in factories. The task of writing such an introduction was assigned to Leszek Balcerowicz, Tomasz Stankiewicz and Tomasz Gruszecki. At the same time participants of the Meeting expressed their acknowledgement and gratitude to „Network“ experts for their cooperation in working out a position on economic reform.

3. Members of the „Network“ expressed their indignation at the attitude of Minister Baka, who proposed to limit the independence and self-management of large enterprises „of a basic importance for national economy“ by submitting them to the authority of central administration. This position is regarded as misfounded in principle and as a direct attack on leading factories, whose trade union organizations form the „knots“ of the „Network“.

4. The participants of the Meeting evaluated, at the motion of the Koszalin based „Solidarity“ National Section of Employees of Regional Transportation and Road Equipment Enterprises, a social draft for an ordinance of the Minister of Transportation concerning the scope and principles of functioning of Regional Transportation and Road Equipment Enterprises, the charter of the workers' councils and electoral law for the elections to workers' councils in these Enterprises. The presented documents express the will of the employees for:

a) these Enterprises (altogether 18 in the country) to attain the status of state enterprises with specified potential, area of activity and obligatory range of services offered to economic units of road construction on the basis of agreements signed with respect to official prices for such services,

b) each of these Enterprises (consisting of a number

of territorial branches) to become a self-financing enterprise functioning on the basis of economic calculation and achieving profits in which the workforce should participate,

c) the workers' council in each Enterprise to possess full powers of management over the enterprise (including appointing the managing director) within the limits of limited independence of the enterprise.

The participants of the Meeting supported these solutions, since they are in agreement with the general intention of introducing as full as possible self-management in all enterprises and institutions.

Certain doubts are raised only by some details, as e.g.:

— subjection of the Enterprises to the authority of the Central Board of Public Roads without establishing obligatory ties between Enterprises and voivodeship authorities,

— acceptance of official prices and tariffs on services without indicating price setting mechanism for these services,

— short terms in office of workers' councils (only 2 years),

— allowing the workers' council to amend the charter of self-management instead of leaving it within the powers of the general meeting of the workforce (delegates) or referendum of the entire workforce,

— usage of social formula in elections to the workers' council.

5. Representative of Cotton Works „Fasty“ in Białystok informed the participants of the Meeting about the development of self-management movement in cooperative enterprises. Detailed information on this subject is available from the Board of the Region of „Solidarity“ in Białystok, ul. Nowotki 13.

6. It has been decided that the next Meeting of the „Network“ will be organized in the first half of October in Białystok by the Factory Commission of „Solidarity“ in the Cotton Works „Fasty“. The subject matter of the Meeting should include the following issues:

a) electoral law for elections to local councils and the Sejm,

b) collective work contracts, codes of work, labor safety regulations,

c) further elements of the reform and problems of solving the crisis,

d) organizational principles of the work of the „Network“.

Chairman of the Meeting
(—) Jerzy Milewski

Open Letter

to the Members of the Polish Parliament

The most essential need of our country is to overcome the economic and social crisis which was caused by mistakes in the economic and social policy of the past. This crisis is felt in a particularly acute manner by the society and its development may cause such emotions in the nation that they may escape any control and result in a catastrophe.

The Sejm of the Polish Peoples' Republic is intensively working on the economic reform as the factor initiating renewal of the economy of the country and opening a perspective of a better, more prosperous and dignified life for the Polish nation. Presently discussions and works of the Sejm bodies concentrate on the presented to the Marshall of the Sejm government drafts of Acts on State Enterprise and Self-management of the Workforce of a State Enterprise. The society very well understands the importance of

these issues and knows that the fore-mentioned acts initiate a packet of further acts and therefore are very important. They delimit the shape and direction of economic reform. Our society is already experienced in the results of the unsuccessful actions and plans of the past years, therefore it actively and constructively participates in the works on economic reform. This problem concerns directly all Poles, each of us feels responsible for it and each citizen will bear the consequences of proper and improper decisions. The whole activity of the Network of Factory Organizations of „Solidarity“ from leading factories is an expression of this concern for the future of the country and the society. Unfortunately we observe with great anxiety that our initiatives, which were born on the basis of experience, knowledge, traditions, morality and social instinct of working people, are being disre-

garded. An authentic social draft of the Act on Social Enterprise was deposited in the Chancellory of the Sejm on 11 June 1981, and since in the meantime it gained widespread social support it must be debated by the Sejm of the Polish Peoples' Republic.

Universal support for this Draft is exemplified by resolutions of regional General Meetings of Delegates of „Solidarity”, a resolution of the National Coordinating Commission of „Solidarity”, statements of representatives of almost one thousand already existing „Workers” Self-managements gathered in Gdańsk Shipyard on 8 July 1981 and in Warsaw on 7 August 1981. Wide-scale and spontaneous formation of Self-managements in factories of the whole country on the basis of the model proposed by the „Network” as well as numerous publications on this topic by scientists, economic and industrial practitioners and publicists all testify to the truth of this observation. At the same time workers voice their reservations, and very often disapproval, toward the Government drafts, which clearly indicates the direction of the aims and expectations of the working people, the supreme sovereignty of our country. The present socio-political situation of Poland, constantly evoking the threat of con-

frontation and deepening destabilization, forces all of us to search for a solution. We must be aware that only the reform which the society understands and accepts will be successful. One of the main elements of such reform is the draft on the Act on Social Enterprise.

Citizens Parliamentarians!

You express the will of the Nation and have been given by the Nation its highest mandate of confidence with the duty to serve your electors. We call you to fulfill your obligations toward your own electors and to officially submit the „Draft of the Act on Social Enterprise” to the Marshall of the Sejm. Only then will the Sejm be able to debate it properly and to create for the society a perspective of a dignified life. We believe that the tradition of centuries of truly democratic and progressive activities of the Polish parliament, whose successors you are, also this time will be fulfilled in the service of the society.

Rzeszów 14 August 1981

Network of Factory Organization of „Solidarity” from Leading Factories

Authorized to sign:

(—) Joanna Pilarska
(—) Jerzy Milewski

Editorial board: Jerzy Milewski, Bernardeta Stankiewicz (secretary of the editorial board), Mariusz Wilk (editor-in-chief), Maria Zelazna.

Technical editing: Krystyna Czarnecka, Anna Mydlarska, Irena Zimmen

Translators: Andrzej Górtowski, Zbigniew Jakowczyk, Wojciech Kubiński, Lesław Ludwig, Janusz Petrykowski, Ryszard Wenzel.

Address of the editorial board: Gdańsk-Wrzeszcz, ul. Grunwaldzka 103, room 59.