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POLAND/6

● 23 February 1972

PLAN FULFILLMENT IN 1971

Summary: The Main Statistical Office (GUS) report on plan fulfillment in 1971, a period when the new party leadership was already in the saddle, was received with unusual interest in the country when it was published on 2 February 1972. Although the main features of the economic plan for 1971 had been originally outlined by Gomulka's administration, nevertheless the corrections and changes introduced during the plan's implementation reflected the wishes of the new leadership.

The dominant feature of the economic situation in 1971 was the attempt to maintain economic equilibrium under conditions of the improved living standards forced on the leadership by the population. The most important indices indicate that the above-mentioned task was basically fulfilled. The national income (produced) increased during that period by 7.5 per cent, total industrial production by 8 per cent, and real wages by 5.3 per cent. These figures, however, were achieved not so much through increased productivity, but rather by plunging the country even further into debt.

The implementation of the 1971 economic plan was also characterized by a kind of feverishness and quite often by hasty improvisation in attempts to fulfill the outlined tasks, regardless of the cost. In effect, there emerged a new, more operative style of work in the sphere of keeping tabs on implementation of the plan.

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Both the text of the GUS report published by the press (1) and the numerous comments accompanying its publication emphasize that 1971 was the first year of the implementation of the socio-economic policies initiated by the resolutions of the seventh and eighth PUWP CC plenums. Frequent mention is also made of the fact that 1971 was a year characterized by the successful implementation of production tasks, through the fulfillment of voluntary production pledges, and that it marked a period of improvement in satisfying the basic living needs of the working people greater than at any other time during the last 10 to 12 years.

Furthermore, it was this last aspect which was most prominently picked up in press commentaries on this subject. It is also rather interesting that the commentators used the GUS report mainly as a suitable pretext for a general discussion of the tasks for the current year.

This is quite understandable, in view of the fact that the implementation of the plan in 1971, although corrected and supervised all along by the new leadership, was nevertheless burdened to a great extent by the original planning concepts inherited from Gomulka's administration. (2) Moreover, during the first quarter of 1971, as a result of the December 1970 riots, the country was in a state of general unrest, with a considerable relaxation of work discipline, many breaks in work, and strikes. In fact, it is valid to say that the new leadership mastered the situation only toward the middle of the year. Thus, all in all, the final economic results presented in the GUS report reflect

(1) Trybuna Ludu, 12 February 1972.

(2) See Antoni Marek, "National Economic Plan for 1972," Polish Background Report/3, Radio Free Europe Research (EERA), 11 February 1972.

partly the results of workers' militancy, and partly those of the new social and organizational policies, rather than those of a genuine economic policy. (3)

There is absolutely no doubt that one of the achievements most accentuated in the report -- the 5 per cent increase in the average real wage -- should be ascribed more to the above-mentioned workers' militancy rather than to the intentions of the new leadership. Even the text of the GUS report makes this quite clear, in the rather unfortunate statement that this increase "reached an unprecedented level, one not recorded since 1957." It is common knowledge that 1957 was, in a certain sense, analogous to 1971, because it was marked by the same strong community pressure on the leadership after Gomulka's take-over. (4) Thus the community once more has confirmation -- this time by official

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- (3) It would be difficult to speak about the existence in 1971 of a really "new economic policy." Beside the comparatively insignificant alterations applied to the earlier principles -- designed to bring them more into line with practical necessity -- the authorities did not introduce any radical changes into the economic policy. Perhaps some clearer outlines of a new economic policy will appear in 1972, but this goes beyond the subject of this paper.
- (4) In 1956, the average (real) net wage rose by 11.6 per cent in proportion to the previous year (Rocznik Statystyczny 1970, page 497). Thus, the increase in 1956 was incomparably higher. The same source shows that during 1957 (which was cited in the GUS report), real wages rose by 8.3. per cent. Moreover, it should be noted that -- for the first time in many years -- the increase in real wages exceeded that in nominal wages, which is justified by the 1971 drop in the cost of living. Regardless of whether this is true or not, it is necessary to note that it is impossible to check the statistical manipulations calculating the rise (or fall) of prices, so that this fact may conceal the source of optimistic "comparability." Thus, for instance, according to the above-cited source, the indices of the rise in nominal wages in 1956 and 1957 amounted to 111 per cent and 116 per cent respectively (page 520).

sources -- of its firm conviction that only resolute pressure from below can produce any improvement in its living standard.

The Basic Data On Plan Fulfillment

Industry. The basic proportions in implementing the plan for industrial production seem to be quite satisfactory. The sales of nationally produced goods and services exceeded those outlined in the plan, while total employment remained below that projected in the plan. Although the sales plan on production for the internal market was overfulfilled in greater ratio than the total sales plan, the production of capital goods increased more (8.5 per cent) than the production of consumer goods (7 per cent). This fact could be explained only by the increase (introduced during the plan's implementation) of the production of consumer goods by a deliberate shifting of some stocks of goods of this type from industry to commerce -- which in effect partly alleviated the originally planned excessive disproportion between capital and consumer goods.

This, however, has proved absolutely necessary in view of the great tension existing on the internal market. The abrogation (on 1 March 1971) of the increases in food prices, with the simultaneous retention of the earlier cut in the prices of industrial goods, combined with the concurrently and rapidly increasing purchasing power of the population, necessitated a more energetic neutralization of demand. Otherwise, there would have been even greater pressure on the food market, with disastrous results.

This emerges with particular clarity in the electro-mechanical industry, which, with only a minimal excess of production over the original plan, provided the market with 19.4 per cent more consumer goods than in 1970. There was a particularly large increase in the production of refrigerators, tape recorders, bicycles, and motorbikes. (5) There was also a considerable increase in the production of automobiles (32.7 per cent), even though the production plan was not fulfilled in this category. This, to a certain extent, was due to a limited demand, which was kept in check by the exorbitant retail prices of motor cars. There was a similar situation in light industry which, while exceeding by a comparatively small margin the original production plan, produced 12.7 per cent more goods for the market.

(5) See attached tables.

From the point of view of individual assortments, one is struck by a very high increase in the production of electrolytical copper (28.5 per cent), calculating machines (69 per cent), tape recorders (67 per cent), sulfuric acid (18.6 per cent), synthetic fibers (23.1 per cent), knitted goods (14.5 per cent), and cured pork products (15.5 per cent). This last item can be explained by the increase in imports of meat and a deliberate change in the structure of supplies, favoring cured pork products, which in fact corresponds to the structure of demand.

It is worth-while stressing that, in 1971, the authorities set out to produce many new types of goods (the electromechanical industry alone produced about 600 such new items). Among the less conspicuous but nevertheless quite important features, note should be made of the overstepping of the plan in coal output by 1,300,000 tons (which was 5,400,000 tons greater than the 1970 output, which, in principle, satisfied the internal market and permitted an exceeding of planned exports of this item by 1,700,000 tons; (this represented a 106 per cent fulfillment of the plan). The importance of this fact can be assessed from recently published information that coal earns Poland 50 per cent of its total net profit on exports, despite the fact that coal represents only 10 to 12 per cent of the total value of Poland's exports. (6)

Agriculture. Weather conditions in 1971 were quite favorable for the grain crops but rather unfavorable for root crops (particularly potatoes) and for hay. This was caused by a severe drought in the middle of summer, which arrested those crops which mature in the fall. Thus, in spite of a basic improvement in comparison to the disastrously bad harvest of 1970, total agricultural production increased only 3.7 per cent. In crop production, this increase amounted to 1.5 per cent, and in animal production to 6.5 per cent. However, the above-cited indexes apply only to agricultural produce supplied to the market, because total agricultural production (which included the produce consumed on the farms) rose 6.4 per cent. This shows that the farmers probably produced, and retained for their own use, an increased amount of fodder -- a fact which could be directly connected with a considerable increase in the number of farm animals, according to the count made in June and again in December 1971; in June the cattle population rose 2.1 per cent, and that of hogs as

(6) Radio Warsaw, 7 February 1972.

much as 13.4 per cent over the same month in 1970. Other interesting indexes are:

A 7 per cent increase in the income of agricultural workers (consumption) and 15.5 per cent increase in investments (which included an increase of about 45 per cent in the sums invested in agricultural machinery);

A 12.7 per cent increase in the over-all number of tractors used in agriculture -- which currently amounts to more than 240,000;

A 6.4 per cent increase in the utilization of chemical fertilizers (which amounted to an average use of 132 kilograms per hectare of cultivated land);

An increase in rural electrification, which now covers 93 per cent of the total number of farms;

Still insufficient supplies of building materials (in spite of a certain improvement in comparison to 1970) and particularly of materials for wall construction;

A more rapid increase in state farm production (9.3 per cent) and of collective farms (10.5 per cent);

A further very rapid increase in the total value of capital goods (mainly agricultural machinery) owned by the Agricultural Circles (16.5 per cent during 1971).

Investments. Just as in past years, the implementation of the investment plan left much to be desired. This conclusion stems not so much from the GUS report, the relevant part of which is distinctly "embellished" in order to paint an optimistic picture, but rather from the large number of conferences on this subject organized by the central authorities and by the number of times in which the press returned to this theme. In spite of the great stress laid during 1971 on finishing off previously started investments, many of the planned projects had not been completely finished or gone into operation.

A rather positive feature here is a more rapid increase of investments in equipment (8.7 per cent) than the over-all

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increase in investments (7.3 per cent), because this indicates a preference for investments designed to speed up modernization. Among the new investments note should be taken of the completion of a new coal mine, the Borynia. Together with other investments in the coal mining industry (for example, the construction of new mine galleries in existing mines), the capacity of the coal mining industry rose by 3,400,000 tons of coal annually. It seems that with the current favorable trend for coal on the world's markets, these investments will soon have paid for themselves.

In spite of several statements and declarations stressing the absolute need to speed up the rate of housing construction, the number of new rooms handed over for use in 1971 was only 1.9 per cent higher than in 1970. This was most certainly a result of the wasteful planning in this sphere during past years, when adequate investments necessary for an appropriate development of the building sites were simply not provided. The 1972 plan anticipates a considerable acceleration in the rate of housing construction (by about 14.5 per cent, measured by the area of the dwellings constructed).

Foreign Trade. Total turnover in foreign trade in 1971 was 10.6 per cent greater than in 1970. Exports increased by 9.2 per cent, while imports rose by 11.9 per cent. In spite of the fact that imports considerably surpassed exports (by about 650,000,000 convertible zloty, with the exports totalling 15,500,000, planned exports were overfulfilled by 5 per cent, while imports stuck strictly to the plan. From this, one can surmise that some difficulties must have been encountered in putting to use various credits offered to Poland during that period, or in finding appropriate goods to acquire with the above credits. This assumption is confirmed by the structure of the 1972 plan, which anticipated that the imports will surpass the exports by 2,100 million convertible zloty (7) (see the earlier-cited report entitled "National Economic Plan for 1972").

In the structure of foreign trade, there is an increase in the export of fuels, energy, and light industry products, while there is a considerable increase in the amount of agricultural products and canned goods imported (37 per cent more than in

(7) Monitor Polski No. 59, 27 December 1971, Paragraph 381.

1970). The latter is directly connected with the extremely tight situation on the internal food market and concerns mainly the import of meat.

Commerce and Services. Beyond any doubt, the political and economic leaderships concentrated their attention on the situation of the internal market. After all, the shortage of food supplies was one of the factors which precipitated the outbreak of riots in December 1970. Therefore, in 1971 imported foodstuffs were very important to the internal market. In spite of many efforts, only a general equilibrium was achieved between supply and demand, "although the demand for certain goods has not yet been fully satisfied."

Total retail sales surpassed the 1970 level by 8.6 per cent, with sales of food rising by 7.7 per cent and sales of other goods by 9.3 per cent. On the food market, there was a considerable improvement in the supply of meat products (13.9 per cent), and particularly of cured pork products (17.7 per cent). There was improvement in the market supply of industrial consumer goods: footwear (12.5 per cent), knitted goods (21.6 per cent), refrigerators (19.4 per cent), television sets (12.1 per cent), tape recorders (100 per cent), automobiles (66 per cent), and motorbikes (47 per cent).

However, not all goods supplied to the market corresponded to the structure of demand. This is shown by the fact that, in spite of two postseason sales, the increase in inventory exceeded the amount projected in the plan by 4,000 million zloty. Even an increase of installment buying (which expanded by 27 per cent), did not bring relief in this sphere.

In services, it is worth noting a considerable increase in the value of motorization services (28 per cent).

Employment, Wages. Average employment in the national economy totaled about 9,940,000 persons, which represented an increase of 270,000 over 1970, or 2.8 per cent -- versus the 3.3 per cent projected in the plan. The greater part of this additional labor was absorbed by industry and building construction (about 150,000). There was a much greater increase in the number of apprentices employed in socialized industry (10 per cent).

The rate of increase in labor productivity in 1971 remained on the same level as in previous years.

One gets the impression that the comparatively small increase in employment in 1971 was closely connected with the pressure to raise the average wage. There are, however, no signs indicating that the labor market might have deteriorated in 1971.

Total social and personal income increased by about 10 per cent. This is due to the increase in employment, increases in the average wages and retirement benefits, and greater outlays for the purchase of agricultural products. The outlays for sick pay and family allowances increased by as much as 24 per cent.

The average nominal gross monthly wage rose to 2,590 zloty, which represented an increase of 5.3 per cent in relation to 1970. The nominal net monthly wage rose slightly less (by 5 per cent).

According to calculations given in the report, the cost of living for an average family was 0.3 per cent lower in 1971 than in 1970. Although there are no data to disprove the above figure, attention should, however, be drawn to the fact that the so-called "price freeze" on basic market goods did not completely prevent the introduction of some more expensive articles, and the price freeze applied only to goods in the socialized commercial market, while it is known (8) that, for instance, prices of meat on the free market (and the black market) rose in comparison to last year.

The general impression is that the more rapid increase of the lowest wages and an increase in family allowances for larger families decrease the spread between the highest and the lowest income recipients.

National Income. The index of national income is a composite measure of the state of the economy in 1971 and was discussed above. The national income (produced) increased by 7.5 per cent,

(8) See Harry Trend, "Retail Prices of Meat and Animal Products in Poland, 1969-1971," Polish BR/2, RFER (EERA), 9 February 1972.

while consumption of the national income increased by about 8 per cent. This was a result of the fact that imports rose more rapidly than exports, and that the social situation forced the authorities to offer consumers more than originally planned. At the same time, however, the share of investments in the distributed net income amounted to 22.5 per cent and was slightly higher than in 1970.

Antoni Marek

N.B.: All figures in the tables that make up the appendix to this paper were taken from Trybuna Ludu, 12 February 1972.

APPENDIX

Table 1

Over-all Development of the National Economy in 1971

Item	Index (1970=100)
National income (produced)	c. 107.5
Consumption of national income	c. 108.0
Average real wages in socialized economy	105.3
Total industrial production	108.0
Capital goods	c. 108.5
Consumer goods	c. 107.0
Total agricultural production	103.7
Foreign trade turnover (in current prices)	110.6
Employment in socialized economy	102.8
Labor productivity:	
In industry (value of over-all production per employee)	104.9
In building construction (value of basic production per employee)	105.5
Investments in socialized economy	107.3

Table II

Polish Production in 1971

Product	Unit of measure	Amount produced	Index (1970=100)
Electric power	1,000 million KWH	69.9	108.3
Hard coal	million tons	145.5	103.8
Crude steel	million tons	12.7	108.0
Electrolitic copper	1,000 tons	92.7	128.5
Electric turbines	MW	7,391.0	99.5
Computers	million zloty	436.4	169.3
Automobiles	1,000 units	85.2	132.7
Seagoing ships (over 100 DWT)	1,000 DWT	600.2	115.8
Television sets	1,000 units	630.5	102.4
Tape recorders	1,000 units	306.8	167.0
Household refrigerators	1,000 units	491.8	110.8
Sulfuric acid	1,000 tons	2,255.0	118.6
Fertilizers (pure content):			
Nitrates	1,000 tons	1,081.0	104.9
Phosphates	1,000 tons	705.0	117.7
Synthetic fibers	1,000 tons	151.3	109.6
Cement	million tons	13.1	107.4
Paper	1,000 tons	838.7	109.7
Textiles:			
Cotton and cotton-like	million meters	906.2	102.9
Wool and wool-like	million meters	98.6	99.7
Shoes (excluding rubber shoes)	million pairs	107.3	100.0
Meat (commercial slaughter)	1,000 tons	1,401.8	106.8
Ocean fish (catch)	1,000 tons	498.1	110.4
Sugar	1,000 tons	1,575.0	113.7

Table III
Polish Exports in 1971

Product	1971		Per Cent	
	Million Exchange Zloty	Index (1970=100)	1970	1971
Total Exports	15,496.7	109.2	100.0	100.0
Fuel and power	2,171.5	122.2	12.5	14.0
Metallurgical products	1,247.3	93.9	9.3	8.0
Industrial products:				
Electromechanical	6,345.3	111.4	40.1	40.9
Chemicals	1,408.9	118.7	8.4	9.1
Wood and paper	446.5	96.2	3.3	2.9
Light industrial items	1,404.8	117.6	8.4	9.1
Food and farm products	1,965.3	95.9	14.4	12.7

Table IV
Polish Imports in 1971

Product	1971		Per Cent	
	Million Exchange Zloty	Index (1970=100)	1970	1971
Total Imports	16,146.0	111.9	100.0	100.0
Fuel and power	1,039.6	108.3	6.6	6.5
Metallurgical products	2,658.1	104.1	17.7	16.5
Industrial products:				
Electromechanical	6,085.6	109.6	38.5	37.7
Chemicals	1,776.9	115.3	10.7	11.0
Wood and paper	485.4	115.7	2.9	3.0
Light industrial items	1,140.8	104.6	7.6	7.1
Food and farm products	2,331.2	136.7	11.8	14.4

Table V

Agricultural Production in 1971

Commodity	Unit of measure	Production			Yield		
		Physical output	Indexes		Quintals per hectare	Indexes	
			1970=100	average 1966-1970=100		1970=100	average 1966-1970=100
Cereal grains:	million tons	18.9	123.0	116.3	23.7	120.9	117.3
Wheat	million tons	5.5	118.3	128.0	26.5	114.2	114.2
Rye	million tons	7.8	144.3	105.0	21.1	132.7	115.3
Barley	million tons	2.4	114.0	146.4	27.2	116.7	118.3
Oats	million tons	3.2	99.7	110.6	24.1	114.8	117.6
Potatoes	million tons	39.9	79.4	83.3	150.0	81.5	85.2
Sugar beets	million tons	12.5	98.3	92.1	298.0	95.5	92.0
Rape	million tons	0.6	111.9	122.8	17.5	92.1	94.6
Hay	million tons	12.0	90.2	100.5	47.6	90.2	101.1
Meat procurement	million tons	1.5	106.5	-	-	-	-
Milk	million liters	5,453.3	102.7	-	-	-	-
Eggs	million	2,457.2	97.9	-	-	-	-