

# RADIO FREE EUROPE

*Research*

## EAST EUROPE

POLAND

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### THE FIVE-YEAR DEVELOPMENT PLAN OF NATIONAL ECONOMY FOR 1966-1970

Summary: After a three-day general debate, the Polish Sejm, on 11 November 1966, by unanimous vote, approved the Five-Year Plan for the 1966-1970 period.

Below are a few of the basic premises of the plan.

The national income is to increase by some 34 per cent in 1970 as compared to 1965, and industry is to create about 56 per cent of the total national income. It is estimated that per capita consumption will increase by about 20 per cent, and the average real wage is to rise by about 10 per cent. This is a lower increase of average real wage than provided in all previous five-year plans.

The five-year plan under study anticipates an increase of non-agricultural employment to amount to 1,562,000 people, which, in theory, should mean that the whole available labor force would be employed. However, further details suggest that only a formal balance between the labor force and job openings has been achieved.

Planned industrial production is to rise by about 44 per cent and total agricultural production by about 14 per cent. Some 840 billion zloty are to be spent on investments, an increase of about 38 per cent above the previous five-year plan.

The draft of the new plan was prepared and discussed in an atmosphere of greater disagreement than usual, and this was reflected, among other things, in the delay in the final approval of the plan by the Sejm (in principle, the delay should not extend beyond one-fifth of the plan period).

# 1. A General Characteristic of the Preparation of the Plan

Work connected with the preparation and synchronization of the present five-year plan differed somewhat from the previous plans. Systematic work on the plan began in 1964, i.e., immediately after the particularly unfavorable economic year of 1963, at a time when it was already known that the targets of the 1961-1965 plan would not be fully achieved. As a result, the authors of the new plan displayed, from the beginning, unprecedented caution in establishing the course of further development. Nor did the economic results of 1964 and 1965, although somewhat improved, warrant excessive optimism. All in all, the economic shortcomings during the 1963-1965 period and the unsuccessful year of 1966 greatly influenced the conception of the present plan. This has been affirmed by several statements at the Sixth Congress of the PUWP (1964) and at successive meetings of the CC plenum, particularly at the Fourth and Seventh Plenums.

At that time, too, more and more voices could be heard, calling for a revision of the theses of the Polish economic model worked out after 1956. Both the specialized and the daily press began publishing articles questioning the reasons for maintaining the growth rate level for production in Group A, the arguments for maintaining the growth rate for the raw material industry, and raising the problem of necessary priority for industries producing highly refined products, etc.

There is no doubt that the poor economic situation in the country released a wave of criticism, while on the other hand, it did not permit the Party to cut through the discussion with an arbitrary decision. It was impossible because, in a period of fairly general dissatisfaction, the Party was incapable of presenting a concise, all-round program which might gain public support. Under these circumstances, the role of the Party was reduced to steering the discussion and later to eliminating from discussion suggestions contrary to the already emerging development trends. Actually, in the Party itself, there existed serious differences of view, particularly in the matter of the planning and management system of the national economy. These differences mainly concerned the problem of uneconomic management, the extent of the centralization of directives, and changes in the organization of production. An important role was played here by Politburo member Eugeniusz Szyr. He represented a view diametrically opposed to the views proclaimed by the Planning Commission and especially its chairman, Politburo member Stefan Jedrychowski. His views, if adopted, would have tended to maximize uneconomic management and to maintain, if not increase, centralized directives. Against the basically bureaucratic views of Jedrychowski, Szyr's demands concerning, for instance, the acceptance of the system



of alternative plan drafts and increasing the importance of mathematic methods as a means of determining optimal relations for each plan were certainly something new and progressive. However, in view of the equally strong influence of both Politburo members, a compromise was reached and the official document on the subject is a product of two divergent views. (1)

This willingness to compromise resulted, to a large extent, in limiting the scope of the approved changes, which is particularly apparent from a comparison of the implemented or planned economic reforms with those of Hungary and Czechoslovakia. The document in question introduced fairly essential changes in the planning method and contributed to the delay in the preparation of the five-year plan.

An important reason in planning delays were the difficulties experienced in synchronizing the plan with those of the other Comecon members. As we know, in 1955 and 1956, an attempt was made for the first time to coordinate the plans for expansion of all members. Even if we disregard political difficulties (such as in the case of Rumania) or reasons stemming from the growing atmosphere of economic nationalism in the socialist bloc -- important technical difficulties remained, quite understandably, since there was no previous experience in this field. Proof of the basic difficulties in coordinating plans may be found in the fact that such matters as the deliveries of oil and grain were settled only during a visit of a Polish government delegation to the USSR in October 1956. The deliveries of these products to a large extent influenced many of the details of the five-year plan.

Another important reason for the plan delay was to be found in the difficulty of balancing its various components, and especially the expenditures on investments, the level of employment and the program for an improvement of the standard of living. These matters are discussed below.

As a result of all of these factors, the five-year plan for 1966-1970 was not approved until after an important part of the objectives included in it had already been attained.

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- (1) Report of the Politburo at the Fourth Plenum of the PUWP CC in July 1955, "Trends of Change in the System of Planning and Management of the National Economy in the 1966-1970 Period," Trybuna Ludu, 29 July 1955.

## 2. The Main Indices of the Plan Targets

### Industry

The planned growth of industrial production is generally lower than that achieved in the 1961-1965 period. In the current plan, the planned growth of industrial production is to reach 43.6 per cent (an annual rate of increase of 7.5 per cent). In the just completed five-year plan period, the value of overall production rose by 51 per cent. (2) An outstanding characteristic in the field of production is the rather essential decrease of disparity between the rate of increase of the manufacture of the means of production and consumer goods production. In the last five-year plan, the disparity amounted to 21.2 points, in this plan the difference is reduced to 11.2 points.

A particularly rapid growth rate has been planned for the following industries: chemical (80 per cent), electro-technical (68 per cent), machine (60 per cent), and production for export of the latter is to increase by 92 per cent. In the chemical industry in general, the overall production growth is essentially influenced by the increased production of fertilizers and petroleum products. Significantly, there is more than a doubling of aluminum production and an increase of 75 per cent in the production of sulphur and copper.

A strong accent has been laid in the plan on the need to modernize production and to improve its quality. But, in view of the difficulties in ensuring work for the available labor force, it would seem extremely difficult to achieve any breakthrough in the questions of the modernity and quality of production. The extreme pressure exerted on the labor market by the very large post-war baby boom may hamper the introduction of technological improvements. It is obvious, on the basis of the 1966 experience, that there are difficulties in achieving the planned labor productivity indices, in view of the excessive use of manpower. Nothing seems to point to an improvement of this situation in the years to come. Another important accent in this part of the plan is the increased stress on the adjustment of production of consumer goods to market demand and need. It is a question of satisfying the consumer purchasing power with the smallest possible number of goods. It seems that the somewhat decreased difference between the production rates of the means of production and of consumer goods is more realistic than in

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(2) Communiqué of the Main Statistical Office pertaining to the 1965 plan fulfillment and providing the preliminary plan fulfillment data for 1961-1965.



the past. Besides, it should be emphasized that production tasks have been set very conservatively and, in reality, conceal extensive reserves.

On the other hand, however, the tasks in industrial production are especially tied to the implementation of the investment plan and the latter is one of the most tightly planned parts.

### Agriculture

The five-year plan targets in agriculture anticipate an increase of 15.5 to 16.8 per cent in crop production and 11.3 per cent in animal production. This relationship between the two branches of agricultural production is aimed at balancing the feed supply and the achieving the planned increase of livestock mainly on the basis of domestically produced feed. An increase of grain and fodder production sufficient to permit a substantial curtailment of grain imports is one of the main tasks set for agriculture in the current plan. The aim is to increase the per hectare yields for the four grains by a further two quintals (to 20-21 q), chiefly through the greater use of fertilizer (up to 135 kilograms per hectare).

It appears from the proportion of investment expenditures, that the main emphasis will be placed on intensifying production on the state farms (PGRs). There are no clear indications that any serious efforts will be made to change the existing production situation in the countryside, (at least on the basis of the available data). The authors of the plan have proved to be very cautious in the establishment of agricultural targets, based on the actual average growth rates achieved in recent years.

As in the case of industry, a broader idea of the directions and trends in agriculture may be gained by studying the investment plan data.

### Foreign Trade

As in agriculture, the five-year plan sets fairly modest targets for foreign trade. During the last plan, the foreign trade turnover rose by 62 per cent; for the current period the planned growth is only 30.6 per cent.

The general reason for this lies in the main concept governing planning methods, namely in the trend of including in the plan only those indices based on actual possibilities. It should be noted that previous failures in the implementation of the plan for foreign trade and for agriculture resulted in the non-fulfillment of the plan in general. This time, it was decided to break with previous

practice and risk having untapped hidden reserves rather than accept targets which may be sound on paper but impossible to fulfill in view of the existing organizational disorder. There is no doubt that an essential part was played here by political tactics. After earlier disgraces, no one responsible for these matters in Poland wants to risk another plan failure. In the end, however, this may lead to excessive conservatism and too low targets.

An element which partially justifies the curtailment of the planned growth of foreign trade is the anticipated decrease in grain imports from the hard currency area. With a total increase of trade turnover of 30.6 per cent, exports are to increase by about 33 per cent and imports by about 28 per cent. Special emphasis is laid on the part played by the export of machinery and equipment and of durable consumer goods.

In terms of geographic area, 60 per cent of the foreign trade will be done with Comecon member countries. It is characteristic that a much more rapid growth of trade is planned with the socialist countries (35.9 per cent) than with the "non-ruble" area (20.9 per cent). Nevertheless, it was strongly emphasized, during the Sejm debate, that the balance of payments with the dollar area must be improved. While on the subject, it was frequently noted that the quality of export goods must be improved and that attention should be paid to the profitability of exports. (3)

### National Income

National income is to grow by 34 per cent, according to plan, with an average annual increase of about six per cent (equal, in principle, to that achieved in the previous plan). National income for individual distribution is to increase by 32 per cent.

There is an increase in the proportion devoted to the accumulation fund, raising it from 25.3 per cent in 1965 to 25.6 per cent in 1970. Net investments will rise by 45 per cent, an annual increase of about 7.8 per cent. Net investments, as a part of national income, will rise from 17.1 per cent in 1965 to 18.7 per cent in 1970. The overall consumption fund is to increase by about 27 per cent, or about 20 per cent per capita.

### Investments

The value of investments to be achieved in the current five-year plan amounts to 840 billion zloty, of which 759 billion will be spent on the socialized economy (in the last plan, investments in

(3) Trybuna Ludu, 10, 11, and 12 November 1966.



the socialized economy reached, in current prices, 550 billion zloty). The most rapid investment growth rate is assigned to agriculture (about 65.5 per cent). Industrial investments are to grow by 38 per cent.

As the employment plan, so did the investment plan contribute to most of the controversy. Certainly, the main reason for the controversy arose from the employment issues, and especially the need for a particularly careful distribution of funds aimed at creating new jobs. The employment objective collided with the desire for the greatest possible effectiveness of investments and the necessity to develop the more capital-intensive industrial sectors. Accepting as the point of departure a lower estimate of those seeking employment, a compromise was finally reached on the distribution and allocation of investment funds.

During the preparation of the plan and the Sejm debate, most reservations concerned the size of investments and the share devoted to the development of the raw material industry. As far as total investments are concerned, there is no doubt that they are very large, both from the point of view of their share in the national income (thereby reducing to a symbolic minimum the increase of the living standard) and from the point of view of their implementation. The reason for the latter lies in the overextended plans for construction enterprises and the precarious level of building material supplies. As is known, the investment program was not fulfilled in the last plan for these very reasons, as well as in the past year, which will have a significant influence on the possibilities of success for the remaining four years.

The main object of criticism in the distribution of investment funds was the sum set aside for investments in the raw material sector (brown coal, sulphur, copper) and the heavy concentration of investments in the state farms. Although the relative size of investment in the raw material sector is not large (a drop from 9.6 per cent in the last five-year plan to 7.6 per cent), this decline seriously reduces the possibility of creating new jobs. This is particularly true for this sector because large expenditures are needed for this type of investment. The concentration of investments on state farms will certainly reduce the effectiveness of investments in agriculture in general. These investments, incidentally, are prompted for non-economic reasons and have to be treated as the current cost of the future changes in production relations in the countryside.

### Employment

The five-year plan anticipates the need to create new jobs for some 1,562,000 persons, of which 1,457,000 will be in the

socialized economy. The average rate of employment growth in the socialized economy is to be 3.2 per cent and the average employment in 1970 is to reach the total of 9,700,000 persons. But this is based on the premise that the total number employed in agriculture will not change after 1965. The plan anticipates providing new employment in non-agricultural pursuits only for the net growth of workers in rural areas. This premise raises basic doubts about the provisions for the net additions to the total labor force. As we know, the Polish countryside remains overcrowded and labor productivity on farms is very low. The anticipated introduction of more machines and an essential improvement in the supply of fertilizer should decrease the demand for labor in the rural areas. Moreover, the program of farm production improvements are set at rather modest targets which do not justify maintaining unchanged labor force in the country. The employment figure cannot be considered to be a serious estimate. It was included in the plan in order formally to balance the employment and the investment plans. This seems to be one of the weakest parts of the five-year plan. In practice, there will remain a large excess of manpower, hidden in the assumed stagnation of migratory movements from the countryside and to the urban areas.

Experience with last year's plan implementation shows clearly how difficult it is to halt the migration of the rural population into industry, even with existing administrative obstacles. Similarly, on the basis of the economic situation last year, one may doubt whether the planned growth of 4.6 per cent of labor productivity in industry will be achieved.

Nor does it seem possible that additional measures to slow down the rapid influx of the additions to the labor force (extending the primary schools by one year, use of work brigades, etc.) will improve the situation, since these measures were already taken into consideration when the plan was set.

#### Consumption Fund and Wages

Formerly, the proportion set for the consumption fund was the residual of national income after all other shares had been determined. In preparing the present plan, the consumption fund became the basis for determining other elements of the plan. Previous attempts at balancing the plan did not offer even the theoretically minimal increase in the standard of living.

Finally, after several changes, a 27 per cent increase in the consumption fund was agreed upon, amounting to a 20 per cent per capita increase. When one excludes social consumption, the increase of the per capita consumption fund is 18 per cent, the average real wage of employees in the socialized economy will



increase by about 10 per cent. This is the lowest planned increase of real wages to date. A number of factors, however, make even this planned growth unrealistic. First, it is well known that employment plans are generally exceeded, and while it is theoretically possible to achieve the planned increase in the real wage fund, it will be most difficult to achieve the increase of the average real wage. Apart from the unprecedented pressure of manpower on the labor market in the current five-year plan, this reservation is also supported by the situation on the labor market last year. In the first year of the plan, the breach of the employment plan led to the failure in the implementation of the planned growth of the real wage.

Second, the unrealistic character of certain aspects of the plan, especially as far as the real wage increase is concerned, can be noted. Thus, for instance, when analyzing the components aimed at showing that the official eight per cent increase in the real wage has been achieved in the past plan, the only conclusion which can be supported is that the real wage did not actually decrease. The similarity in value of the two indices (eight and 10 per cent) suggests that, even if formal figures may show that the plan for the average real wage increase has been achieved, in fact the real wages will not have improved.

The extensive investments in productive facilities did not permit consideration of important needs for the communal economy, health service and, most important, housing, so vital to an improved standard of living. This was the subject of several critical statements and it should be noted that, under pressure from public opinion, it has been decided to increase construction of housing in the final years of the plan.

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Despite the above reservations, and compared to all previous plans, the current five-year plan is the best formulated one. Its ties with, and adjustment to, the plans of other Comecon member countries are also more numerous than in the past. Considering also the fact that the targets are not overextended but, on the contrary, conceal many reserves, one may anticipate that the implementation of its main lines is, in principle, probable. The distorted objectives pertaining to the improvement in the standard of living and certain parts of the investment plan will probably not be fully implemented, but it would seem that the degree of implementation will be higher than in previous plans. This was actually the general idea behind the plan: less dramatic targets and thus the increased possibility of a more complete implementation of the planned objectives.

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