

X/270/9 -P-CYRANKIEWICZ ON POLISH COAL DIFFICULTY F.142.

270 (Munich, March 29, 1963/Trend) -- Prime Minister Cyrankiewicz of Poland outlined yesterday several measures to deal with the coal crisis which not only threatens the standard of living of the people but also has put in jeopardy the entire industrial development program. These measures are to include: a) increasing the number of days worked by the miners, b) having miners, railwaymen, and steel workers forfeit or sell part of their free coal allowances, and c) reducing consumer demand by raising prices for coal and coal-using utilities.

Since at least 1957, the number of days worked by Polish miners generally has been more than 270 days per year per worker, or about 75 per cent of all the days in the year. For 1961, this compares to approximately 55 per cent for Belgian, 67 per cent for French, 61 per cent for Dutch, 56 per cent for English, and 60 per cent for West German miners. The Polish miners have had approximately 42-46 days off for Sundays, holidays, and Saturdays, or about 12-13 per cent of the total days in a year. For 1961 this percentage was approximately 21 per cent for Belgium and France, 27 per cent for the Netherlands, 27 per cent for Britain and West Germany, or roughly double the rate in Poland.

To put it another way, the West European miner worked between 195 and 230 shifts per worker in 1961, compared with over 270 for Poland. The Polish underground miners performed more shifts per worker than those of Czechoslovakia and only slightly less than the Hungarian workers.

The full import of the above statistics is that the Polish miners already are working more than most European coal workers and that the margin for additional effort is very thin. Not too much can be expected in increased production via this route.

In 1961 the Polish miners received 1,600,000 tons of coal or less than eight tons per miner. Much, if not all of the eight tons are consumed by miners, leaving very little that they might be able to sell to the state. Even if they returned one-half, this would only cover about 10 per cent of the amount exports are to drop and considerably less than this of the total shortage of (MORE)

solid fuels in Poland. This is not a very promising solution to the grave coal crisis.

Turning to the last solution, that of raising consumer prices, we can see a number of peculiarities. Prime Minister Cyrankiewicz noted that they do not wish to make a profit out of the people by raising prices to consumers for coal and coal-using utilities. To still the objections of the populace, he proposed to distribute the increase in receipts from the sale of coal at higher prices in the following manner: a) a large part of this amount collected by the state will go back to low income groups through the process of increasing minimum wage scales and pensions, and b) to the general public at large in the form of tax reductions, including an increase in the tax-exempt income base.

Here there are a number of contradictions. Turning the money back to the public, would give the recipients higher incomes and they would be able to buy the same amount of coal, at higher prices. Perhaps he is anticipating increase in prices of other consumer goods in the near future which would be greater in total expenditure effect than the amounts redistributed.

Another aspect of the problem has to do with responses of people to higher prices for fuel and electricity. Generally, we have here a case of inelastic demand. This is to say, only very small reductions in the quantity demanded can be expected when prices are allowed to increase. This is due to the lack of desirable alternatives or substitutes for coal and coal-using utilities, such as electricity, and the basic necessity for heat and light in human activity. In the case of the former, extensive conversions for the use of gas or fuel oil would need to be made. Kerosene provides a poor substitute for the electric light. One must conclude, if income remained the same, that is, no redistributions were made, it would be more likely that we would find people in Poland changing their patterns in buying in order to be able to pay for roughly the same quantity of coal and electricity at higher prices.

The winter was not the sole cause for this problem in solid fuels. Stocks of fuel deliberately have been held low for years. In recent times, they have fallen from a high of 670,000 tons in 1959 at the coal mine to less than 400,000 tons of hard coal. By June 1962, stocks fell some more, to less than 360,000 tons. Brown coal reserves were nominal in amount. West Germany producing considerably less than 1 1/2 (MORE)



times Poland's output had 20 times as much coal in stock at the mine in June 1962. France with approximately one-half the output of hard coal produced in Poland had 30 times as much on hand as Poland at the mine in June 1962. The deliberate planned policy by the Polish regime and planners of over-extension is the explanation for their plight; bad weather was merely the "straw that broke the camel's back".

A policy blinded by dogmatism which sees virtue in little or no stocks on hand, exporting at all cost, and a non-rational system of allocation is usually followed by the planned "meat-ax" approach. "Crisis" becomes the slogan.

Had a more rational price-cost system been allowed to develop, many of the needed economic adjustments would have come about gradually and a crisis would not have developed. The Polish citizenry may well ask what assurances they have that increased sacrifices called for will not be dissipated by dogmatic approaches and misplanning. KES/2010.