

# RADIO FREE EUROPE *Research*

## EAST EUROPE

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### PLAN FULFILLMENT IN POLAND DURING THE FIRST HALF OF 1972

Summary: The implementation of the socioeconomic plan for 1972 is attracting attention because it covers the period in which the new party and government leadership is no longer bound by commitments made by Gomulka's administration. The general indexes of economic development in the first half of 1972 are quite auspicious: total industrial production has increased by 12.5 per cent and industrial labor productivity by 7.4 per cent, while the average real wage is up by 5.7 per cent. There has been a high growth in employment, which has already reached the level planned for the whole year. The share of labor productivity in the increase of industrial production has dropped from about 70 to 63 per cent.

Improvements have been made in agriculture. More hogs have been bred and procurements have increased.

In spite of this, and of the rapid growth in the food industry, the domestic demand for foodstuffs has not yet been fully satisfied, and in the outlying regions, far from the big cities, meat is in short supply.

Four statistical tables are given in an appendix.

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### General Proportions

For the first time since the political changes of December 1970, the party and government leaderships have published a document giving in full detail the effects of their work. The Main Statistical Office report on plan fulfillment in the first half of 1972 (1) concerns a period when the influence of the economic policies of the Gomulka regime was no longer felt.

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(1) Trybuna Ludu, 24 July 1972.

The plan for 1972 reflects the socioeconomic program of the new leadership.(2) Two government terms were concerned with the 1971 plan -- one in its formulation and another in its implementation -- whereas a single team has been responsible for both the authorship and implementation of the 1972 plan.

This unity of authorship and implementation proved successful during the first six months of the year. One circumstance which assisted the successful fulfillment of the plan was that considerable reserves had been earmarked for it; and another (and greater) influence was the stabilization of the nation's attitude. The strikes and visible deterioration of labor productivity of last year have not been repeated in 1972. The unfavorable economic effects of the social unrest in the first six months of 1971 created a propitious basis of comparison for the achievements of the first half of the current year. While keeping in mind these circumstances, one can still view the first six months of 1972 as economically successful. Over-all industrial production increased by 12 per cent, investment outlays by 25 per cent, foreign trade turnover by about 20 per cent, labor productivity in industry by 7.4 per cent, building construction by nearly 10 per cent, and average real wages by 5.7 per cent. The agricultural achievements seem to indicate that a turning point has been reached in this field.

### Industry

In the first half of the current year, 51.3 per cent of industry's tasks for the year were fulfilled. This is the highest proportion of plan fulfillment since 1965. The greatest production increase was reached in work collectives (16.8 per cent), in the food industry (16 per cent), and in the electromechanical industry (about 16 per cent).

For the first time in many years the growth of consumption goods was higher than the increase in the production of capital goods. (3) This must have been influenced by the call for 20,000 million zloty worth of overfulfillment. (4) According to the Main Statistical Office report, of the 23,500 million zloty increase pledged for domestic and foreign markets, 16,500 million were absorbed in the first half of 1972.

Looking at specific industries (see the Appendix, Table II), a high rate of production increase is noted in the following branches: electrolytic copper (51 per cent), crude oil products (25 per cent), machine tools for electrical metal-shaping (23 per cent), appliances for automatic regulation and steering (29 per cent), marine vessels (33 per cent), automobiles (21 per cent), tape recorders (23 per cent), washing machines (41 per cent), plastics (22 per cent), pharmaceutical goods (34 per cent), meat from commercial slaughter (28 per cent), cured pork products (19 per cent), poultry (37 per cent), and salt-water fish (15 per cent).

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

(3) No statistical data. Statement quoted from Trybuna Ludu, 26 July 1972.

(4) Polish Situation Report/5, RFER (EERA), 4 February 1972, Item 2.

Production of electric power (9.8 per cent up) did not match the increase of total industrial production (12.5 per cent)

#### Agriculture

Preliminary reports on the June registration of farm animals indicate that the hog population increased by 15 per cent and cattle by 4.5 per cent. The stock of horses decreased by 2.7 per cent. Table III illustrates the progress of procurements in the first half year. The insignificant increase in cattle procurement for slaughter (by 0.9 per cent) illustrates the farmers' interest in keeping young cattle and allowing them to grow, thus enabling them to offer heavier cattle for commercial slaughter. Cattle sales should therefore increase in the second half of the year. The total value of agricultural products bought from farmers by state agencies increased by about 25 per cent (in constant prices).

Farmers' purchases of capital goods also increased. The total value of agricultural machines and equipment bought by them was higher by about 19 per cent. Feed purchase in the agricultural year 1971/1972 was 22 per cent higher than in the preceding year. Supplies of building materials were inadequate, in spite of a slight increase.

#### Investments and Building Construction

As can be gathered from already published reports, (5) a break was made in the unsatisfactory tradition of achieving only a small part of the year's plan in the first six months. With a 25 per cent increase of investment outlay, 46 per cent of the tasks planned for the whole year were fulfilled in the first half year (last year's figure was only 41 per cent). All buildings whose completion was called for in the first six months were actually ready for use by the end of that period. (One must bear in mind, however, that the majority of the projects planned for the current year are due to become operational in the second part of the year.) The floor area of dwellings ready for occupancy exceeds that of the same period in 1971 by 17 per cent.

#### Foreign Trade

In comparison with the first six months of 1971, exports increased by 20.2 per cent and imports by 18.5 per cent. The plan anticipated the reverse in the development of imports and exports. This means that 51 per cent of the 1972 plan for exports has been fulfilled, but only 44.5 per cent of the import plan. In the export field, the highest increase was in the sales of light industry products (23 per cent), fuel and power (22 per cent), chemical products (19 per cent), and goods produced by the electromechanical industry (17.5 per cent). Among imports, the highest increase was in the purchase of goods produced by the electromechanical industry.

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(5) See Polish SR/27, RFER (EERA), 7 July 1972, Item 4.

### Employment and Wages

The average level of employment in the socialized economy increased in the first half year by 401,000. This exceeded the level anticipated for the whole year (317,000). Labor productivity increased more rapidly than in preceding years (in industry by 7.4 per cent, in building construction by about 10 per cent). It should be noted, however, that the method of calculating labor productivity has been changed this year. As far as building construction is concerned, the increase of labor productivity was undoubtedly influenced by the opportunity to make deals with the working gangs and by the mild winter.

Average gross earnings increased by 15.6 per cent, and the average real wage by 5.7 per cent. The anticipated increase in the average real wage for the whole year was to have been only 3.5 per cent. Since a higher rate of increase was achieved in the first half year, there is a likelihood that the plan for the whole year may be surpassed. However, one should not forget that in the first half of 1971 higher food prices were experienced (until March), and therefore the real wage index of increase for the first half of 1972 may be more favorable than for the second half.

Though the general level of retail prices has dropped this year, the prices of fruit and vegetables increased by 15 per cent. Some problems concerning domestic supplies will be discussed in more detail in the final part of this paper.

### Official Opinions

Several days before the Main Statistical Office report was published, a new issue of Nowe Drogi (6) appeared, containing documents from the meeting of the central party aktif which took place in Warsaw on 16 June 1972. (7) At that session an extensive report on plan fulfillment was delivered by Politburo member Mieczyslaw Jagielski, who is also chairman of the Planning Commission attached to the Council of Ministers. His assessment covered plan fulfillment in the first five months of 1972. However, in view of the continuation of the trend into June, the report can easily be used as a guide for the whole of the first half year. In discussing Jagielski's report, his indexes will be quoted and, where necessary, followed (parenthetically) by data for the full half year.

He said that achievements should be listed as follows:

1. Rapid acceleration of production in industry, which surpassed the increase in the corresponding period of 1971 by 12.5 per cent, and that anticipated for the whole year by 5 percentage points. The dynamism achieved by industrial production in this period is a record for the last decade. It is expected that this year's

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(6) No. 7, July 1972.

(7) Polish SR/25, RFER (EERA), 22 June 1972, Item 3.



plan will be overfulfilled by 30,000 million zloty, which means that industrial production in the whole year would expand by 9 per cent:

2. Continuation and stabilization of favorable tendencies in agriculture, in particular in animal production. Procurements of milk, eggs, and cattle for slaughter exceed last year's figures and are higher than planned. It is estimated that this will continue throughout the year;

3. Comparatively rapid implementation of the investment plan. There has been greater progress made with this year's investment plan than with last year's, and it is expected that the 1972 investment plan will be surpassed by 6,000 to 7,000 million zloty;

4. "Signs of a certain amount of improvement" in stocks of materials. The slackening of the rate of stock increase by over 50 per cent is linked with the fulfillment of additional production tasks;

5. Further considerable growth of personal incomes. Compared with last year, personal incomes increased by 15.6 per cent and exceeded the planned increase by 6.6 percentage points. By the end of 1972 personal increases may exceed the plan by about 24,000-29,000 million zloty;

6. Maintaining market equilibrium. Retail sales of goods were higher by 13.3 per cent. Sales of commodities grew more rapidly than sales of foodstuffs, mainly as a result of the increasing purchase of capital goods by farmers. This year's supplies for the market may be increased by about 13,000 million zloty above the plan's estimate.

In the later pages of his report Jagielski said that certain "tensions, weaknesses, and shortcomings" had also been evident. The most significant of these were as follows:

1. In the sphere of investments, there was a growing disparity between housing construction and installations on the one hand, and the rate of increase in the production of building materials on the other. In spite of supplementary imports, there is an acute shortage of reinforcement steel; fixtures, pipes, steel fabrications, roof tiles, cables, and cement;

2. Unfavorable developments in basic economic proportions. The relatively rapid increase of labor productivity has nonetheless been slower than the rate of increase in employment. As a result, labor productivity accounted for 62.4 per cent of the production increase, which means a decrease of 6.6 percentage points from last year's figure;

3. A continuing inadequate decline in internal costs. In too many cases a vigorous upsurge of production was the result of a forced excessive outlay on investments. Production shortages are causing heavy losses;

4. Shortages of goods on the market, especially those needed by farmers. (The speaker did not mention food products in this context.)

In the absence of complete statistical documentation, it is difficult to analyze Jagielski's opinions properly. But there is obviously an inconsistency between the two parts of his speech. One has the impression that often the shortcomings outweigh the effects of the positive achievements. However, these shortcomings may have been stressed not only to point to the difficulties which undoubtedly exist, but also to prevent the development of laxity which may have followed the success recorded in the first half year.

#### The State of Market Supplies

When one compares the figures in the Main Statistical Office's report with Jagielski's assessment of the economic situation, it is quite evident that the latter is too optimistic. (8) But nowhere else were his statements as far from the truth as in the sphere of market supplies. According to Jagielski, market equilibrium was maintained and the rate of increase in supplies of food was lower than that for industrial goods. But according

- (8) The assessment of plan fulfillment which was made at the Council of Ministers' session on July 24 also appears to be more critical (Zycie Warszawy, 25 July 1972). Here is an excerpt from a report on that session:

In the first half year unfavorable tendencies were experienced which retarded economic progress. We did not achieve a satisfying state of rhythmical, over-all industrial progress. Our economy is suffering considerable losses, because of delays in achieving the planned production of new investment projects. A considerable number of industrial enterprises are not fulfilling the production plan. In agriculture, the slow increase of cattle breeding (and in some voivodships even a slight decrease in this field) gives reason for concern. Exploitation of agricultural products, especially of milk, is surpassing planned amounts and creates a major problem. There are also irregularities in fulfilling the investment plan. Not all planned building projects are sufficiently advanced. The fulfillment of investments, controlled by the national councils, has been considerably delayed.

Trybuna Ludu, 28 July 1972, in an article on the same subject, summed up as follows:

Too much depends on this year's indexes, to allow us to be satisfied at this stage with the achievements to date.

to estimates of the trade press (9) (less inclined to generalizations and therefore more alarmed by the basic disproportions which have appeared in the market), the situation is not so bright. The maintenance of market equilibrium is not challenged, but, it is asked, who can prove that things were different when prices were frozen and there was no alternative method of using purchasing power? Nevertheless, the disproportion between the increase in income (16 per cent) and the growth of retail trade turnover (13 per cent) as well as that of food services (about 9 per cent) is an undeniable fact. According to the already quoted Gazeta Handlowa:

Throughout the whole of the first half year, the continued high demand for foodstuffs and the dynamism of sales of food products as well as industrial products nearly matched each other.

In spite of the increased availability of foodstuffs (meat supplies rose by 19 per cent, poultry by 26 per cent, fish by 14 per cent, milk by 10 per cent, cheese by 12 per cent, and butter by 12 per cent), "the improvement was not uniform everywhere. In some localities, particularly in small hamlets and in villages, shortages of meat, fish, and butter repeatedly occurred."

Supplies in rural areas are scandalously inadequate, especially in view of the fact that, as a consequence of the increased production of salable agricultural goods, there is increased pressure on the food market. The press and, in particular, the radio stations are daily quoting examples of the disparity between supply and demand in the villages, as the following excerpt from a recent Radio Warsaw program shows: (10)

"How are supplies at your local store?"

"Shall I tell the truth, or. . .?"

"The truth and only the truth!"

"It is painful to talk about it. . . . Cured pork products appear only for show, once a week. Beer . . . is also practically nonexistent here . . . only orangeade."

The person who was being interviewed was fortunate enough to live near a store in which (if "only for show") meat products are in evidence once a week. A more typical situation is that in which a chance to buy some bread is regarded as a wishful dream.

The demand for capital goods and building materials in the field of agriculture is equally unsatisfied. Gazeta Handlowa described the situation tactfully as follows:

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(9) Gazeta Handlowa, 21 July 1972.

(10) 24 July 1972.

The stock of building materials, especially the much sought after cement, has dropped in the villages to a point where it is impossible to maintain continuity of sales.

This in practice creates a "market equilibrium" of a sort.

Supplies of clothing and shoes still do not match demand. This has led to a considerable inventory increase and simultaneously to increased and unsatisfied demand.

Antoni Marek



A P P E N D I X

- Table I: Principal Indexes of the Over-all Development of the National Economy in First Half of 1972
- Table II: Production of Principal Goods in Socialized Industry in First Half of 1972
- Table III: Procurement of Principal Farm Animals in First Half of 1972
- Table IV: Market Supplies of Principal Goods in First Half of 1972

TABLE I: Principal Indexes of Over-all Development of the  
National Economy in First Half of 1972

Economic Indicators	Index (First half of 1971 = 100)
Total industrial production (in constant prices)	112.5
Basic production in the socialized enterprises of building construction & installations (in constant prices)	115.5
Freight transportation by socialized transport enter- prises	110.6
Passenger transportation	109.1
Cattle stock	104.5 <sup>a</sup>
Hog stock	115.0 <sup>a</sup>
Procurements of farm products (in constant prices)	ca 125.0
Retail trade	113.1
Foreign trade turnover	119.3
Investment outlay in socialized economy	124.9
Employment in socialized economy	104.1
Value of over-all industrial production per employee	107.4
Value of building and construction per employee	109.9
Individual (personal) wage fund	110.2
Real wage per employee in socialized economy	105.7
Number of dwellings handed over for occupancy	118.2

<sup>a</sup> June 1971 = 100.

Source: Main Statistical Office report on the development of the national economy and on "Fulfillment of the National Economic Plan in the First Half of 1972" (Trybuna Ludu, 24 July 1972).

TABLE II: Production of Principal Goods in Socialized Industry  
in First Half of 1972

Product	Unit of measure	Amount produced	Index (First half of 1971 = 100)
Hard coal	million tons	75.9	104.7
Oil refined	thousand tons	4,806.0	124.8
Electric power	thousand million KWH	37.4	109.8
Crude steel	million tons	6.7	108.1
Electrolytic copper	thousand tons	60.6	150.9
Roller bearings	million units	29.8	108.9
Metal cutting machine tools	thousand units	18.1	106.0
Electrical metal-shaping machine tools	units	3,617.0	123.5
Electric spinning machines	MW	4,291.0	114.2
Appliances for automatic regulation and steering	million zloty	1,500.0	129.1
Computers	units	34.0	106.3
Marine vessels (over 100 DWT)	thousand DWT	317.5	133.5
Two-axle tractors	thousand units	22.2	108.5
Automobiles	thousand units	47.9	121.5
Bicycles	thousand units	530.7	108.7
Motorcycles	thousand units	30.2	70.0
TV sets	thousand units	363.1	105.9
Radios	thousand units	481.9	106.8
Tape recorders	thousand units	186.2	123.2
Household refrigerators	thousand units	258.9	104.7
Washing machines and spin dryers	thousand units	228.2	141.2
Sulfuric acid	thousand tons	1,219.0	114.2
Fertilizers (pure content):			
nitrates	thousand tons	528.9	101.7
phosphates	thousand tons	377.4	108.2
Synthetic rubber	thousand tons	40.6	113.4
Plastics	thousand tons	145.6	122.5
Man-made fibers	thousand tons	80.9	107.7
of which synthetics	thousand tons	36.0	109.7
Pharmaceutical products	million zloty	3,757.0	133.9
Cement	million tons	6.8	106.7
Bricks and other prefabricated wall elements	million units	3,810.0	109.8
Windowpane glass	million sq. m.	27.7	108.7
Furniture	million zloty	7,302.0	114.2
Paper	thousand tons	441.7	108.8

(cont'd)

TABLE II (cont'd)

Product	Unit of measure	Amount produced	Index (First half of 1971 = 100)
Textiles:			
cotton & cotton-like	million meters	455.3	102.3
wool & wool-like	million meters	49.9	101.4
Knitted goods	million units	161.1	116.1
Shoes (excluding rubber shoes)	million pairs	61.4	112.1
Meat from commercial slaughter	thousand tons	819.4	128.2
Cured pork products	thousand tons	246.9	119.4
Poultry	thousand tons	35.1	137.1
Salt-water fish (catch)	thousand tons	292.2	115.2

TABLE III: Procurement of Principal Farm Animal Products  
in First Half of 1972

Commodity	Unit of measure	Procurements	
		Amount	Index (First half of 1971 = 100)
Slaughter animals (meat equivalent)	thousand tons	939.4	129.6
Beef	thousand tons	191.3	100.9
Pork	thousand tons	668.3	145.3
Poultry	thousand tons	34.0	137.2
Milk	million liters	3,110.9	119.6
Eggs	million units	1,800.3	107.4

TABLE IV: Market Supplies of Principal Goods in First Half of 1972

Commodity	Unit of measure	Amount produced	Index (First half of 1971 = 100)
F o o d      P r o d u c t s			
Bread	thousand tons	1,231.9	101.9
Meat, poultry & meat products	thousand tons	632.5	119.8
Fish & fish products	thousand tons	102.9	113.8
Fat:			
animal	thousand tons	66.7	102.9
vegetable	thousand tons	81.6	97.0
Milk	million liters	686.6	110.0
Eggs	million units	646.9	88.4
Butter	thousand tons	61.9	112.3
Sugar	thousand tons	436.8	97.2
Spirits (100° proof)	million liters	60.4	111.6
Wine & mead	million liters	112.3	119.4
Beer	million liters	566.8	105.7
N o n f o o d      C o m m o d i t i e s			
Textiles:			
cotton & cotton-like	million meters	141.8	98.0
wool & wool-like	million meters	19.1	87.1
Garments:			
knitted	thousand mil- lion zloty	12.6	118.2
hosiery	thousand mil- lion zloty	1.9	121.4
synthetic	thousand mil- lion zloty	16.2	115.5
Shoes made of leather, plastic and synthetics	million pairs	36.3	116.1
Rubber shoes	million pairs	20.5	110.2
Furniture (wooden)	thousand mil- lion zloty	6.9	111.0
Household refrigerators	thousand units	262.6	118.7
Washing machines and spin dryers	thousand units	239.0	141.1
TV sets	thousand units	357.1	104.9
Radios	thousand units	490.8	100.9
Tape recorders	thousand units	131.7	130.5
Automobiles	thousand units	39.1	119.2
Motorcycles	thousand units	36.8	78.5
Motorized bicycles	thousand units	66.8	145.9
Bicycles	thousand units	418.6	103.0
Detergents	thousand tons	50.9	80.9
Cigarettes	thousand mil- lion units	36.4	108.8
Hard coal & hard coal briquettes	million tons	11.4	98.9