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RFE EVALUATION AND ANALYSIS DEPARTMENT

Background Report  
(A. Gherghel)

THE IMPLEMENTATION OF THE 1959 STATE PLAN IN RUMANIA

(An Analysis of the Communiqué Published by the  
Central Directorate of Statistics on 29 January 1960.)

Introductory Note

It should be stressed at the very beginning of an analysis of this sort that the details of the 1959 State Plan have never been revealed in a comprehensive way. This is particularly true of investments in various branches of the economy (the investments in industry for instance have never been published) and the production of the main industrial branches.

Some information could be gathered from the report on the 1959 plan made at the November 1958 plenum (1), the report on the 1959 State Budget submitted by the Minister of Finance (2), an interview given by Vice-Premier Petre Borila (3), an article published in "Probleme Economice" of June 1959 (4) as well as other publications which will be referred to subsequently.

The task of analysing the returns of the 1959 plan has been made even more difficult by the fact that most of the data on implementation of the plan contained in the communiqué was not related to the targets of the plan but to results achieved in 1959.

The following table gives the general implementation of the 1959 plan in percentages.

- (1) Gheorghiu-Dej speech ("Scinteia" 3.12.58). See Evaluation and Research Section Background Reports: "Economic Aspects of Gheorghiu-Dej Report to November Plenum Analyzed", 4.12.58; Gheorghiu-Dej on Agricultural Aspects of 1959 State Plan" 4.12.58; "Investments and the Rumanian 1959 State Plan" 16.12.58; and "The 1959 State Plan within Rumania's Second Five-Year Plan" 20.12.58.
- (2) Aurel Vijoli speech ("Scinteia" 28 and 31.12.58). See Evaluation and Research Section Background Report: "The Working of the Rumanian State Budget for 1958 and the State Budget for 1959" 17.1.59.
- (3) Published in "Scinteia" 17.1.59. See Evaluation and Research Section News Background: "Rumania -- Industrial Production Figures" 18.1.59.
- (4) See Evaluation and Research Section Background Report: "Rumanian Production Figures 1959: Gheorghiu-Dej contradicted by "Probleme Economice" 30.7.59.

## Industry

	<u>Planned</u>	<u>Achieved</u>
Total Industrial Production Increase over 1958	+ 10 %	+ 11.1 %
Out of which:		
Basic Industries (A)	+ 11.3 %	+ 14.6 %
Consumer Goods Industry	+ 8.1 %	unspecified
Increase of Industrial Marketable Production		+ 2.6 %
Labor Productivity	+ 6.4 %	+ 7 %
Share of Increase of Industrial Production		
Derived from Increase of Labor Productivity	70 %	about 70 %
Savings in Industrial Production (above planned savings)	1 billion lei (initial pledges)	1.3 billion lei
Reduction of Cost Price in Industry	unspecified	4 %

## Agriculture

The returns on the 1959 State Plan regarding agriculture are fully discussed in the Background Report "Agricultural Achievements in Rumania in 1959" of February 4. Noteworthy is the increase of wheat production (by 40 %) and maize production (by 50 %) over 1958. It should be noted, however, that the 1959 grain production equaled that of 1957 (about 11 million tons). (The harvests of 1958 were rather poor.) (7.3 respectively 7.1 million tons of grain.)

The communiqué of the Directorate of Statistics stated that a harvest of four million tons of wheat and 5.7 million tons of maize had been brought in in 1959 despite the fact that atmospheric conditions were not favorable in all parts of the country. But it is obvious that the 1959 and 1957 peak post war harvests were mainly due to generally favorable weather conditions, while the 1956 and 1958 harvests had suffered badly from adverse atmospheric conditions.

## Transport

The 1959 plan for the transport of goods was fulfilled 101 per cent - 102 per cent and the 1959 plan for the transport of passengers was fulfilled only to 99 per cent.

The communiqué stated that the technical-economic indices of utilization of the railway rolling stock had been fulfilled and overfulfilled. By this is meant the distance covered and load per railway freight car, gross average weight per freight train and consumption of fuel.

## Circulation of Goods

The following figures show what was planned and what was achieved in 1959.



	<u>Planned</u>	<u>Achieved</u>
Volume of goods sold through network of "Socialist trade" (over 1958)	+ 11 %	+ 5 %
Value of goods	about 37 billion lei (computed)	36 billion lei

#### Foreign Trade

	<u>Planned</u>	<u>Achieved</u>
Increase of volume of exchanges	No data available	+ 7 %

#### National Income and Overall Investments

As a result of the surplus of the social product generally achieved in all economic branches due to the increase of labor productivity and the reduction of the cost price of production, the national income has, according to the communiqué, increased in 1959 by 13 per cent (compared to a planned 13-13.5 per cent (5)).

This increase permitted an investment volume of 17.5 billion lei in 1959 (a 17 per cent increase over 1958) compared with a planned volume of 17.6 billion lei (6) and made possible the following achievements in the (according to the communiqué):

#### Labor, Social and Cultural Sectors

Increase of the number of wage-earners	by 85,000 (to 3,040,000)
Increase of average wage of workers and technical-administrative personnel (beginning 1 August 1959)	+ 11 % over 1958.
Increase of income of farmers (in particular of collectivized or "associated farmers)	number unspecified
Increase of the number of depositors of savingsbanks	+ 16 % over 1958
Increase of yearly balance of deposits	+ 40 % over 1958

#### Social-Cultural Expenditures Financed by the State Budget

Total Amount	12.1 billion lei (+8 % over 1958)
out of which	
Education and Culture	+ 5.6 % (over 1958)
Health and Social Welfare	+11.0 % (over 1958)
Social Insurance	+14.1 % (over 1958)

Newly built apartments made available 21,000 (increase of 7,500 units over 1958 corresponding to the planned increase).

- (5) Gheorghiu-Dej, "Scinteia" 3.12.58 and Vijoli "Scinteia" 28.12.58  
 (6) Ibid

Total number of students in elementary, medium and higher education schools 2,540,000 (+ 8.8 % over 1958)

Cadres with higher professional qualification put at the disposal of the country's economy in 1959: 10,900

Cadres with medium qualification (training) and foremen: 8,700  
Qualified workers: 30,800

### The Results Analyzed

#### (A) Industrial Production

The communiqué underlines the fact that in comparison with 1958, the utilization of production capacities of installations was considerably improved, the technology of production was made more perfect and the degree of mechanization of works involving a big labor effort has increased. The communiqué cites the following examples of industries where this progress took place:

a. The ferrous metallurgical industry (siderurgy), which contributed almost half of the production increase.

b. Oil industry (where the drilling speed in exploitation has increased by 43.6 per cent over 1958.

c. Textile industry

d. Chemical industry (the index of utilization of production capacities of sulphuric acid increased by 9.3 per cent over 1958 without reaching however the utilization target.)

At the same time new production capacities have been provided either by the commissioning of new units or by the enlargement of existing ones. These developments to which should be added the claimed increase of productivity, would seem to account for the claimed overall increase of industrial production.

With regard to the reported volume of achieved industrial production, both the overall data and the breakdown by industrial departments and specific products lead to the conclusion that the production surplus (above the plan) has been achieved to a larger degree in the basic (heavy) industries than in the consumer goods industries. Whereas the production plan for the basic industries (group A) has been overfulfilled by 14.6 per cent instead of the planned 11.3 per cent, the implementation of the consumer goods plan has not even been mentioned. It may be added in this connection that the production plan of enterprises controlled by the people's councils (which produce such goods) has been underfulfilled (97.3 per cent).

Within the framework of basic industry, a production surplus has been achieved particularly for some products of ferrous



metallurgy (steel, cast iron, rolled steel) where the plan has been overfulfilled by 5.6 per cent. The plan was underfulfilled in the production of metallurgical coke (due mainly to the delay in the commissioning of the third cokery of the Hunedoara Steel Works).

In the machine-building sector (tractors, railway rolling stock, trucks equipment for various industries, apparatus, etc.) the production plan was overfulfilled by 4.5 per cent. In the chemical industry, the production plan was overfulfilled by 3.2 per cent.

More modest results and even a non-fulfillment of the plan may be noted in the power and fuel industries. The following breakdown is relevant here:

a. The power production plan has been underfulfilled by 80 million kwh.

b. The methane gas plan has been underfulfilled by 233 million m<sup>3</sup>.

c. The oil production plan has been overfulfilled by only 1 per cent (102,000 tons) although it was said that the drilling speed in exploitation has increased by 43.6 per cent.

d. The rough coal production plan has been overfulfilled by only 67,000 tons which represents a surplus of only 590,000 tons over 1958. (The communiqué claimed that the mechanization of the cutting of coal had increased to 92 per cent in 1959 -- it was 88 per cent in 1958.)

The need for improving the situation in the power and fuel sectors obviously explains the high investments provided for these sectors in the plan for 1960: 39 per cent of 23.5 billion lei.

#### Circulation of Goods

As was noted above, only half of the planned increase of the volume of goods to be sold through the "network of Socialist trade" was achieved in 1959. This sector has been lagging ever since 1958, when not only was the planned increase of value of 4.2 billion lei not achieved but even less goods were sold than in 1957.

#### Value of Goods sold (in million of lei)

in 1957	1958 planned	1958 achieved	1959 planned	1959 achieved	1960 yearly plan	1960 directives
35,401	39,600	35,098	37,000	36,000	42,000	45-46,000

The lagging in this field, which reflects the "care taken by the regime of the wellbeing of the population" is due not only to the non-fulfillment of the planned increase of consumer

goods but appears to be also due to the very limited buying power and to the people's reluctance to acquire goods of poor quality, and design.

It should be noted that only part of the produced consumer goods are allocated for internal consumption, the rest being earmarked for export.

#### Achievement of Investments and Constructions

The achieved investments correspond nearly to the planned target for 1959. They represent 37 per cent of the total budgetary expenditures of 1959 compared to an average share of 33.7 per cent in the past eight years. Since no breakdown by economic branches was disclosed, it is difficult to locate the spheres of emphasis. However, it can be said on the basis of the limited data published by the regime that a massive increase of investments in the chemical industry was planned for 1959 (a 20 per cent increase compared to an average 9.7 per cent increase in the past eight years).

The communiqué underlines that in regard to the construction of major industrial objectives and housing, some progress has been achieved concerning the shortening of the building period, but it also mentions some deficiencies in respect to the prompt establishment of technological documentation, the utilization of building equipment and the quality of the work done.

The cost price of apartments has decreased in comparison to past years but on many occasions admittedly at the expense of quality (comfort). The habitable surface of an apartment has been reduced to 30 square meters. (7)

A substantial reduction of cost price has also been achieved in the sector of road construction -- a cut of 20 per cent per km, and in some cases of 53 per cent through the massive use of so-called "voluntary labor". (8)

However, the use of investments was sharply criticized by Gheorghiu-Dej in his report on the 1960 Plan at the Plenum of December 1959, both in regard to their planning and justification as well as the tardy execution of the planned works and infringements of financial discipline.

It should also be pointed out that, in addition to the mentioned investments fund of 17.5 billion lei (including investments from the budget and own investments of enterprises), a considerable contribution has been and will continue to be provided by the so-called "voluntary labor". "Romania Libera" disclosed in its 30 October 1959 issue that "more than 12,000 new buildings of

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(7) "Scinteia" 6.12.59

(8) "Probleme Economice" No. 12, 1959



public interest (schools, class rooms, cultural homes, bridges, sanitary centers, electrification of villages, etc.) as well as thousands of repair works had been completed in 1959 throughout the country (by "voluntary" workers) as a result of suggestions allegedly made by working peasants at public meetings".

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These then are the main points and comments regarding the announcement on the fulfillment of the Plan for 1959. In general conclusion it can be said that, although from a purely statistical point of view the 1959 Plan must be considered part of the Second Five Year Plan for Rumania, in its main provisions, emphasis and achievement it should be considered against the background of the Soviet Seven Year Plan and the Comecon systems of planning. It is only by noting this that one can realize the significance of the achievements of the plan. This coordination will continue and strengthen in 1960 and future years.

APPENDIX I

Achievements in the first four years of the Second Five-Year-Plan with particular emphasis on

deficient sectors of the economy

I. Total Achievements:

Provisions of the Second Party Congress Directives (December 55)	Implementations of Directives in the 1956-59 period	Balance (1956-60)-(1956-59))	Plan Provisions 1960 (increase over 1959)
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Total Industrial Production Increase (of 1955 production)	60-56 %	46 %	14 - 19 %	14 % (of 1959 production)
Basic Industry (A)	70-75 %	58 %	12 - 17 %	14.6 %
Consumer Goods (B)	50-55 %	33 %	17 - 22 %	13 %

II. Deficient Production Sectors

A. Fuels	Directives' target (1960)	1959 production	Balance (1960-1959)	Annual average (1956-1959)
Coal	11,000,000 tons	7,977,000 tons	3,023,000 tons	470,000
Oil	13,500,000 "	11,438,000 "	2,062,000 tons	221,000
Methane Gas	10,300 million m <sup>3</sup>	5,782 million m <sup>3</sup>	4,538 million m <sup>3</sup>	450 million m <sup>3</sup>
<u>Chemicals</u>				
Calcinated soda	204,000 tons	106,000 tons	102,000 tons	14,000 tons
Caustic soda	87,000 "	64,000 "	23,000 "	10,000 "
<u>Foods</u>				
Meat	366,000 tons	242,000 tons	124,000 tons	5,200 tons
Butter	13,700 "	10,951 "	2,750 "	1,020 "
<u>Building Materials</u>				
Cement	358,000 tons	2,850,000 tons	730,000 tons	230,000 tons

Note: The achieved 1959 production of metallurgical coke amounted to 609,000 tons. In the special report "Report on Rumania: Background and Current Situation - December 1959" the planned production figure for this commodity should have been 648,000 instead of 792,000.



APPENDIX II

Industrial and Social-Cultural Objectives Commissioned  
in 1959

1. A 650 mm rolling mill
2. A rolling mill for thin steel plates
3. Two furnaces for the production of semi-coke
4. Two deep batteries for rolling mills
5. A rolling installation for bars
6. An installation for "ethyl" production
7. A zinc refining installation
8. A section of superphosphates
9. An installation for the production of polychloride of vinyl.  
(plastic)
10. An installation for the production of insecticides
11. A section for the production of relon (plastic)
12. Production capacities for the processing of wood
13. Production capacities for the production of cotton yarns and  
knitwear, stockings, rubber shoes, etc.

In the Social-cultural sector, a number of schools with a capacity of 35,000 students (pupils) have been commissioned (financed from State funds).