

RADIO FREE EUROPE *Research*

EAST EUROPE

This material was prepared for the use of the editors and policy staff of Radio Free Europe.

POLAND/24
9 August 1972

FIVE-YEAR SOCIOECONOMIC DEVELOPMENT PLAN FOR 1971-1975

Summary: On 8 June 1972 the Sejm passed the bill approving the five-year plan for Poland's socioeconomic development in the years 1971-1975.

The plan has thus received legal sanction for its functioning only after 17 months of the period which it covers have already gone by. Moreover, it does not seem likely to remain in force for long in its present form, because changes have already been forecast.

Considerable differences between the indexes in the former and present versions of the plan, as well as the further corrections predicted, could be understood as attempts to align the plan as nearly as possible with existing economic conditions. No five-year plan has been so widely and publicly discussed as the present one, thanks to the fact that the events of December 1970 (which were actually the result of the former government's attempts at planning and management) forced the new administration to be singularly cautious in mapping out new tasks.

An examination of the plan shows that correction was indeed required. The increase in over-all industrial production has been planned on a level comparatively easy to achieve; the expected rise in agricultural output does not guarantee that domestic demand can be met successfully, and the planned increase in the average wage may be achieved approximately in the fourth year of the five-year plan. In the light of the people's awakened aspirations, the present version of the plan appears modest, although it is flying high in comparison with previous plans.

What is really wrong is the absence of any planning to deal with the effects of far-reaching changes in the national economy. It is not surprising, therefore, that changes in

economic methods immediately became the favorite topic in press commentaries on the plan. As an editorial in Zycie Gospodarcze (9 July 1972) said: "Changes in economic methods have become indispensable, not because this subject is an economists' hobbyhorse but because a state of public expectancy has been created."

Five statistical tables are included as an appendix.

* * *

The political changes which took place in Poland in December 1970 decisively influenced future economic planning. The plan for the year 1971 was a document of purely formal significance: the initial draft had been prepared by the Gomulka administration and in spite of hasty corrections -- inadequately synchronized with the whole of the plan -- it could not be treated as a document which represented the intentions of the new team. Furthermore, as a result of confusion in the socioeconomic sphere, which was particularly marked in the first months of 1971, any similarity between plan and achievement was often purely accidental. Thus, 1972 will be the first year in which Gierek's administration can be held truly responsible for the authorship of an annual plan. (1) Both drafts, however, possessed a common characteristic feature: they were formulated and implemented before official sanction for the 1971-1975 five-year plan had been received. They covered two fifths of the five-year period and were the only documents available to regulate Poland's economic development during the 17 months which elapsed before the five-year plan was officially approved.

It is well worth recalling the circumstances of the 1971-1975 plan's origin. The first version of it was formulated by the Gomulka administration, and as soon as the leadership change of December 1970 took place, the Gierek regime announced that this draft would be revised. The matter was then referred to the Planning Commission, which at that time was perhaps the most disoriented body in the state administration. Constant changes in key positions and lack of precise directives concerning new methods of planning meant that work on the plan made slow progress. The draft received its first fitting rather late -- i.e., at the 10th CC plenum. (2) The approach of the Sixth Congress of the PUPP in December 1971 at last imparted some urgency to the matter, because the key problems of the 1971-1975 plan were to be included in the guidelines for the congress. (3) The major goals and indexes of the draft -- after discussion and approval by the congress -- became part and parcel of the sixth congress's final resolution. (4)

- (1) Antoni Marek, "National Economic Plan for 1972," Polish Background Report/3, Radio Free Europe Research (EERA), 11 February 1972.
- (2) Polish Situation Report/34, RFER (EERA), 28 June 1971, Item 1.
- (3) Harry Trend, "Economic Reforms as Discussed in the Guidelines for the Polish Congress," Polish BR/22, RFER (EERA), 28 October 1971.
- (4) "The Further Socialist Development of People's Poland," supplement to Trybuna Ludu, December 1971.

In the same period an announcement was made that the elections to the Sejm would take place in March (i.e., earlier than was customary). It became quite clear, therefore, that at best the plan could not be approved before May 1972 (first reading, discussion by various commissions, and finally a debate at the plenary session).

On 27 March 1972, one day prior to the inaugural session of the Sejm, the fourth CC plenum took place, and most of its time was devoted to a discussion of the basic features of the 1971-1975 plan. (5) Finally, as has been said, 17 months' work reached its end on 8 June 1972 with the Sejm's approval of the plan for the socioeconomic development of the country in the years 1971-1975. (6)

Main Features of the Plan

The exceptionally long and complicated procedure of drafting and approval desynchronized the plan and its period of applicability; but quite apart from this, other circumstances ensured that by the time the plan became operative, it was already out-of-date. During its nationwide discussion by the party aktif during the next year, extensive increases are likely to be introduced in the plan, (7) and those will not be the only changes made. Less than a month after the Sejm had approved the plan, the Politburo was examining the government's project to accelerate the increase of the total agricultural output in the years 1971-1975. (8) What is officially called a five-year plan seems likely to be operative for only one year, and -- so far as agriculture is concerned -- only for a few weeks.

Press comment highlighted certain features of the plan. (9) First, no previous five-year plan has been so widely and publicly discussed as the present one. Secondly, methods of working out the plan have changed greatly: they now start with certain basic socioeconomic aims, and special attention is paid to ensuring a perceptible improvement in the population's living standards. Considerably bigger investments are being earmarked for vital social objectives than in any former five-year plan. They cover such things as social security for agricultural workers, shortening of working hours, and -- in specific cases -- a reduction in pensionable age, maternity benefits, etc.

Thirdly, a considerable acceleration of investments (45 per cent in relation to the 1966-1970 period) is envisaged in connection with the planned high rate of increase in consumption and the heavy expenditure on social

(5) Polish SR/13, RFER (EERA), 30 March 1972, Item 1.

(6) Polish SR/24, RFER (EERA), 15 June 1971, Item 2a.

(7) Radio Warsaw, 28 June 1972.

(8) Polish SR/28, RFER (EERA), 13 July 1972, Item 3.

(9) Trybuna Ludu of 9 June, Zycie Warszawy of 8 June, and Zycie Gospodarcze of 18 June 1971.

services. Moreover, investment outlay has undergone structural changes, as a result of which the rate of increase in consumption goods will markedly approach that of means of production.

Zygie Gospodarcze said that this is a plan "which in the course of implementation adapts itself to manifest social and economic needs."

The Plan in Figures

The current method of working out the five-year plan means that, in spite of the considerable delay preceding its official approval, it is already clear that in a year's time it will be out-of-date. This is reflected in the very brief text of the resolution (only 10 pages, compared to the 38 of the bill which approved the plan for 1966-1970). One gains the impression that presentation of the plan for Sejm approval was -- even more than usually -- an act of purely formal significance. Nor is it known whether the plan changes expected next year will be final.

It is worth pointing out that there are important reasons for such flexibility. First, departure from accepted rules and dogmas knocked from the hands of the planning team the only methodological tool they possessed and knew how to use. Secondly, as more importance was given to social policy, the main over-all proportions of the economy needed to be appropriately adjusted. Thirdly, the upsetting of any index made further changes inevitable, which meant that a new equilibrium within the plan had to be worked out and other moves made of a formal and technical nature.

There must have been a number of cycles of this sort, for it is easy to distinguish six publicly presented versions of the plan with certain differences among them. In Table I of the appendix, only the figures applicable to the version of the plan contained in the guidelines for the sixth party congress and those for the indexes of the officially approved plan are given. Since then, however, a resolution of the sixth congress has been published which contains indexes differing considerably from the former version. Then followed the fourth plenum, which was devoted chiefly to the five-year plan, and the draft approved by it was presented to the Sejm, which was empowered to make certain changes (although it did not take advantage of the prerogative on this particular occasion).

To sum up, all this represents an attempt to ensure the continuous evolution of the plan according to current needs and possibilities, as they emerge. In the specific conditions applicable to Poland, it seems to be the only successful method of exploring the limits of existing possibilities.

Table I proves that the changes made in the plan are not minor variations; there have been some fundamental, even strategic, modifications of the earlier versions. It is enough to point out that within a span of six months the gap between the apparent increases in the rates of production of Group A and Group B goods has been narrowed from a 10-point difference to 3 percentage points; that the rate of increase in investments rose by 3 percentage points, with a simultaneous increase in the population's individual

consumption expenditure; that marketed food supplies rose dramatically; while the planned improvement of industrial goods supplies was shaved a bit and the planned increase of per capita meat consumption rose by about 25 per cent.

The manner in which the plan was formulated indicates a playing down of doctrinal factors with a simultaneous emphasis on purely pragmatic measures. This emerges more clearly if one examines the different emphases in the last five-year plan and the present one. First, the national income's rate of increase is accelerating somewhat (by an average of about 1 percentage point per year), but per capita consumption is to grow at an approximately equal rate (in the last five-year period it increased at a slower rate -- by over 6 percentage points). Another radical difference is to be seen in the rate of increase of average real wages (formerly 10 and now 18 per cent). At the same time, investment outlay has reached a previously unparalleled rate of increase of 45 per cent, and the distribution of investments over individual branches of the economy has undergone substantial changes (see Table II).

According to the present plan, the increase in the total output of agriculture is set at a rate of over twice that of the last five-year period. Other differences (all to the advantage of the present plan, although smaller) between growth rates in the 1966-1970 and 1971-1975 periods are expected in the spheres of: the floor area of dwellings, supplies of goods for the domestic market, and foreign trade turnover. In the last item, the accelerated rate of increase is to apply to imports (the opposite was the case in the last plan).

Industry

As already mentioned, the spread between the rate of increase in Group A and Group B production is exceptionally small: 2.8 percentage points. In the sixth congress resolution the corresponding difference was set at 10; in the last five-year period it was 17.6; and earlier still, in the years 1961-1965, it was 22.4. (10) This continual process of reduction has an essentially qualitative character. Furthermore, for the first time there seems to be an absence of the sort of climate which would encourage the growth of the now comparatively small disproportion during the implementation of the plan, something which has been almost standard practice in past years (in the 1966-1970 period there was a planned difference of 11.2 percentage points, which in practice became 17.6).

The planned increase in industrial production of 50 per cent seems to be realistic enough and possibly next year this target may be raised. This correction may, of course, affect the production of consumption goods.

The following table depicts the different increases in the rate of production planned for individual industrial branches: (11)

(10) Zycie Gospodarcze, 18 June 1972.

(11) Source: Dziennik Ustaw No. 22, Paragraph 157, 14 June 1972.

Planned Increase of Over-all Production in Various Industrial Branches

Industrial Branch	1975 (1,000 million zloty)	1975 1970. (per cent)
Fuel and Power	150.8	137.2
Metallurgy	175.1	145.8
Electromechanical	474.4	175.3
Chemical	151.2	163.8
Minerals	61.2	143.2
Wood and Paper	74.1	137.0
Light	205.1	144.7
Food	247.1	130.8
Total	1,584.7	150.2

In comparison with the previous five-year plan, a particularly rapid increase is planned in the output of the electromechanical industry (14 percentage points), the wood and paper industry (about 10 percentage points), and the food industry (10 percentage points); while in the chemical industry the rate of increase of output is to slow down (by 16 percentage points). The fuel and power industry is largely to retain the same rate of increase as before, and the metallurgical industry rate is to rise slightly. The picture emerging from the table puts a question mark against the value of party and government declarations about the necessity to accelerate rapidly the production of consumption goods. It should be noted, however, that within the structure of the country's biggest industry -- the rapidly expanding electromechanical industry -- the reshuffle is designed to achieve a considerable increase in the production of those goods.

Production for the export trade will expand by 53 per cent -- a much more rapid expansion than that applicable to consumer goods. To a great extent this rise will be influenced by the increased production of goods within the framework of co-operation with foreign countries. In examining individual items on the list, one is struck by the considerable increase planned in the production of the following goods (see Table III): calculating machines (a sixfold rise), electric spinning machines (threefold), synthetic fibers (twofold), automobiles (2.5 times), copper (2.5 times), tape-recorders (fourfold), knitted goods (twofold), and chocolate (twofold). A conspicuous point is that the increase planned in the production of electric power does not match the growth of industrial production (48.8 per cent and 50.2 per cent respectively).

According to the plan, total agricultural production should increase by 19-21 per cent in comparison with that of 1970. This embraces crop production (which should rise by about 17-20 per cent) and the animal sector (22-23 per cent). As has been noted above, these targets are now being raised. The plan lays down that the farms' livestock population should reach 12 to

12.3 million in 1975 (which represents a 20 per cent increase over 1970). This total includes 3 million cattle (an 8.5 per cent increase) and 16.6 to 17.2 million hogs (up 23 per cent). The number of horses is to decrease by over 10 per cent.

The plan assumes also a considerable increase in supplies of materials used in agriculture: a 50 per cent rise in building materials, one of 56 per cent in fertilizers (in 1975 there will be an average consumption of about 193 kg. per hectare of cultivated land), and one of about 24 per cent in state supplies of fodder.

Investments

More than half of the outlay on investments budgeted by the plan (1,454,000 million zloty) -- i.e., 786,000 million zloty -- will be allotted to building construction and installations. Investments in the socialized economy will increase at a greater rate (46.7 per cent) than the over-all increase in investments (45 per cent). The plan encourages the creation of conditions that will facilitate overfulfillment of planned investments by encouraging private resources (this applies chiefly to private house-building). Table II illustrates the allocation of investments among individual branches of the national economy, and two major conclusions can be drawn from a study of it:

- 1) In spite of numerous declarations, the rate of capital expenditure in the branches of the national economy which have been particularly neglected is considerably lower than the over-all rate of investment increase -- e.g., building construction (7 per cent), trade (nil), and housing (34 per cent);

- 2) In some of these neglected branches the rate of increase has dropped to an even lower level than that in the preceding five-year plan. This is true of building construction, agriculture, and trade -- namely those branches whose needs are universally known and which have been officially recognized as needing priority treatment.

Foreign Trade

Export turnover in the electromechanical industry is again to achieve the highest rate of increase (75 per cent); imports in this group are also to reach a high figure and are to increase by 68 per cent.

The resolution stressed the importance of goods necessary for the modernization of industry as well as the necessity to utilize opportunities to import those goods needed to satisfy the domestic market.

Increase in Living Standards

To a far greater extent than ever before, the improvement of the population's standard of living is to be the result of an increase in real wages,

rather than only in employment. Compared with 1966-1970 the planned rise in average wages is to be only 8 percentage points higher, but one must remember that even government sources doubted whether the 10 per cent increase envisaged for 1966-1970 was truly realistic. If the current rate of increase in real wages continues till the end of 1972, the improvement attained over the entire 1966-1970 period will be surpassed during the first two years of the current plan period. The income represented by social consumption is to increase more rapidly -- i.e., by as much as 72 per cent more than in 1970. The gross income derived from the sale of agricultural products to the state will probably amount to 135,000 million zloty, which represents an increase of 45 per cent over 1970.

Personal income in 1975 is to reach 818,000 million zloty -- again, a 45 per cent increase over the 1970 figure. Concurrently, marketed goods are to reach a value of 710,000 million zloty, a rise of 43 per cent.

The structure of deliveries of food supplies and industrial consumer goods underwent an essential adjustment during the successive stages of the plan's preparation. The rate of increase in food deliveries rose in later versions of the plan (i.e., it was fixed at the same rate as in the previous five-year period), and the proposed rate of increase in supplies of industrial goods fell by 4 percentage points. Increases in the basic groups are set as follows:

Industry	Percentage Increase
Food	37
Light	43
Electromechanical (incl. automotive)	82
Chemical	35
Wood (incl. furniture)	52
Paper	38
Pottery	47
Building materials	63

Roughly speaking, this differentiation of the rate of increase in food supplies for the market corresponds to the degree of coverage of demand in the various branches of trade. Overall, however, there will be no striking change in the structure of per capita food consumption (except for meat). Although there are to be marked improvements in per capita holdings in a number of consumer durables, Poland will still be significantly below the level attained by developed economies in 1970. (See Table IV.)

Housing

In the housing sphere, too, one should not expect striking changes. Within the whole five-year period the number of new dwellings handed over for use

is to amount to 1,080,000 (only about 15 per cent more than in the previous five-year period). In terms of square meters of usable living area, housing construction will expand by 27.5 per cent. In the bill approving the plan, socialized building was termed a fundamental form of housing construction for the nonagricultural population. The bill therefore recommended a gradual transition toward the construction of dwellings with a bigger usable floor area, and spoke in an encouraging accent about schemes to build individual one-family houses.

Antoni Marek

A P P E N D I X

Table I: Comparison Between Some Important Indexes of the National Economic Plan and Its Fulfillment for 1966-1970 and the Plan for 1971-1975

Table II: Distribution of Investments Among Various Branches of the National Economy

Table III: Production of Principal Industrial Goods

Table IV: Consumption of Principal Goods Per Capita

Table IVA: Consumption of Principal Goods Per Thousand of Population

TABLE I: Comparison Between Some Important Indexes of the National Economic Plan and Its Fulfillment for 1966-1970 and the Plan for 1971-1975

Economic Indicators	1966-1970		1971-1975	
	Plan	Actual	"Guidelines" figure	Plan
Increase in national income (%)	34.0	34.0	38.0-39.0*	40.0
Increase in per capita consumption (%)	27.0	27.8	38.0	39.5
Increase in average real wages in the socialized economy (%)	10.0	ca 10.0	17.0-18.0	18.0
Number of young people entering employment (million)	2.1	2.1	3.5	3.5
Increase in number employed in national economy (million)	1.6	1.5	1.7-1.8	1.8
Increase in industrial production (%)	43.6	49.0	48.0-50.0	50.0
of which: in Group A (%)	47.7	53.6	52.0	51.0
in Group B (%)	36.5	36.0	42.0	48.0
Increase in total agricultural production (%)	11.8-13.1	9.2	18.0-21.0	19.0-21.0
Value of investments (thousand million zloty)	840.0	904.0	1,400.0	1,454.0
Increase in investments (%)	37.6	48.0	42.0	45.0
Share of reserves value in national income (%)	-	5.6	-	5.5
Increase in investments for education (%)	-	-	46.0	96.0
Share of total investments for education in national income (%)	-	-	2.5	2.5
Increase in usable floor area of newly constructed dwellings (%)	19.0	18.0	25.0	25.7
Increase in labor productivity in industry (%)	25.3	26.9	31.0	30.0
Increase in exports (%)	33.0	55.0	-	55.0
Increase in imports (%)	28.0	48.0	-	59.0
Increase in deliveries to market (%)	38.7	41.5	41.0	43.0
of which: food products (%)	-	40.0	35.0	40.0
industrial products (%)	-	42.0	51.0	47.0
Increase in meat consumption (kg. per capita)	4.6	4.2	7.5-8.5	10.0

Sources: Official Gazette: No. 48, Item 296, 18 November 1966.

Official Gazette: No. 22, Item 157, 14 June 1972.

"Guidelines for Sixth Party Congress," Nowe Drogi No. 10, October 1971, Statistical Yearbook 1971.

TABLE II: Distribution of Investments Among Various Branches
of the National Economy
(in thousand million zloty)

Item	1966-1970	$\frac{1966-1970}{1961-1965}$ per cent	1971-1975	$\frac{1971-1975}{1966-1970^*}$ per cent
Industry	344	139	631	160
Building Construction	22	111	43	107
Agriculture	143	165	204	127
Forestry	3	110	5	137
Transportation and Communication	85	135	165	147
Trade	24	134	32	100
Communal Economy (Including Housing)	145	-	266	139
of which: Housing	116	111	209	134
Science	30	111	11	196
Education			32	112
Culture and Art			5	125
Health Service, Social Welfare, and Physical Culture			29	158

* Actually fulfilled in 1966-1970

Sources: Official Gazette No. 48, Item 296, 18 November 1966.
Official Gazette No. 22, Item 157, 14 June 1972.

TABLE III: Production of Principal Industrial Goods

Product	Unit of measure	1975	$\frac{1975}{1970}$ (per cent)
Hard coal	Thousand tons	167,200.0	119.3
Coke	Thousand tons	18,797.0	113.6
Electric power	Million KWH	96,000.0	148.8
Unwrought steel	Thousand tons	14,700.0	124.6
Steel pipes	Thousand tons	1,070.0	147.8
Copper	Thousand tons	182.0	252.1
Zinc	Thousand tons	234.0	112.0
Lead	Thousand tons	67.0	122.9
Roller bearings	Million units	90.5	170.1
Appliances for automatic regulation and steering	Million zloty	3,580.0	185.5
Computers	Million zloty	1,630.0	636.2
Automobiles	Units	154,000.0	240.1
Trucks	Units	13,600.0	151.7
Two-axle tractors	Thousand units	61.0	157.6
Electric spinning machines	Thousand units	11,900.0	324.4
TV sets	Thousand units	900.0	146.1
Radios	Thousand units	1,250.0	126.7
Tape recorders & dictaphones	Thousand units	750.0	408.3
Fertilizers (pure content):			
nitrates	Thousand tons	1,526.0	148.2
phosphates	Thousand tons	982.0	163.9
Plastics	Thousand tons	431.0	194.3
Man-made fibers	Thousand tons	223.5	161.8
of which: synthetics	Thousand tons	126.5	235.1
Cement	Thousand tons	18,000.0	147.8
Timber (coniferous)	Thousand square meters	5,660.0	105.3
Furniture	Million zloty	21,830.0	156.8
Cellulose	Thousand tons	665.5	141.4
Paper	Thousand tons	998.7	130.7
Textiles:			
cotton & cotton-like	Million meters	979.9	111.3
wool & wool-like	Million meters	116.5	117.8
Knitted goods	Million zloty	33,032.0	220.9
Shoes (excluding rubber shoes)	Million pairs	140.9	131.3
Meat (commercial slaughter)	Thousand tons	1,708.0	130.2
Butter	Thousand tons	169.0	132.9
Sugar	Thousand tons	1,870.0	134.8
Chocolate	Thousand tons	35.3	212.3

Source: Official Gazette No. 22, Item 157, 14 June 1972.

TABLE IV: Production of Principal Goods Per Capita

Commodity	Unit of measure	1965 Actual	1970		1975 Plan
			Plan	Actual	
Meat, poultry, & meat products	kg.	49.1	53.0-55.0	53.1	63.0
Fish & fish products	kg.	5.0	6.8	6.3	7.6
Fats (total)	kg.	17.5	19.6	20.8	23.3
of which: butter	kg.	-	-	6.0	6.9
Grain products	kg.	141.0	140.0	131.0	123.0
Sugar	kg.	32.6	36.3	39.3	43.1
Eggs	Units	160.0	170.8	186.0	204.0
Milk & milk products*	Liters	353.0	373.8	259.0	270.0
Knitted goods	Units	5.4	7.2	7.7	11.3
Shoes (all types)	Pairs	3.3	4.2	3.8	4.8

* Actual 1965 and plan 1970 including butter.

TABLE IVA:: Consumption of Principal Goods Per Thousand of Population

Commodity	Unit of measure	1965 Actual	1970		1975 Plan
			Plan	Actual	
Automobiles	Units	6.8	10.8	15	25
Motorcycles	Units	-	-	19	29
Bicycles (excluding children's)	Units	190.0	208.0	219	229
TV sets	Units	74.0	128-134	137	183
Radios	Units	219.0	223-229	253	316
Tape recorders	Units	-	-	12	60
Refrigerators	Units	26.0	68- 74	73	133
Washing machines	Units	125.0	143-149	185	192

Sources: Official Gazette No. 48, Item 296, 18 November 1966.
Official Gazette No. 22, Item 157, 14 June 1972.