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COMMENTS ON THE OUTSTANDING PASSAGES OF AN INTERVIEW
GIVEN BY THE FINANCE MINISTER, JERZY ALBRECHT TO
"ZYCIE GOSPODARCZE"

Summary: The weekly Zycie Gospodarcze of 22 January 1967 published an interview with Minister of Finance Jerzy Albrecht, under the title "Finance and the Five-Year Plan." The interview was devoted to a discussion of the financial aspects of the targets set by the plan.

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The introductory part of the interview mentioned the already-known details of the new system of financing enterprises and industrial associations, the application of new factory prices and directive indices of profitability and the system of financing investments.

Particularly noteworthy, however, are the passages in the interview dealing with the broader problems of the investment program planned for the next five years.

Mentioning the problem of employing funds set aside for investments, Minister Albrecht said: "The important increase in outlays for the chemical industry, non-ferrous metallurgical plants and the electro-machinery industry, as well as some other areas of the economy, seems to be causing difficulties with delivery schedules.... For this reason, it is necessary to curtail the construction and installation plan for 1967 by about two billion zloty below the level anticipated in the Five-Year Plan."

There is no doubt, however, that the difficulties in the realization of investments, and thereby the deceleration in the rate of investment as compared to the targets established by the plan, must require either a reduction of the investment program or an increase of funds. The problem is that the retardation of the investment cycle increases investment costs. Minister Albrecht stated that: "Ministerial and voivodship reserves have been created, permitting an outlay above estimates by some 26 billion zloty. But it must be remembered that, in the light of previous experience, the tendency to exceed the planned cost of industrial investments must be taken into consideration. Thus, it is difficult to judge whether these reserves

will be sufficient in the final analysis. It would be undesirable, however, if it became necessary to use some of the central reserve funds to meet higher costs of investments, funds which were set aside for unexpected financing needs."

Thus, even now, the possibility of making use of the central reserves to cover increasing construction costs -- rather than increasing investments -- is not excluded.

Coming to the problems of employment, labor productivity and wages, Minister Albrecht pointed out, among other things, that disproportions developed in these fields during the course of the past year. He said that the unplanned employment "was influenced by increased employment in industry, which was accompanied by a reduced rate in productivity growth, from an average of 7.6 per cent in the 1956-1960 period, to 5.1 per cent in the 1961-1965 period and below four per cent in 1966. The big increase in employment, combined with the slow improvement in productivity, lowers the possibility of increasing real wages and leads to market dislocations. For instance, in 1966, wage payments increased by only eight per cent and the average real wage rose by some 1.5-2.0 per cent, despite the broad range of wage adjustments."

This is, naturally, only the official explanation for the increasing gap between the increase of nominal and real wages. One must remember that the gap is influenced -- apart from the rise in the price of goods and services -- also by the desire to fulfill production goals even if this can only be attained through an employment increase. Still, the minister's statement is characteristic in that he wants to reject government responsibility for the failure to implement the program of increasing the standard of living.

Analyzing the reasons behind the breach in the planned scope of employment, Jerzy Albrecht said: "The exceedingly high employment growth in the socialized economy is accompanied by a high rate of migration of the rural population to urban areas. Although this migration is natural and necessary, its too rapid growth may result in difficulties in intensifying agricultural production and may add to the existing housing difficulties in towns."

This disproportion actually arises from the unrealistic premise which "froze" the number of persons to be employed in agriculture for the next four years. During the very first year of the new Five-Year Plan, this assumption seems to have been negated in real life.

Rather interesting is Albrecht's admission that the increasing demand for socio-cultural services makes it possible to improve their quality to any noticeable degree. He continued: "While realizing that much need for socio-cultural services has not yet been satisfied, we should continue to develop some of the services requiring payment. Thus, several institutions offering socio-cultural services are organized in such a way that they are permitted to increase expenditures if they can show increased income."

Up to now, this system has included houses of culture, holiday camps for children and youth, rest and sports centers, nursery schools, day-care centers and children's holiday homes."

This statement should be interpreted as an announcement that more of the socio-cultural burdens are being transferred onto the shoulders of the direct user. This is particularly grating in the light of the continued stagnation in the standard of living. One should also keep in mind that the low level of wages in Poland justifies the extension of free or partly free services. State expenditures in this field are not philanthropy but supplementary compensation for inadequate wages.

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