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THE ECONOMIC POLICIES OF EDWARD GIEREK

Summary: This paper focuses on: 1) the socioeconomic background of the workers' revolt of December 1970, which resulted in the personnel changes during which Edward Gierek assumed the post of party leader; 2) the new leadership's evaluation and criticism of the socioeconomic policies of its predecessor; and 3) the ad hoc measures initially taken by the Gierek regime and more substantive changes in priorities and policies that have emerged over the past 15 months. This report was written in early March. In the meantime, the final draft of the 1971-1975 plan has been discussed at a CC plenum and approved by the Council of Minister. In addition, a special commission has made various proposals regarding changes in the system of planning and management. Details on these recent developments are to be found in Polish Situation Reports/13 and 15, Radio Free Europe Research (EERA), 30 March and 14 April 1972, Items 1 and 2, respectively.

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Edward Gierek took over the leadership of the Polish United Workers' Party (PUWP) at the eleventh hour of the most grave political crisis in the postwar history of Poland. The workers' revolt, which began with a bloody confrontation between the shipyard workers and the security forces in Gdansk, spread rapidly to the other cities on the Baltic coast and threatened to engulf the whole country. Indeed, a general strike and mass protest demonstrations in Warsaw and in many other industrial centers were averted only at the last moment by a hasty palace revolution. (1) PUWP First Secretary

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- (1) In many large factories in Warsaw, the workers downed their tools on Friday, 18 December 1970, and a general strike was proclaimed for Monday, December 21. Gomulka was forced to resign on December 19, and the next day Gierek was elected first secretary at a hastily convened Central Committee plenum.

Gomulka and his close associates were ousted from the Polish Politburo and the new party leadership, headed by Gierek, promised the rebellious workers certain immediate material concessions and a speedy settlement of at least some of their demands and grievances.

The apparent reason for the mass revolt of the Polish workers was an ill-considered and ill-timed decision to increase the prices of food and other staples by some 15 to 20 per cent. Indeed, a government decree, proclaiming such price hikes, was published in all Polish newspapers on Sunday, 13 December 1970, and the very next day the first serious disturbances broke out in Gdansk. Thus, it may be quite tempting to classify the workers' revolt in Poland as typical "bread riots" and to conclude that the Gomulka group was ousted by a massive wave of protest strikes and street demonstrations, provoked by its ill-fated decision to raise food prices. But this would be a very superficial assessment of the prevailing sociopolitical situation. In actual fact, the price increases were nothing more than the proverbial straw which broke the camel's back. The real reason for the workers' revolt was an accumulation of major errors of judgment and serious blunders in economic policy, which the leadership of the PUPP had committed during the 14 odd years of Gomulka's rule.

Needless to say, Gomulka's successors were fully aware of the fact that this, indeed, was the case and that in December 1970 they were facing a genuine, quasirevolutionary situation. Gierek himself, in one of his more perceptive speeches, admitted quite frankly that at that time Poland stood "on the brink of civil war." (2) The official appraisal of the "December events" contained in a long report submitted by the new Politburo to a Central Committee meeting in February 1971 is perhaps less dramatic in its wording, but certainly no less explicit. (3) Here is the opening paragraph of this document:

In December of last year, our country lived through a dramatic upheaval. During the days from December 14 to 22, the cities on the Polish Baltic coast: Gdansk, Gdynia, Szczecin, and

- (2) Edward Gierek, "Always Be Guided in Your Work by an Honest Sense of Responsibility for the Fate of Your Country," Prasa Polska, November 1971. This was a speech Gierek delivered to a meeting of editors-in-chief of all major newspapers and periodicals. This speech has never been published otherwise.
- (3) The Politburo report was published in a special, undated issue of Nowe Drogi (the theoretical monthly of the PUPP) which, contrary to oft-repeated promises, was not generally released. This document, which will be quoted frequently in the body of this article, is thus still available only to a limited number of high party officials, but not to rank-and-file members or the public at large. Only a few copies of the special issue of Nowe Drogi have reached the West, and the author has had access to one of them.

Elblag -- became the scene of public disturbances which erupted from an accumulation of social tension. These disturbances threatened to spread throughout the entire country, bringing in their train incalculable social and political consequences for our fatherland.

This introductory statement was further elaborated as follows:

Although the most violent disturbances took place on the coast, the political crisis affected the whole country. In various parts of the country, each day saw an increase in the number of downed tools and strikes, triggered by the same demands as those voiced on the coast. Strikes were also erupting in other centers of the country, even though they had not yet acquired such dramatic form and scale as those on the coast.

Discussions were going on in numerous factories throughout the country. In an excited and nervous atmosphere, the workers were putting forward demands mainly concerning economic policy. All this increased the general state of tension and created a situation where, at any moment, the wave of strikes threatened to spread to the main urban centers of the country, in such way as to lead to large-scale mass demonstrations in the streets.

Having thus established that a genuine quasirevolutionary situation had, indeed, arisen in Poland, the report went on to stress that the workers' revolt was "an authentic protest of the working class." "From the social point of view," asserted the authors of this document, "these demonstrations were workers' demonstrations . . . directed against certain specific aspects of the socioeconomic policy of the party and the government." These protests, it was further claimed, were caused by "the growing dissatisfaction of the working class with its economic situation and its bad working conditions." Having said all this, the Report of the Polish Politburo posed the crucial question: "Why did [this mass protest] blow up to such a political crisis?" This question is then answered as follows:

An analysis of the course of the December events in Poland indicates that their crucial cause was the growing discontent of the workers' class, as evinced by their protest immediately following the rise in the prices of food products, which was introduced on 13 December 1970. This protest, however, took such violent form as a result of the social discontent which had been accumulating for a long time; it was caused by many factors, and particularly by the worsening economic situation of the country, serious neglects in social policy, the stagnation of real wages, shortages of supplies, and the growing cost of living. (4)

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- (4) "Documentary Material on the Eighth CC Plenum of the PUWP, Part I. The Course and the Appraisal of the December Events," Nowe Drogi special issue, pp. 42, 43, and 45 (emphasis supplied).

Thus, the official appraisal of the "December events" puts the whole blame squarely on the economic and social policies pursued by the ousted party leadership in the last years of Gomulka's rule. It might be worth while, therefore, to review the essential features of these policies, since their open repudiation and outright condemnation as antisocial and anti-Marxist (5) predetermined, to a great extent, Gierek's own goals in the economic field. This was clearly implied in the Politburo report:

The December events have shown that the disruption of the bond between the party and the working masses . . . can cause a serious political upheaval in our country. The most important lesson to be learned by the party from the events of December 1970 is that it must always, in future, aim at preventing any conflicts with the community. . . . This requires the use of such methods of guiding the party and the state as would guarantee a proper policy in agreement with the objective needs and feelings of the community . . . and which stems from the Marxist-Leninist principles of the ideology of our party. . . . (6)

What were these grave errors of economic policy, which provoked such a severe political crisis in December 1970? Some of them could, perhaps, be classified as typical examples of ineptitude and mismanagement, but others were of a far more serious nature. The fact remains that, ever since mid-1968, the economic situation in Poland had continued to deteriorate rapidly. Industry, disorganized by the periodic on-again, off-again reform measures (7) and conflicting directives, was unable to adapt its output to the changed pattern of industrial and consumer demand. Its factories, working under a system which was a hodgepodge of arbitrary command economy and halfhearted, decentralized pragmatism, continued to register substantial production increases, but a large part of their output ended up in the warehouses, an unsalable inventory. Throughout 1970, the inventory of unwanted goods had been increasing at twice the rate of retail sales, (8) and by the end of that year, the total value of stocks reached the astronomic figure of some 500,000 million zloty, or roughly one half of the estimated value of the gross national product. (9)

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- (5) "Documentary Material on the Eighth CC Plenum of the PUWP, Part II. The Sociopolitical Background of the Crisis," Nowe Drogi, special issue, pp. 51-52.
 - (6) Ibid., p. 48.
 - (7) For a more extensive treatment of this issue, see Michael Gamarnikow, "The Polish Economy in Transition," Problems of Communism, January-February 1970, pp. 40-47.
 - (8) Unsigned, "The Situation in the Inventory Sector," Zycie Gospodarcze, 4 October 1970.
 - (9) Miroslaw Kowalewski, "Excessive Stocks, a Real, Not a Marginal Problem," Trybuna Ludu, 13 May 1971.

On top of that, grave errors in agrarian policy and two consecutive years of bad harvests combined to produce a major food crisis. For more than a decade after Gomulka assumed power, Poland's agriculture had flourished. Dissolution of the co-operative farms, a drastic reduction of compulsory deliveries, and significant material incentives for individual peasants had transformed Poland into the only major food exporting country in the Moscow bloc. True, there was a grain deficit and some 2,000,000 tons of fodder had to be imported every year. But this expenditure on grain imports was compensated by a huge hard-currency-earning surplus, through large-scale exports of meat and meat products, butter, bacon, and eggs. As late as 1968, sales of agricultural produce accounted for about one third of Poland's total exports and for more than 60 per cent of its total hard-currency earnings. (10)

However, this agricultural expansion had one serious ideological drawback: Poland's private peasantry was growing prosperous, and this prosperity incensed the dogmatic elements in the party hierarchy. Under their pressure, the central authorities began gradually to increase the prices of fodder sold to the peasants, while the procurement prices were kept steady. In the end, the profit margin on animal husbandry disappeared, and pig breeding -- for years the major source of peasant income and, incidentally, of huge hard-currency earnings -- ceased to be a paying proposition. (11) This happened at a time when, after years of successively good harvests, the inevitable happened and adverse weather reduced domestic supplies of grain and fodder. As a result, the number of hogs dropped by 900,000 between June 1969 and June 1970. (12) Poland -- a large-scale food exporter -- was quite suddenly faced with an acute meat shortage.

Shortages of food -- for butter, milk, and eggs also grew scarce -- were greatly resented by the Polish population, and there were many spontaneous protests and demonstrations -- mainly by working class housewives -- in various parts of the country throughout the autumn. But food shortages were only one reason for the growing mass dissatisfaction of the working people.

The other was the specter of mass unemployment. In an attempt to push through a rapid change-over from extensive to intensive methods or promoting economic growth, the Polish party leadership had cracked down on the surplus manpower in factories. Early in 1970, the Politburo decreed that some 200,000 workers were to be laid off, and each enterprise received a

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- (10) Eugeniusz Harasim, "The British Market for Agricultural Produce and the Problems of Polish Exports to That Market," Zagadnienia Ekonomiki Rolnej No. 6/71, pp. 51-52.
- (11) A. Krasnica, "How Much for One Kilogram of Pork?" Dziennik Ludowy, 8 August 1970.
- (12) Unsigned, "The Livestock Census," Zycie Gospodarcze, 6 September 1970.

precise directive as to how many employees were to be dismissed. (13) Since no alternative employment was provided for the laid-off workers, the number of jobless continued to grow. Worse still, the original version of the 1971-1975 economic plan, as worked out by Boleslaw Jaszczuk, Gomulka's chief planner, was based on the premise that, by 1975, the official unemployment figure would increase to half a million people, (14) or roughly 5 per cent of the total labor force employed outside agriculture.

But that was not all. In May 1970, the PUWP Central Committee had approved a new system of material incentives. The basic principle of this system was quite sound, namely that the earnings of workers should be commensurate with the economic performance of the enterprise in which they were employed. But, faced with unexpected shortages of food and the perennial shortage of consumer goods, Gomulka and his team decided to postpone any effective wage increases until at least mid-1972. (15) Hence, from an average worker's point of view, the new system of material incentives was tantamount to a two-year wage freeze. (16)

Anybody conversant with the basic behavioral patterns of the working class could easily have predicted that a combination of sudden food shortages, creeping unemployment, a wage freeze, and finally a substantial increase in the cost of living would inevitably add up to a highly explosive mixture. Gomulka and his close associates, however, were apparently quite confident that they could contain any discontent provoked by their regressive economic measures. But they were wrong. Upon the announcement of massive price hikes, the simmering popular discontent reached the flash-point of open revolt by the frustrated workers.

After the revolt broke out and began spreading like wildfire, the Polish ruling elite had only two options left: the workers' rebellion could be denounced as a counterrevolution and suppressed by brute force, cost what it may, or the party leadership had to admit its errors and attempt to placate the protesting workers by far-reaching concessions. According to the Politburo report presented at the February 1971 plenum, Gomulka and his close associates "arbitrarily" opted for the first alternative.

The situation was further complicated . . . by the fact that [the Gomulka group] forced through its opinion about the

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- (13) W.T., "The Labor Market in 1970," Trybuna Ludu, 12 February 1970, and H. Krall, "To Dismiss or Not to Dismiss," Polityka, 22 February 1970.
- (14) Dr. Henryk Krol, "Intensive Development Versus Employment," Trybuna Ludu, 15 February 1971.
- (15) Bronislaw Fick, "The Incentive System," Zycie Gospodarcze, 7 February 1971.
- (16) B. Krajewski, "Wage Systems in 1971," Praca i Zabezpieczenie Spoleczne, April 1971.

alleged counterrevolutionary character of the workers' demonstrations and was exerting pressure to use the harshest means of repression to restore order. . . . The inclination of the country's political leaders to use brute force as their only response to the protest strikes of the working class created, toward the end of the critical week, the danger of large-scale street fighting. (17)

This repressive policy -- we learn from the same document -- was opposed by some members of Gomulka's own Politburo, by a portion of the party apparatus and also by the army hierarchy. (18) Evidently, by the end of "the critical week," these forces realized that Poland was, indeed, "on the brink of civil war" and they decided to act. This meant not only the ouster of Gomulka and his close associates, but also the reversal of their repressive policy. Overnight, the alleged counterrevolution became the justified protest of the working class. But this ideological somersault also had obvious practical implications. The new party leadership had to placate the rebellious workers, both by granting immediate material concessions, and by the firm promise of far-reaching changes in the economic and social policy of its predecessors. Thus, to a great extent, the economic policies of Edward Gierek were predetermined by the specific circumstances of his accession to power. (19)

The primary demand of the striking workers was annulment of the decree raising prices. (20) But this the new party leadership stubbornly refused to do, claiming that the Polish economy did not have enough resources to maintain a market equilibrium if the prices of food and other staples

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- (17) "Documentary Material on the Eighth CC Plenum of the PUPP," Part I, pp. 44-45.
- (18) Ibid., p. 45.
- (19) It may be argued, of course, that Gierek would in any case pursue such policies, out of conviction rather than out of necessity. His record in Silesia lends some force to this argument. But the fact remains that, given the circumstances of his accession to power, he had no other option but the course he embarked upon.
- (20) The demand to revoke the December 13 price hikes topped the list of demands put forward in all strikebound factories. When the new leadership refused to go along, another major strike broke out in the Adolf Warski Shipyards in Szczecin on 22 January 1971, and within a few hours there was a general strike in the whole city. The strikers went back to work only after a nine-hour discussion with Gierek. The tapes recording this historic confrontation have reached the West and a transcript of them was published in book form in 1971 by the Instytut Literacki in Paris (Rewolta Szczecińska: Jej Znaczenie [The Szczecin Revolt and Its Meaning]). The list of workers' demands, as read by the chairman of the strike committee, is on p. 26.

were to be reduced to their pre-December 13 level. (21) Instead, Gierk proposed that all available economic reserves be used to compensate the lowest paid workers, as well as low income families with two or more children, for the increase in the cost of living. Initially some 7,400 million zloty were earmarked for that purpose, (22) but this total was soon increased to 8,600 million zloty. (23) At the same time, the new party leadership declared that all retail prices would be frozen for a period of two years; that the controversial system of material incentives (i.e., the wage freeze) would be "suspended," and that all restrictions on employment would be lifted. (24) This was -- it has been repeatedly stated -- the full extent of the immediate material concessions which -- in the opinion of the authorities -- the national economy could afford.

Both the freezing of retail prices and the defreezing of wages went into effect immediately, while a detailed list of compensatory payments to the lower income groups was announced on December 31. The statutory minimum wage was to be increased from 850 to 1,000 zloty per month. Workers earning less than 2,000 zloty were to receive retroactive pay increases (as of 1 December 1970) ranging from 30 to 80 zloty per month. Higher family allowances were paid to all families with two or more children, providing that their net per capita income did not exceed 1,000 zloty per month. The lowest pensions and disability payments were also raised to 60 zloty per month. The authorities announced proudly that no fewer than 5,200,000 people would benefit from these wage and pension increases, while the increased family allowances would be paid out for some 4,700,000 children. (25)

Impressive as such figures were supposed to sound, all these compensatory payments, as well as other relief measures, had one essential drawback. They offered nothing (or far too little) to the better paid industrial workers, who were the backbone of the mass protest movement. Because

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- (21) This was the explanation given by Gierk, when he refused to grant this demand of the Szczecin workers (*ibid.*, pp. 39-40). The same argument was repeated by Premier Jaroszewicz in his speech to the Sejm (Polish parliament) on 12 February 1971 -- three days before the price increases were revoked (see Trybuna Ludu, 13 February 1971).
- (22) "Joint Announcement of the Council of Ministers and the Central Council of Trade Unions," Trybuna Ludu, 1 January 1971.
- (23) Gierk's speech at the February 1971 plenum of the Central Committee of the PUWP: see Trybuna Ludu, 8 February 1971.
- (24) Gierk's speech in the Sejm on 23 December 1970; see Trybuna Ludu, 24 December 1970. The freeze was intended to apply to post-December retail prices, but the freeze pledge was maintained even after the prices of food had been reduced to their pre-December level.
- (25) "Joint Announcement of the Council of Ministers and the Central Council of Trade Unions," Trybuna Ludu, 1 January 1971.

they earned more than 2,000 zloty per month, (26) these workers were not eligible for supplementary pay increases. Since they already had a job, they stood to gain nothing from the removal of restrictions on employment. True, even these better paid workers were bound to benefit, in the long run, from the freeze on retail prices and from the annulment of the wage freeze. But this -- they claimed -- was definitely not enough to offset the substantial rise in the cost of living, which they still had to bear. Hence, they continued to press either for adequate wage increases, or for a return to the pre-December prices.

In short, Gierek's initial package of concessions failed to placate the hard core of the rebellious workers, and soon a new wave of protest strikes swept across Poland. Its high points were a three-day general strike in Szczecin (22-24 January 1971), (27) and then a general strike in Lodz -- a major center of the textile industry -- which began on February 12. The day after the Lodz strike broke out, Premier Piotr Jaroszewicz -- Gierek's right-hand man -- made the last dramatic plea for restraint:

On all sides we are faced with demands for further wage increases and other budgetary expenditures. We understand the reasons behind this wave of demands. However, there is no chance during the current year to do more than to guarantee improvement of the working people's standard of living, but only within the limits of those means which we possess and create, mobilizing all our economic reserves for this purpose. (28)

On the next day, Jaroszewicz, together with Jan Szydlak -- the new economic overlord -- and two other Politburo members, rushed to Lodz where, during a traumatic, all-night session, they tried to convince the striking workers that the Polish economy could not afford either additional wage increases or an annulment of the December price hikes. But all their arguments fell on deaf ears. The workers stubbornly persisted in their demands, and finally, Gierek had to give in. On the evening of February 15, Radio Warsaw broadcast the following official announcement:

Thanks to the credit obtained during the last few days from the Soviet Union, and also taking into consideration a

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- (26) At the turn of 1970, the average monthly wage of an industrial worker in Poland was 2,537 zloty (Biuletyn Statystyczny No. 2, February 1971, p. 10). The shipyard workers, who were the standard-bearers of the protest movement, earned between 2,800 and 3,400 zloty per month.
- (27) See footnote 19, for more details about the Szczecin strike.
- (28) Premier Jaroszewicz's speech to the Sejm on 13 February 1971 (Trybuna Ludu, 16 February 1971).

possible increase in our own meat production in the second part of the current year and in the coming year, it has been decided . . . to lower food prices, including meat and meat products, to their former level, to that in force prior to 13 December 1970. (29)

Thus, after a hard and protracted struggle, the workers' rebellion in Poland achieved one of its primary economic objectives. Against all their original intentions (and, perhaps, even against their own better judgment) Gierek and his close associates were forced to add the rollback of the December price increases to their list of immediate, ad hoc concessions.

It should be stressed here that both the decision to revoke the price hikes and the announcement of the Soviet credit were made at the time when the general strike in Lodz was still in full swing. (30) Naturally, the question arises why it was the general strike in Lodz which finally convinced both the new party leadership in Poland, as well as its counterpart in Moscow, that all the economic concessions granted up to that time were, indeed, inadequate. It can be argued, of course, that this was yet another case of a straw which broke the camel's back. But there is another explanation, which seems far more plausible. It is an undisputable fact that "red" Lodz occupies a special place in the fighting tradition of the working class movement, not only in Poland, but also in Russia (to which Lodz belonged until 1918). A general strike in Lodz (and the consequent bloody confrontation with the tsarist troops) was one of the highlights of the 1905 Russian revolution and the rulers of the Kremlin were -- no doubt -- acutely aware of the proud revolutionary heritage of that city. Besides, while it could be argued that the shipyard workers of Gdansk and Szczecin were only first generation working class members, nobody could ever deny that the textile workers in Lodz were genuine, hard-core proletarians, with an inborn ability to organize a strike and to carry it to the bitter end as their fathers and grandfathers did. In short, a mass strike in red Lodz, with its long revolutionary tradition, was bound to have a much greater psychological, as well as ideological, impact both in Warsaw and in Moscow.

Be that as it may, it is evident that when the general strike broke out in Lodz, the rulers of the Kremlin decided to intervene once again, in order to pacify the workers' rebellion in Poland. (31) And while the whole

(29) Radio Warsaw, 15 February 1971, 2000 hours. On the following day, this proclamation was published in all Polish newspapers.

(30) Zycie Warszawy, February 16, reported "work stoppages" in Lodz. Normal work was resumed in this textile center on February 17 (cf. Radio Warsaw, 17 February 1971).

(31) Throughout the whole Polish crisis, Moscow was consistently exerting its moderating influence. Thus, it is known from many sources (including Gierek's speech to the striking workers of Szczecin) that the Soviet Politburo sent a letter to the old party leadership arguing that the strikes and demonstrations in Poland were a genuine

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extent of the Soviet credit granted to the Gierek regime was never fully disclosed, it has been officially confirmed that the key component was a loan of 100,000,000 dollars (in convertible currency), as well as a special arrangement concerning the use of Poland's credit balances at the International Bank for Economic Co-operation (i.e., Comecon's own mutual settlements bank). (32) Needless to say, the main purpose of this credit arrangement was to enable the new Polish leadership to supplement domestically produced supplies of trade and consumer goods by large scale imports, both from the other countries of the Moscow bloc (Comecon credit balances) and from the hard-currency area (cash loan). (33)

For Gierek, this was the only way to preserve even the semblance of a market equilibrium and to keep the economy solvent. For the cost of his ad hoc economic concessions — necessary as they were to placate the rebellious workers — has been mounting at an alarming rate. It was, for example, officially estimated that the sundry compensatory wage increases granted to lower paid workers, as well as the annulment of the wage freeze imposed by the former party leadership, would add some 8,600 million zloty (in 1971 alone) to the total volume of purchasing power. (34) The increase in social benefits was expected to add another 4,500 million to this total. (35) Then the December price hikes were revoked at an additional cost (in terms of

(cont'd) working class protest, thus rejecting the "counterrevolution" theory of Gomulka and Kliszko. Gierek also told the Szczecin shipyard workers that "Comrade Brezhnev phoned several times to Comrade Gomulka and urged him not to use force, but to rely on political persuasion." Gierek himself allegedly saw the Kremlin letter only after he became first secretary: see Rewolta Szczecinska i jej Znaczenie, p. 37.

Further, peaceful Soviet intervention took the form of massive grain shipments (totaling some 2,000,000 tons), following an agreement concluded on 29 December 1970 (Trybuna Ludu, 30 December 1970).

- (32) These details of the credit granted by the Soviet Union were disclosed by Premier Jaroszewicz in his speech at the Szczecin Voivodship PUWP conference (Zycie Warszawy, 16 April 1971).
- (33) The specifics of imports from the Comecon area are still a closely guarded secret. The bulk of the imports from the hard currency countries consisted of consumer goods (such as knitwear, rubber shoes, clothing, furniture, and household articles) and food, primarily meat and meat products. It has been disclosed, for instance, that the imports of meat made it possible to increase the consumption per head by 3.4 kilograms (A. Rolow, "Eight Thousand Million Dollars," Rynki Zagraniczne, 3 February 1972). This means that some 100,000 tons of meat and meat products were imported in 1971 — mainly from the EEC countries and Denmark.
- (34) Premier Jaroszewicz's speech to the Sejm on 13 February 1971 (Trybuna Ludu, 14 February 1971).
- (35) Ibid.

extra purchasing power) of some 11,000 million zloty. (36) To this one had to add the huge expenditure involved in fulfilling the pledge to remove all restrictions on employment. Altogether, the total cost of the immediate economic concessions was originally estimated at some 25,000-30,000 million zloty, but in actual fact -- mainly as the result of a sharp jump in the earnings of the rural population (due to a substantial increase in the procurement prices paid for milk, lard, and carcass meat) -- the total volume of purchasing power in 1971 rose by a whopping 59,000 million zloty, or some 10 per cent over its 1970 level. (37)

Needless to say, such a huge, inflationary growth in the supply of money still further limited the potential economic policy options available to the new Polish leadership. All its efforts had to be directed toward increasing the flow of goods and agricultural produce to the market, in order to absorb, if not all, then at least a large part of this additional purchasing power. (38) This -- in turn -- meant that a very substantial part of the scarce economic resources had to be hastily shifted to industries producing consumer goods. At the same time, additional incentives had to be provided to food growers (mostly individual peasants), so as to achieve the hoped for increase in the meat output. (39)

But all that was only a beginning. A prelude to a major turnabout in the entire economic policy. For it was the basic fact of life in post-December Poland that Gierek's initial package of economic concessions was regarded by the population at large as nothing more than just a first down payment on a long overdue debt, incurred by the old party leadership, as the result of its erroneous and ill-advised economic policy. Gierek and his close associates were, no doubt, fully aware of this generally accepted attitude. In the Politburo Report submitted to the Central Committee plenum in February 1971, they acknowledged this debt and pledged that it would be eventually redeemed:

In the past several years, grave errors were gradually accumulating in many important spheres of party policy, and primarily in its economic and social policy. . . . As the result of these errors . . . there emerged a serious disparity, which tended to

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- (36) Unsigned editorial, "Our Concern for the Well-Being of the People," Trybuna Ludu, 17 February 1971.
- (37) "The Communiqué of the Main Statistical Office on Fulfillment of the National Economic Plan for 1971," Trybuna Ludu, 2 February 1972.
- (38) According to the above communiqué, individual savings in 1971 rose by some 18,000 million zloty. This meant an increase of 15.8 per cent in the total volume of individual savings over the 1970 level. Thus, savings increased at a higher rate than incomes.
- (39) Even before the new agrarian policy was officially promulgated (see below), the new leadership had decided to increase the procurement prices for meat, lard, bacon, and milk, so as to restore the profitability of livestock breeding; see Trybuna Ludu, 20 March 1971.

increase from year to year, between the efforts of the nation to develop the economy, and the feeling of the working people, as a whole, that they were not getting a fair share of the fruits of this effort. (40)

The Report conceded explicitly that such feeling was indeed "fully justified" and then went on to enumerate a long list of major economic sins committed by Gomulka and his principal economic advisers. The former party leaders were accused of deliberately keeping the living standards of the Polish workers at an artificially low level, in order to reduce to the minimum the growth of consumption, among other things. "It must be stated quite clearly" -- we read in the Report -- "that, during the years 1966-1970, Poland had the lowest rate of increase in real wages of all the Comecon countries. . . . There were some groups of workers who actually suffered a decline in their real wages." (41) The controversial "new" system of material incentives was also roundly condemned. "This system," claimed the Report, "was designed to act as a firm impediment to all increases in workers' earnings. . . . The working people regarded . . . [this system] as an attempt to freeze their wages at the 1970 level. . . . The policy of limiting the growth of consumption was also reflected in other economic measures." (42)

The agrarian policy pursued by the ousted party leaders was denounced in equally strong terms. Gomulka and his immediate lieutenants were blamed for aggravating the situation in this sector by persisting in their "abstract and doctrinaire approach" to the problem of agricultural production and by their stubborn insistence on attaining self-sufficiency in grain output, cost what it may. They were further accused of making "erroneous and ill-considered decisions," which tended to decrease the profitability of animal breeding and which resulted ultimately in an acute meat shortage. (43)

Other blunders in economic policy were also severely castigated. The ousted leaders, it was claimed in the Politburo Report, willfully neglected the housing needs of the population, thus "depriving hundreds of thousands of people of an opportunity to move into an apartment of their own." In the last few years, they also "tended to earmark too great a part of the national income for capital accumulation purposes," and then they consistently failed to use these investment means in the most effective manner, by "giving high priority to a number of low-yield investment projects." At the same time, many essential branches of industry were being deprived of badly needed investment capital. (44)

(40) "Documentary Material on the Eighth CC Plenum of the PUWP," Part II, p. 50.

(41) Ibid., Part IV, "The Economic Situation and the Most Pressing Economic Tasks," pp. 66-67.

(42) Ibid., pp. 68-69.

(43) Ibid., p. 70.

(44) Ibid., pp. 65-66.

Mishandling of economic reforms was yet another charge leveled against the former party leadership. The Politburo Report asserted that the program of economic reforms, as approved by the fifth PUWP congress in November 1968, was -- in essence -- sound and correct. But in implementing this blueprint, Gomulka and his close associates distorted certain basic features of the new model (especially concerning decentralization) and badly mismanaged the whole process of introducing the new economic system. Specifically, the Report claimed that:

The implementation of individual reforms was never preceded by broadly based consultations. Some of the reforms were put into effect with too much haste, while the introduction of the others was unduly retarded. . . . In fact, the whole method of implementing the reforms in a piecemeal manner was all wrong, since it gave the impression of the lack of a general purpose. . . . All these errors and irregularities in implementing economic reforms resulted in a contradiction between the level of development of the productive forces and the prevailing methods of economic management. (45)

In the midst of this highly pessimistic assessment of the political and economic situation in the country and the long litany of grave errors committed by the ousted party leaders, the Report did introduce a brief, but highly significant, note of self-criticism:

The Politburo and the Central Committee of our party bear, as a whole -- though in varying degree -- a moral and political responsibility for the fact that they failed to prevent the first secretary from gradually resorting to such despotic methods of governing the country and running the economy. . . . The Central Committee became pervaded with the unhealthy atmosphere of weakly agreeing to such methods and with a fatalistic attitude of the utter futility of opposing these negative signs. (46)

No one can say with any certainty if this self-criticism was, indeed, an expression of a genuine contrition, or merely a clever tactical move to defuse strong pressures from below and to disarm the vociferous criticism from all sides. Be that as it may, the fact remains that even such a half-hearted admission of collective guilt, coupled with an all-out condemnation of the economic sins committed by the ousted party leaders, still further reduced Gierek's elbowroom in hammering out his own long-term economic policy. By pointing out so forcibly where their predecessors had gone wrong, the new rulers of Poland had, by implication, pledged themselves to reverse Gomulka's economic policies in many essential sectors, to make good the losses sustained both by the national economy and by the population at large as the result of these policies, and to pay special attention to all the areas of economic life which had been neglected.

(45) Ibid., p. 70.

(46) Ibid., Part II, p. 54.

In this sense, the Politburo Report, submitted to the Central Committee plenum in February 1971, did contain a broad outline of Gierek's own economic policy. This outline -- in the more specific and concrete form of a first draft of the 1971-1975 five-year plan -- was then presented by the new party leadership at yet another Central Committee meeting in June 1971. (47) Subsequently, certain practical aspects of the new economic policy were submitted for public discussion at all levels during the pregress period. (48) After that, this policy was put into final shape and formally approved at the sixth PUWP congress in December 1971.

To give the new rulers of Poland their due, one must acknowledge that their approach to economic policy amounted to something far more than merely a concentrated effort to put the national economy back into working order, to repair the damage wrought by Gomulka's "ill-considered economic concepts," and to guarantee long-term economic progress along orthodox lines. Instead, Gierek and his closest lieutenants seized the opportunity created by the total breakdown of the economic policies pursued by their predecessors to work out an entirely new pattern of socioeconomic development. Their economic policy embodies not only different goals and different methods of planning and management, but also a qualitatively different order of economic and social priorities, a qualitatively different approach to the basic economic issues, and a qualitatively different socioeconomic philosophy.

The cornerstone of this philosophy was the oft-repeated tenet that neither the economic growth rate per se, nor a rapid development of the productive potential can ever have a real meaning for the working masses, unless these things are geared to the basic socioeconomic objective of any rational economic policy: a steady increase in the living standard. (49) Consequently,

- (47) The original version of the 1971-1975 five-year plan, approved by the Polish parliament a few weeks before the ouster of Gomulka, was rejected by the new party leaders. The new draft put the main emphasis on an increase in the standard of living, on maintaining "full and rational" employment, on expanding the output of consumer goods, and on higher housing targets. To achieve these objectives, there was to be a major shift in the allocation of investment funds.
- (48) Theoretically, all aspects of the new policy, including its basic economic goals, were submitted for public discussion. In reality, however, the only open questions concerned some aspects of the housing policy (more small apartments, or fewer big ones), of the social policy (whether the retirement age should be reduced), and other fringe problems ("The Further Socialist Development of the Polish People's Republic," in the pregress Guidelines approved by the 11th plenum of the CC of the PUWP.
- (49) This principle was first formulated by Gierek in his keynote speech at the February 1971 Central Committee plenum (Trybuna Ludu, 8 February 1971). The first concrete form of the new doctrine appeared in the draft of the 1971-1975 five-year plan (see below). Finally, it became an integral part of the PUWP program when it was embodied in the Resolution of the sixth party congress (Part I, Point 1).

both the party's over-all economic policy, as well as the specific economic plans which implement it, should put the main emphasis on a constant rise in real wages and on satisfying consumption and the social needs of the population at large, rather than on the fulfillment of quantitative targets. What really matters -- argued the new leaders -- is not economic results as such, but the main social objectives which the party intends to achieve by pursuing a given economic policy. (50)

This rather pragmatic and consumption-oriented approach bore the distinct personal imprint of the new first secretary of the PUWP. It reflected both his social background and his own, deeply ingrained political and economic thinking. For Edward Gierek is a very rare specimen among the present-day generation of communist leaders. First, he has a genuine working class background and worked for some 20 years as a coal miner, before he started a new life as a communist party apparatchik. (51) Secondly, Gierek spent the best part of his formative years in the West -- in France and in Belgium -- where he was an active member of the trade union movement. He was a strike organizer and an ardent agitator for better working conditions and higher pay for miners, but although his official biography claims that he became a member of the French Communist Party in 1932, there is reliable evidence that Gierek did not become politically active until much later. There is also no record that he was anything but a minor trade union and party official before he returned to Poland at the age of 35. (52)

This social background and Gierek's trade union experiences in the West do help to explain his apparently genuine concern for the material well-being of the working masses, which he had already displayed as the party first secretary in the Silesian region. Seen in this perspective, Gierek's economic policy line, with its special stress on a steady growth in real wages and on adequate satisfaction of the consumption and social needs of the

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- (50) "The Program for the Further Socialist Development of Poland Is Being Shaped in the Precongress Discussion," Jan Szydlak's speech in Katowice (Trybuna Ludu, 14 October 1971).
- (51) Gierek was born in 1913. In 1923, his family emigrated to France in search of work, and Gierek himself got his first job in a coal mine at the age of 13. In 1934, he was arrested as a strike agitator and deported from France. After a normal stint of military service in the Polish army, he emigrated again in 1937 -- this time to Belgium, where he worked as a coal miner until 1945. At the end of the hostilities he became active in Polish regime organizations in Belgium and returned to Poland in 1948.
- (52) Gierek's official position during the last two years of his stay in Belgium was that of chairman of the Polish section of the Belgian Communist Party, but after he returned to Poland, he very quickly climbed the ladder of power. In 1948, he was appointed one of the secretaries of the Katowice Voivodship Committee; in 1954, he became the head of the Heavy Industry Department of the Central Committee of the PUWP; in 1957, he was appointed first secretary in Katowice (Silesian region); and in 1959, he joined the Politburo.

working people, becomes both credible and logical. Gierek's personal point of view has always been that workers will work harder if one gives them higher rewards, which they deserve in any case. Hence, it was up to the people responsible for running the economy to make such rewards possible, to channel the workers' effort in the right direction, and to provide sound management, which would not permit the fruits of this hard work to be wasted on various harebrained economic schemes. One must say, however, that in December 1970 fate played right into Gierek's hands, because in the specific circumstances of his accession to power, that very economic policy which was an article of faith for him emerged as the only politically acceptable alternative, both for the Polish ruling elite and for Moscow.

The first attempt to apply Gierek's socioeconomic philosophy in practice appeared in the new draft of the 1971-1975 five-year plan. One of the first major policy decisions of the Gierek team was to scrap the original version of this plan, and to work out a new one, which would be consistent with their own long-term social and economic objectives. (53) This could not be done -- of course -- until the total economic cost of the initial package of ad hoc concessions could be reliably estimated. But in June 1971, the first draft of a new version of the five-year plan was unveiled at the plenary meeting of the PUWP Central Committee. The main feature of the new plan (for this is what this draft amounted to) was a ruthless downgrading of all the time-honored economic priorities which were regarded as inviolable during Gomulka's rule.

In fact, the new five-year plan was a sort of antithesis of its original version. Gomulka and his top economic planners put the main stress on technological modernization of certain selected branches of Polish industry. To achieve this objective, they were quite willing to perpetuate the stagnation of the living standard, to limit consumption, and to accept substantial unemployment. In contrast, the Gierek team gave top priority to a rise in real wages, a steady growth of consumption, and the need to provide adequate job opportunities. "The principal aim of this plan," declared Premier Jaroszewicz in his keynote speech at the June plenum, "is a substantial acceleration of the rate of increase in the living standard. . . . At the same time, we should ensure full and rational employment. The determination of these basic objectives was the starting point of our work on the draft of this plan." (54)

This reversing of the traditional economic priorities was also reflected in the key target figures set for 1975. Individual and social consumption was to increase by 38 per cent, in contrast to the approximately 27 per cent achieved in the previous five-year period. Real wages were scheduled to rise by some 17 to 18 per cent, i.e., at an average annual rate of 3.4 per cent.

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- (53) This decision was announced by Premier Jaroszewicz at a plenary meeting of the Sejm on 23 December 1970 -- i.e., three days after the new leadership had taken over (Trybuna Ludu, 24 December 1970).
- (54) Premier Jaroszewicz's keynote speech at the June plenum of the PUWP Central Committee (Trybuna Ludu, 25 June 1971).

This was nearly twice as much as the average growth rate registered during the 1961-1970 period. The housing construction target was increased by 25 per cent over that of the previous five-year plan. Finally, jobs were to be created for some 1,800,000 people in order to guarantee full employment. (55)

Needless to say, neither the plan to increase consumption, nor the envisaged growth rate of real wages could ever be put into effect without a meaningful increase in the production volume of both consumer goods and of food. And this — in turn — required a considerable reallocation of investment resources in relation to the structure of investments projected in the original Gomulka version of this plan. Besides, additional investment means had to be set aside for housing construction and for various ad hoc schemes designed to provide supplementary job opportunities. (56) In a capital-hungry Polish economy, this meant an all-out reversal of the usual order of priorities so far as the structure of investments was concerned. Indeed, within the framework of the new plan (and for the first time since the communist take-over) the food processing and consumer goods industries, as well as housing construction, were granted priority in the allocation of raw materials and investment funds over the requirements of heavy industry and the other sacred cows of Marxist-Leninist economics. (57)

The planning technique adopted by Gierek's economic experts was also qualitatively different from normal procedure. The standard way is to prepare a balance sheet of all available resources, to allocate them in accordance with the established order of priorities, and then to estimate the potential increase in the over-all sum. After that, a decision must be taken at the highest level on how much of this additional production can (or rather has to be) spared for consumption purposes. On this basis, the central planners could determine what increases in real wages and consumption could be incorporated into the plan.

In the process of creating Gierek's version of the 1971-1975 five-year plan, this standard procedure was reversed. The planners treated the stipulated growth rates of real wages and consumption as the primary basic data for calculating all other plan indices. This meant that the proposed production targets and estimated investment expenditures had to be adapted to the stipulated increases in real wages, consumption, and employment,

(55) Ibid. N.B.: The same target figures were retained in the draft of the 1971-1975 five-year plan, which was approved by the sixth party congress.

(56) For instance, a special fund of 500 million zloty was created in 1971 to provide new jobs for women on an emergency basis (official PAP release: "Women Are Waiting for Work," Slowo Powszechne, 20 August 1971).

(57) The full extent of this shift in the investment structure was disclosed by Premier Jaroszewicz in his keynote speech at the June 1971 plenum (Trybuna Ludu, 27 June 1971).

and not the other way around. (58) It is true, of course, that -- to some degree, at least -- the Gierek team was forced to adopt this unorthodox planning method because of the inflationary impact of ad hoc economic concessions. But this did not change the essential fact that -- to quote Poland's leading economic weekly -- "the decision to give the social needs of the working people absolute priority over all other objectives . . . has changed the entire logic of economic planning." (59)

Theoretical justification for this change in the logic of planning was provided by Politburo member and CC Secretary Szydlak, one of Gierek's principal lieutenants. Szydlak claimed that the new approach amounted to nothing more than "just a dialectical generalization" of the long-established policy line of the PUWP, in the light of "recent experiences" and "unsolved socioeconomic problems." We have finally realized -- he maintained -- that "increased consumption is an important and necessary factor in the process of economic growth, a factor which stimulates production and technological progress, improves organization, and results in greater labor productivity. . . . Seen from this angle" -- argued Szydlak -- "the increase in real wages becomes what it always should have been: the chief means of implementing the principle 'to each according to his work,' a phrase every worker understands to mean a just material reward for greater production and better work." (60)

Here, in a nutshell, was the whole rationale behind Gierek's economic policy. Hard work properly rewarded was the mainspring of economic progress. To induce this extra effort, every economic concept had to be translated into terms which an average worker could easily understand. Hard work, if properly directed, would provide adequate means, not only for rewarding this effort, but also to ensure rapid economic progress. "Our policy," declared Edward Babiuch, another leading member of Gierek's team, "is based on the fundamental idea that the highest goal of socialism is the constant satisfaction of the material and spiritual needs of the people, on the basis of a dynamic economic development." (61) Gierek himself, in his keynote address to the Sixth PUWP Congress, defined his policy as "a long-term socioeconomic program," which aims to combine "the high dynamics of economic development" with "the best possible satisfaction of the social and economic needs of working people." (62)

- (58) Unsigned editorial, "A Concept for Society," Zycie Gospodarcze, 4 July 1971.
- (59) Ibid.
- (60) Jan Szydlak, op. cit.
- (61) Interview with Edward Babiuch, published in the East German weekly Horizont No. 45, November 1971. Babiuch, like Szydlak, is a Politburo member and CC secretary.
- (62) "The Tasks of the Party in the Further Socialist Development of People's Poland," Gierek's keynote speech at the sixth party congress (Trybuna Ludu, 7 December 1971).

But — obviously enough — such a satisfaction could not be achieved by a constant repetition of abstract rhetoric. What was urgently needed was more concrete means, which would permit the new party leadership to give the workers their just rewards and keep them reasonably contented and toiling at their work benches. And this meant, above all, more plentiful supplies of food, particularly meat and meat products. Indeed, the volume of meat output plays a very special role in Poland's economic (and not merely economic) affairs. It affects, in a significant manner, the incomes of the agricultural population and the profitability of farming. It is also an important factor in maintaining market equilibrium, and a powerful instrument in combating inflationary pressures, to say nothing of the potentially explosive nature of persistent food shortages.

One has to bear in mind that, in Poland, the demand for food, especially for food of a higher quality (and more expensive), is still relatively elastic. Experience has shown that any meaningful rise in workers' earnings tends to be immediately reflected in an increased demand for meat and meat products. (63) With an additional purchasing power estimated at 25,000–30,000 million zloty in 1971 alone, it was only to be expected that the demand curve for those food items would rise sharply. For the time being — thanks to the Soviet hard currency loan — domestic supplies of meat could be supplemented by large scale imports. (64) But over a longer period, the only way to keep up with this increased demand was to ensure a substantial increment in the domestic output. In short, adequate incentives had to be devised to induce Poland's 3,500,000 independent farmers to produce more meat, milk, and butter for the market.

Here again, the policy approach decided upon by the new party leadership amounted to something much more than just a series of ad hoc measures designed to make good the losses in livestock resulting from Gomulka's "abstract and doctrinaire" insistence of self-sufficiency in grain output, to restore the profitability of animal breeding, and to ensure the flow of more plentiful meat supplies to the market. In tackling the problem of food shortages, the Gierek team deliberately went beyond the standard remedies, such as higher procurement prices, increased supplies of

(63) The direct relationship between a rise in workers' earnings and the demand for meat was repeatedly pointed out during the last years of Gomulka's rule in order to counter all demands for wage increases. It was argued that, since no significant improvement in meat supplies was feasible, no meaningful wage increase could be granted until such time as the structure of consumption should change (cf. T. Komorniczak, "The Problem of the Structure of Consumption — How Much We Earn, What We Eat," Zycie Warszawy, 6 December 1969; see also B. Przywara, "Consumption Today and Tomorrow," ibid., 18 January 1970).

(64) As already indicated (see Footnote 31), in 1971 imports of meat and meat products totaled over 100,000 tons and per capita consumption increased by 3.5 kilograms.

concentrated fodder, (65) etc., and decided to offer the Polish peasants a comprehensive package of far-reaching social and economic concessions, which added up -- in effect -- to a qualitatively different agrarian policy. The basic rationale behind this new deal -- apart from the increase in output -- was to give the farming community a security of tenure, in order to encourage long-term investments, to provide a greater scope for specialization of production within individual homesteads, and to remove certain social and legal inequities, which were strongly resented by the peasants.

The new deal for Poland's private farmers was announced in mid-April 1971, in the form of an eight-point agricultural policy program, worked out jointly by the Polish United Workers' Party and the United Peasant Party. (66) The main features of this new agrarian policy included: 1) abolition, as of January 1972, of all compulsory deliveries; 2) introduction (as of the same date) of an all-inclusive free health service for private farmers and their families; 3) conferment of property titles on those private peasants who had none; 4) changes in the existing tax laws, both to compensate for the abolition of compulsory deliveries and to facilitate expansion of private holdings; 5) improvements in procurement procedures. (67)

From the purely economic point of view, the most important feature of Gierek's agrarian policy was the abolition of compulsory deliveries, which were replaced by a graduated land tax. Abolition of compulsory deliveries has been, ever since 1945, the principal economic demand of Polish peasants. After the Polish October in 1956, Gomulka did give in (at least partially) to the pressure of private farmers, and compulsory deliveries were considerably reduced. But it was claimed at that time that, for purely objective reasons, it was not possible to abolish these deliveries altogether. Gomulka promised, however, to dispense with such payments in kind "as soon as practicable." (68)

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- (65) Procurement prices for meat, lard, bacon, and milk were substantially increased and higher supplies of concentrated fodder were pledged even before the Polish leaders promulgated their new agrarian policy (Trybuna Ludu, 20 March 1971).
- (66) "The Joint Recommendations of the Politburo of the PUWP and the Presidium of the UPP to the Council of Ministers of the Polish People's Republic," Trybuna Ludu, 18 April 1971. N.B.: The United Peasant Party is one of the two licensed (i.e., satellite) political parties allowed to exist in Poland. It is supposed to represent the interests of individual peasants.
- (67) Needless to say, the Council of Ministers accepted the recommendations of the PUWP and the UPP, and appropriate bills were enacted in October 1971 (cf., Trybuna Ludu, 27 October 1971.)
- (68) Cf., Gomulka's speech at the Harvest Festival (Trybuna Ludu, 8 September 1958).

The promise was never kept. And although the bulk of the agricultural produce grown by Poland's private farmers was being bought by the state on a free contract basis, some of it still had to be compulsorily delivered at give-away prices. Thus, for example, the compulsory delivery price for pork was fixed at 9.78 zloty per kilogram, while peasants got 20.13 zloty for the same quantity of pork meat sold under the free contract system, or more than twice as much. For wheat, the free-contract price was 396 zloty per hundredweight and only 235 zloty under the compulsory delivery system. As far as potatoes were concerned, the price difference was even bigger: 54 zloty per hundredweight for compulsory deliveries, and 102 zloty when sold under the free contract system. (69)

One can say, therefore, that, on the average, the Polish peasant received about twice as much money for the produce he sold to the state under a free contract system as he was paid for his compulsory deliveries. The loss was self-evident and easy to calculate. And although the party leaders continued to claim that the price difference was merely a form of levy, necessary to finance investments in agriculture, the peasants looked upon the compulsory deliveries as sheer exploitation.

More perceptive agricultural economists in Poland were also opposed to compulsory deliveries, but for quite another reason. They argued that the whole system was wasteful, since it compelled every small peasant holding in Poland to grow everything, from wheat and potatoes to pigs. This, it was claimed, made rational specialization impossible and reduced economies of scale. The only practical alternative was for a given peasant to concentrate, say, on pig breeding and to buy the necessary grain, milk, and potatoes on the free market, in order to fulfill his obligations to the state. In either case -- it was argued -- the compulsory delivery system tended to reduce the profitability of peasant farming. (70)

This type of argument was well suited to Gierek's common sense approach and his pragmatic inclinations. Therefore the urgent need to promote rational specialization in private farming was listed as one of the main reasons for the abolition of compulsory deliveries. (71) In actual fact, however, it was primarily a major concession to a large special interest group, the individual peasants. True, these payments in kind were to be replaced by a special cash levy, which was to be incorporated into a reformed land tax, assessed on the acreage of individual homesteads. But this was a fixed sum of money, known in advance and, as such, a predetermined element of cost. Besides, a substantive reform of the land tax system itself was also projected in Gierek's agricultural program. The explicit

(69) Price data for 1970 -- see Rocznik Statystyczny (Statistical Yearbook) 1971, p. 404, Table 554.

(70) Eugeniusz Gorzelak, "The Key Problems of Agrarian Economic Policy," Wies Wspolczesna, November 1968.

(71) Unsigned editorial: "Our Concern to Develop the Countryside and Improve Supplies to the Population," Trybuna Ludu, 18 April 1971.

purpose of this reform was to "reduce excessive progression in land tax assessments," a feature which tended to penalize large (and thus more productive) peasant holdings. (72) Here again ideological considerations (such as the struggle against the "Kulaks") were subordinated to a purely pragmatic need to increase the supply of food.

Taken together with a long overdue policy decision to grant legal title deeds to "more than a million private farmers, who had no formal property right to the land they cultivated" (73) and the sundry provisions which made it easier for individual peasants to buy state land for the purpose of increasing the size of their farms, the abolition of compulsory deliveries, the increase in procurement prices, the introduction of health insurance, and the reform of the land tax system added up to a very meaningful package of socioeconomic concessions. And although the primary purpose of Gierek's new agrarian policy was to enhance the profitability of private farming, so as to increase the volume of home-grown food supplies, the main psychological effect of all these measures was to give the individual peasants a sense of security, of economic respectability, and of social usefulness, which did not exist under Gomulka. Thus, whatever the real motives of the new party leadership, the concessions which have been made to the farming community tended to consolidate private ownership in the countryside. (74)

The boldness and the broad vision of Gierek's agrarian policy contrasted sharply with his caution and ambivalent approach to economic reform. At first, everything seemed to indicate that the new party leadership intended to tackle this key issue with all the vigor and thoroughness it deserved. As already noted, the Politburo report submitted to the February Central Committee plenum listed the mishandling of the entire problem of a new economic model as one of the gravest sins of the ousted party leaders. Specifically, Gomulka was criticized for implementing the reforms in a piecemeal manner and for failing to consult the appropriate experts before deciding upon a given course of action. The report concluded that the proper way to put into effect the necessary changes in the methods of planning and management is to work out a comprehensive program of economic reforms and to introduce it all at once, in its entirety. The task of preparing such a comprehensive program was entrusted to a special commission composed of leading representatives of the party establishment and the state administration, as well as a large number of experts. (75)

(72) Ibid.

(73) Speech by Stanislaw Gucwa, chairman of UPP presidium, at the plenary meeting of the executive committee of that party (Zielony Sztandar, 24 April 1971).

(74) In Poland, some 84 per cent of all agricultural land is still cultivated by private farmers.

(75) This special commission was set up in mid-February by a decision of the Politburo under the chairmanship of Jan Szydlak, Gierek's principal economic adviser (PAP release, 23 February 1971). It was later disclosed that the commission has established 10 working teams

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At this initial stage, there was also (or so it seemed) a fairly general consensus about the urgent need for really far-reaching, qualitative changes in the existing economic model. Gierek himself, in his keynote speech at the February Central Committee plenum, repeatedly stressed that "the whole system of economic management . . . must be completely overhauled and adapted to the new strategy of socioeconomic development." (76) Professor Pajestka, the top economic theoretician of the party establishment, declared, in an authoritative article published in Nowe Drogi, the main theoretical publication of the Polish Central Committee, that "changes in the economic system . . . are a historic necessity." (77) Some prominent economists (both party members and nonparty people) were even more outspoken. Professor Mujzel of the University of Lodz asserted flatly that "the main reason why our economy is not performing effectively is an anachronistic economic system, which has to be thoroughly reformed." (78) And the Grand Old Man among Poland's economic reformers, Professor Lipinski, stated in a press interview that: "The most important task which faces us today is a radical reform of our economic system. I stress the word radical, because only a radical reform can do away with the disastrous heritage of the mistaken policies of the past." (79)

It soon became quite evident, however, that the new party leadership was not ready to accept really radical changes in the existing economic system. "The main characteristic of our reform," proclaimed an editorial in Trybuna Ludu, "should be a constructive attempt to reconcile the principle of central planning with that of greater scope for initiative and independence at a lower level of economic management." (80) Soon afterward,

(cont'd) to deal with various aspects of the reform program. Altogether some 230 "eminent specialists, scientists, and men with practical experience" were drafted to serve on these teams, and each group was asked to propose "concrete system solutions" in its own field (Trybuna Ludu, 29 May 1971).

- (76) Gierek's speech at the February plenum of the PUWP Central Committee (Trybuna Ludu, 8 February 1971).
- (77) Jozef Pajestka, "A discussion on Modernizing the System of Economic Management," Nowe Drogi No. 12, December 1971. Professor Pajestka, a full member of the Central Committee, is also deputy chairman of the special commission preparing the economic reforms.
- (78) Jan Mujzel, "The Main Link -- the Economic System," Zycie Godpodarcze, 14 February 1971. Professor Mujzel is an acknowledged party expert in the field of employment policy and wages.
- (79) Jadwiga Radomska, "An Interview with Professor Edward Lipinski," Kulisy, 3 October 1971. Professor Lipinski, together with Professors Oscar Lange and Michal Kalecki, was one of the architects of the Polish Economic Model of 1956-1957.
- (80) Unsigned editorial: "The System and Its Reform," Trybuna Ludu, 28 April 1971.

Gierek himself warned the members of the special commission that, in the process of preparing a comprehensive program of economic reforms, they must "take into account both the existing realities and the present state of the national economy." At the same time, however, Gierek urged the commission members to "speed up" their work on this program, so that "the general trends of the reform proposal may be reflected in the resolution of the sixth party congress." (81) This was clear indication that the new leadership intended to put its reform blueprint before the congress, at least in broad outline.

A still more concrete pledge to that effect was contained in the pre-congress Guidelines. (82) There it was stated very explicitly that the "basic principles of the reform of the system of economic management . . . will be worked out in the next few months and will be presented to the sixth party congress for approval." (83)

But contrary to this definite commitment, no report on this subject was presented at the congress. The delegates were merely informed that the commission preparing the comprehensive program of economic reforms was still considering several alternative solutions. More significant still was the fact that, in the resolution of the sixth party congress, the section dealing with the proposed changes in the system of planning and economic management (84) contained nothing beyond very vague, noncontroversial generalities. It was also much shorter than its counterpart in the pre-congress Guidelines (which were, in fact, a draft resolution), and the final text was purged of all specific references to the need for greater decentralization and for debureaucratization of the economic modus operandi.

Equally noncommittal was a day-long debate in one of the 19 working committees set up at the congress, a committee which dealt specifically with the intended changes in the economic model. Although it was claimed that some "80 congress delegates and 29 nonparty experts took part in a heated discussion," (85) the report on the proceedings of this working

- (81) E. Kow, "Modernizing the Functioning of the National Economy," Trybuna Ludu, 29 May 1971.
- (82) These "Guidelines," entitled "The Further Socialist Development of the Polish People's Republic," were adopted at the plenary meeting of the PUWP Central Committee on 4 September 1971. They were intended to provide a basis for pre-congress discussion.
- (83) Ibid., Point 76, p. 23.
- (84) Cf. Section 5 of the resolution of the sixth party congress, published as a brochure by Trybuna Ludu. Of the 32 pages of this resolution, only 2 dealt with the problem of economic reform.
- (85) Stanislaw Chelstowski, "How to Speed Up Socioeconomic Progress," an interview with Professors Jozef Pajestka and Jozef Pinkowski, Zycie Gospodarcze, 2 January 1972. The participation of nonparty experts in its working committees was one of the novel features of the sixth party congress.

committee published in Trybuna Ludu was extremely brief and devoid of any substantive information. But it did contain a couple of rather telltale sentences: "It has been generally agreed . . . that all day-to-day operative decisions should be made at the lowest possible level. But at what level? No one could answer this question in an unequivocal manner." (86)

Somewhat more enlightening was a lengthy interview with the two joint cochairmen of this working committee, Professors Pajestka and Pinkowski, published in the leading economic weekly Zycie Gospodarcze. Among the few hard facts which did emerge from this interview was an implied admission that the experts were still grappling with the crucial problem of how to reconcile (in actual practice) the principle of central planning with the need to decentralize the decision-making process, and the obvious necessity to give greater scope to individual responsibility and initiative at the lower levels of the economic structure. And although Professor Pajestka reiterated his standpoint that there is no inherent contradiction between the increased role of central planning and greater independence and freedom of action on the enterprise level, (87) it was quite evident from the text of the interview that no satisfactory institutional solutions, which would serve both of these objectives, have yet been worked out by the experts.

The other bits and pieces of hard information concerned the problem of price determination. Thus, it would appear from the text of the interview published in Zycie Gospodarcze that, within the framework of the future economic model, "the state will retain effective control over the prices of staple consumer goods and basic food items, as well as raw materials and the means of production." All other prices -- it was disclosed -- would eventually be permitted to move freely, but only "between the lower and the upper limits set by the state." (88) Finally, the interview contained a clear admission that the original resolve of the Gierek team to work out a comprehensive program of economic reform and to introduce it in one fell swoop (as the Hungarians did with their NEM in January 1968) has been -- for all practical purposes -- abandoned. Instead, certain "partial solutions" are to be introduced in 1972 and in 1973, while other aspects of the reform, which would require more time to be worked out properly, are not scheduled to be put into effect until the mid 1970s. (89)

(86) Unsigned, "A system for People with Initiative," Trybuna Ludu, 12 December 1971.

(87) Professor Pajestka devoted a lengthy article to the defense of his pet theory that an increased role for central planning is fully compatible with greater freedom of action on the enterprise level and that both are "noncontradictory objectives of economic reform" ("A Discussion on Modernizing the System of Economic Management," Nowe Drogi No. 12, December 1971).

(88) Stanislaw Chelstowski, op. cit.

(89) Ibid.

Since the charge of mishandling the implementation of economic reforms, by introducing the individual reform measures in a piecemeal manner, was one of the principal accusations against Gomulka in the indictment which the new leadership presented at the February plenum, the fact that they themselves had to renege on the pledge to introduce their own comprehensive reform program in one fell swoop was obviously highly embarrassing for the Gierek team. To cover up this major retreat, Professor Pajestka put forward the argument that "the comprehensive character of the reform program has been retained," since all individual measures "will be geared to a set of common, clearly defined objectives," and will "comply with the basic principles" of the proposed new model. (90) But this kind of dialectics could not change the essential fact that no agreement has been reached as yet either on that "set of common, clearly defined objectives," or on "the basic principles" of the new system of planning and management.

As a result of this stalemate, due apparently to conflicts of opinion within the party leadership, no one can say with any certainty what kind of a new economic model (if any) is likely to emerge in Poland. On the basis of the fragmentary material published so far, one can only indicate those main trends of official thinking which are likely to be reflected in the final version of Gierek's reform blueprint, if and when it is formally adopted.

Thus, it seems quite probable that the dilemma created by the self-imposed theory that the new model ought to reconcile the principle of central planning with the greatest possible scope for individual initiative and responsibility at the enterprise level might ultimately be solved by redefining the role of central planning. State planners would still retain their over-all responsibility for "purposeful guidance of the national economy, as a whole," but would be divested of all operational functions. (91) Their main tasks are likely to be limited to setting the basic proportions of future macroeconomic development. They will also be expected to correlate the long-term objectives of the party's socioeconomic policy with the basic targets of the national economic plans. Finally, they will forecast the long-term needs of the national economy and assess the means available for satisfying such requirements. But they would not be allowed to interfere with the process of operational decision-making at the microeconomic level, which will be left to individual enterprises and industrial associations. (92) Such a limitation of the role of the central planners is apparently regarded by Gierek's economic experts as an indispensable safeguard against a rebirth of "misinterpreted centralism," which -- in the past -- had always led to "a paralysis of initiative from below." (93)

(90) Ibid.

(91) Janusz Beksiak, "The Central Plan as an Instrument of Economic Policy," Nowe Drogi No. 10, October 1971.

(92) Ibid.

(93) Kazimierz Sokolowski, "Democratic Centralism in Economic Management," Nowe Drogi No. 12, December 1971.

Accordingly, the enterprise managers will be granted much greater freedom of action, especially in the sphere of output planning and in that of setting up wage rates and employment quotas in respect to their own plants.(94) What is still unclear, however, is the future mutual relationship between the enterprises and the industrial associations. This -- one must stress -- is really the key issue of the proposed new model, since the nature of this relationship will determine the extent to which the middle level bureaucratic superstructure will be permitted to interfere in the operational decisions of the managers of individual enterprises. There are many indications that Gierek's team will eventually opt for a multifarious organizational structure, based on the specific conditions in the various branches of industry. (95) If so, the greatest scope for entrepreneurial initiative and freedom of action is likely to be granted to the managers of those industrial plants which produce directly for the market.

But all this is still at the discussion stage. Meanwhile, the failure to draw up a coherent program of economic reforms, consistent with the newly proclaimed socioeconomic goals, has been -- to all appearances -- one of the most disappointing aspects of Gierek's economic performance to date. Yet, it is also quite conceivable that this slowdown in economic reform is the result of a deliberate policy decision. There are valid reasons to assume that the new party leadership has come to the conclusion that the problems of economic stability and of maintaining market equilibrium (to say nothing of the overriding issue of securing its political power base) must take absolute precedence over the problem of reforming the economic system. For while, in the long run, the intended reform measures could certainly be expected to play a decisive role in achieving these socioeconomic goals which the new leadership has set up for itself, there does exist the very real danger that, in a shorter period, any market-oriented economic reforms and any meaningful decentralization of the decision-making process could well have an adverse effect on the already complicated economic situation and could intensify existing inflationary pressures.

Bearing in mind the enormous economic cost of Gierek's initial package of ad hoc concessions and the resulting increase in the supply of money, one can well understand the oft-expressed concern of Gierek's economic advisers about maintaining a semblance of economic stability and about keeping the economy solvent. This does explain, to a certain extent, their insistence on preserving -- at least for the time being -- full administrative control over the use of scarce economic resources, especially investment means and imported raw materials. One can also understand the motives for granting top priority to such economic policy measures as could be relied upon to contain the inflationary pressures.

(94) Resolution of the sixth party congress, Chapter 2, p. 7. But in this respect, the text of the resolution is far less specific than were the pre-congress Guidelines.

(95) Resolution of the sixth party congress, Chapter 5, p. 16.

In this respect, the new agrarian policy has certainly fulfilled all expectations. Since the breeding cycle for pigs is fortunately a relatively short one, the supply of pork showed a remarkable improvement in the last quarter of 1971. For the first nine months of Gierek's rule, the pork procurement figures fluctuated between 65,000 and 80,000 tons, but ever since October 1971 they have been at the 120,000 ton level. (96) For instance, in December 1971, state purchases of pork from domestic sources rose to 129,000 tons, (97) as compared with 79,000 tons purchased in December 1970. (98) These figures demonstrated once again that there exists a clear cause and effect relationship between the profitability of animal breeding and the supply of meat.

The upward trend in meat output was still more pronounced in the first quarter of 1972. In January and February, the procurement figures for pork rose by some 60 per cent, as compared with those for the corresponding period of 1971. The purchases of beef (where the breeding cycle is much longer than in the case of pork) registered an increase of only 13.7 per cent, but even so the total volume of meat supply from domestic sources rose by 42 per cent over 1971 figures. (99) Should this upward trend continue over a longer period -- and there is every indication that it will -- the new leadership could soon dispense with costly imports and even resume fairly large scale exports of meat and meat products.

Man does not live by meat alone. But, from the macroeconomic point of view, such a substantial improvement in the meat supply situation was very important for two reasons: first, because increased consumption of meat would tend to absorb some of the excess purchasing power, (100) and secondly because any decline in meat imports would somewhat relieve the balance of trade position.

For Gierek and his economic experts, the dominant economic problem of 1971 was how to maintain a semblance of market equilibrium in the face of very considerable odds. They inherited a near-stagnant economy, devoid of any reserves, which could be used either for raising the living standard of the population, or for providing additional job opportunities. And yet, at very short notice, they had to find the economic means to enable them -- within 12 months -- to increase real wages by 5.3 per cent and to boost employment by nearly 3 per cent. (101) At the same time, Gierek and his

(96) Biuletyn Statystyczny No. 2, February 1972, p. 27, Table 32.

(97) Ibid.

(98) Biuletyn Statystyczny No. 2, February 1971, p. 29, Table 32.

(99) Official PAP release, 8 March 1972.

(100) Although -- admittedly -- the increase in the supply of meat tended to generate its own inflationary pressures in the form of increased peasant incomes. It was hoped, however, that a large part of this extra money would be earmarked for investment purposes.

(101) "The Communiqué of the Main Statistical Office on Fulfillment of the National Economic Plan for 1971," Trybuna Ludu, 2 February 1972.

economic experts still managed to keep inflationary pressures in check. Despite an unprecedented 10 per cent increase in purchasing power and only a 7 per cent rise in the output of consumer goods, no persistent shortages in the shops were in evidence throughout 1971, although, as the plan fulfillment communiqué admitted, "some more sophisticated consumer products were still difficult to get." (102)

No doubt this -- in itself -- was a considerable achievement. But it did not mean that Gierek's economic experts have found a magic formula for combining relatively high dynamics of economic growth, along standard communist lines, with a substantial increase in the living standard and better satisfaction of the social and economic needs of the population. While the economic policy pursued by Gierek was certainly more market-oriented and more rational than that of Gomulka, the new leadership managed to maintain economic stability only at the price of increasing Poland's foreign debt. This included not only the Soviet credits, which were being spent mainly for current consumption purposes, but also a substantial increase in the balance of trade deficit, far in excess of the cash loan granted by Moscow.

Red ink in foreign trade accounts is by no means a new phenomenon in Poland. But while Gomulka always tried to close this trade gap by ruthlessly slashing all "nonessential" imports, Gierek's primary concern has been to provide enough consumer goods and enough food to match the huge increase in purchasing power. And since only a fraction of these additional supplies could be produced at home, the rest had to be imported. As a result, food imports rose by 36.7 per cent over their 1970 level, while imports of consumer goods increased by 16 per cent. Needless to say, such a big boost in the import bill could not be covered by export earnings, and the net effect was that the trade deficit for 1971 reached the record level of 162,300,000 dollars, (103) No doubt Gierek's economic experts hope that increased production of meat and improvements in domestic industrial output would help them to reduce the size of this deficit when the 1972 trade figures are added up.

Nevertheless, Poland's economic stability is still very fragile and Gierek's economic worries are far from over. The main problem, that of excessive purchasing power, is quite certain to be very much in evidence both in 1972 and for many years to come. According to official estimates, in 1972 the grand total of individual incomes is expected to increase by some 50,000 million zloty over its inflated 1971 level. (104) Indeed, there are many indications that this official estimate is too conservative and is quite likely to be exceeded. Yet the estimated increase in the domestic output of food and consumer goods projected in the National Economic Plan for 1972 (105) barely matches even the conservative estimate

(102) Ibid.

(103) Ibid.

(104) Zygmunt Szeliga, "Convalescence," Polityka, 29 January 1972.

(105) Monitor Polski No. 59, December 1971, Item 381.

of increase in purchasing power, and then only on the quite unrealistic assumption that everything that is produced for the market will be actually bought. Hence, Gierek's economic experts might once again be forced to spend more on imports than they originally budgeted for, in order to preserve economic stability.

To avoid such a contingency, the party leaders have launched a massive propaganda campaign to encourage industry to produce 20,000 million zloty worth of goods over and above the output targets envisaged in the official economic plan. (106) While pledges to that effect have already exceeded the target of 20,000 million zloty, it is very doubtful, to say the least, whether this hasty and improvised effort to increase over-all output, regardless of cost, would really help to stem the inflationary tide.

In the long run, Gierek and his economic experts will probably succeed in neutralizing these inflationary pressures by increasing the flow of more reasonably priced durable consumer goods (such as popularly-priced automobiles) and by inducing some population groups to invest their excessive purchasing power in housing construction, both private and co-operative. (107) Indeed, the plans for a mass produced and relatively inexpensive family car are already well advanced, (108) while construction of private, one-family houses is being actively encouraged, both by cutting administrative red tape and by providing cheap credits. (109) But the popular automobiles will not begin to roll off the assembly lines before 1975, and the shortage of building materials sets definite limits on expanding housing construction (whether private or co-operative) before 1976. So the struggle for preserving economic stability may well continue for some years to come.

(106) Dobrosław Zuk, "Twenty Thousand Million," Nowe Drogi No. 3, March 1972.

(107) In Poland, no family whose income exceeds a specified bracket is entitled to subsidized state or municipal housing (although there are frequent exceptions to this rule). If it needs an apartment, it must join a housing co-operative and contribute to the financing of housing construction — usually not less than 20 per cent of the cost of the apartment.

(108) The popular car selected by Gierek's experts is a new version of the Fiat 500, which will be produced in two new factories in Tychy and Bielsko-Biala. The agreement between the Polish authorities and the Fiat concern, signed in October, provides for an initial output of 150,000 cars a year (Trybuna Ludu, 30 October 1971).

(109) To mop up excess purchasing power, the Polish authorities intend, before 1975, to sell some 25,000 one-family houses and some 30,000 small dwellings belonging to the state to private owners. For those who prefer to build their own one-family house, the state will provide credits up to 100,000 zloty, or 75 to 80 per cent of the construction costs (Andrzej Stasiak, "One-Family Housing," Polityka, 27 November 1971).

It is a moot question, however, whether the Polish economy can postpone really qualitative reforms of the existing economic system until Gierek and his advisers have dealt with the problem of the excessive supply of money and have achieved a genuine economic equilibrium. Most experts agree that the issue of economic reform is the touchstone of Gierek's economic policy. The half-measures announced to date are nothing more than ineffective palliatives. What is needed is a thorough overhaul of the whole system of planning and economic management, based on a genuinely comprehensive reform blueprint. Without such reforms Gierek's master plan for putting the Polish economy back onto an even keel and its much advertised socio-economic objectives will remain on paper, while Gierek's "new economic policy" will be transformed into a patchwork of ad hoc emergency measures, isolated positive reforms and partial solutions, administered by a paternalistic and consumption-conscious, but still arbitrary, leadership relying primarily on a mixture of material incentives and old-fashioned command economy instruments.

The indictment against Gomulka prepared by Gierek and his lieutenants has listed "mishandling" of economic reforms as one of the gravest sins committed by the ousted party leader. But Gomulka failed to implement the new economic model, not because he was hostile to it, or because he was indolent, but because he gave in to the pressures of the party apparatus. The new leadership has made economic reform an integral part of its economic recovery program. Its spokesmen have said many times that a new economic model is necessary to make the Polish economy more responsive to the needs of the market and have asserted that "economic reforms are a historic necessity." The new leaders have also publicly stated that they will not be deflected from their chosen course by the opposition of dogmatic elements within the party apparatus and the state and economic bureaucracy. "We have embarked on this policy . . ." declared Jan Szydlak in one of his major addresses, "with full conviction and with full awareness of our responsibility: we shall not grow tired of it. . . . Anyone who thinks that he can wait out the present period and continue to indulge . . . in the shallow old methods is mistaken." (110)

In view of such firm commitments, the issue of economic reform must be regarded, not only as the touchstone of Gierek's economic policy, but also as the test case of his political integrity.

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(110) Jan Szydlak, op. cit.