EASTERN EUROPE

Economic Reforms in Poland

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The reaction of the Polish leadership to the strikes in August 1980 was to promise reforms, and a scheme of reforms has been presented in the meantime. What would be the most comprehensive attempt yet at transforming the present system, which is geared to the Soviet model, and at launching the country on a road of its own is to be undertaken by 1983. What are the prospects for this new reform scheme?

The present attempt at reforms has been triggered by an economic and political crisis, as were all previous ones, but this crisis was not its sole cause, for the need for comprehensive economic reforms has existed for a long time — since 1956 at least. Moreover, just as the economic crisis was not the only reason for the needed reforms, so was the economic crisis not — even though it seemed so at times — brought about only or overwhelmingly by the inefficient centralistic system in operation. The economic crisis has, however, played a crucial role in the debate on reforms during the last six months.

The principal cause of the economic crisis was that the economic policy was switched to the wrong track in the early seventies. It was a mistake in development strategy — the policy of pressing onward with development at an exceedingly fast pace in the seventies under the concept of the “new strategy of social development” proclaimed and forced through by the group around E. Gierek who had come to power in December 1970. The main faults of this policy were:

- excessive and, in part, largely ineffective investments;
- an agricultural policy unable to choose between consistent advancement of the private peasants or the cooperative/public sector, so that both were neglected;
- excessive rises of wages and incomes in relation to the increase of real consumer goods production (with, additionally, large income differentials due to Gierek’s policy of motivation, causing dissatisfaction among the population);
- an infirm and inactive policy on consumer goods prices (the major problem of a reform of the consumer goods price structures was tackled inadequately and half-heartedly); and
- from 1976, when the dangerous repercussions of Gierek’s economic policy on the economic equilibrium manifested themselves more and more clearly, a half-hearted stabilization policy.

Throughout this time, while crises arose and accumulated in the economy (supply crisis, agricultural crisis, balance of payments crisis, energy crisis), the system of planning and management was inefficient. Big investments gave meagre results, reflected by degressive increases of industrial production. Investments and incomes went up, and the inflationary pressure tightened, while the economy responded less and less to central planning and direction so that in the end it could be described as being basically unplanned.

The Social Crisis

From the economic crisis sprang the political crisis which is a crisis of power structures and political institutions. An important factor for the origin and severity of the political crisis was the mounting social injustice in the distribution of the burdens due to the crisis. Society as a whole suffered more and more from supply deficiencies but some population groups were able to circumvent them. They included, not so much the owners of foreign currencies, as people in a position to gain material advantages by unlawful or underhand practices — mostly in conjunction with the abuse of certain power positions or official functions. The result was that people grew suspicious of state institutions, parties and trade unions.
The large majority of Polish economists have been convinced since the latter half of 1978 that comprehensive reforms are indispensable, but it looked at first as if the political leaders and the economists did not think alike. Since the VIIIth PUWP Congress in February 1980, if not earlier, the leadership under Gierek seemed, however, to be also intent on reforms even though their execution was to be postponed until the economic situation had stabilized somewhat, for it was known from past experience that an economic reform in the midst of an economic crisis stood little chance of success.

After the VIIIth Congress Premier Jaroszewsicz who shared in the responsibility for the mistaken economic policy of the preceding years was replaced by E. Babiuch on whom fell the task of achieving the desired stability by an extremely restrictive economy programme coupled with increased export efforts. Fulfilment of the modestly targeted new five-year plan for 1981-85 was considered the requisite for successful introduction of new reform measures from 1983.

The stabilization manoeuvre in the first six months of 1980 yielded positive results in exports and industrial production but had devastating consequences for the supplies to the population. With fewer consumer goods reaching the shops, the queues outside lengthened. The mounting annoyance among the population finally burst out in strikes when the Government raised the meat prices as part of its restrictive policy.

A New Political Legitimization

The events brought about the downfall of party chief Gierek and Premier Babiuch. What happened next was typical of the Polish way of crisis management: having stifled any broad public discussion of reforms for years past, the leaders, intent on political legitimation by the population, now promised instant economic reforms, with a suitable scheme to be presented within three months.

They presented accordingly - actually on time -

☐ a scheme of reform for the planning and management system and

☐ a scheme of reform for the trade unions, prepared by a commission appointed by the State Council and independent from Party and Government.

2 Cf. the scheme presented by the Party and Government Commission: Podstawowe zalożenia reformy gospodarczej (Fundamental principles of the economic reform), Warsaw 1981.

The model for Poland's economic system - as for most other CMEA states - was imported from the Soviet Union after 1945 irrespective of historic, geographic or economic distinctions. It has various specific features but is, despite modifications over the past 30 years, still marked by a high degree of centralization in all planning and decision-making. The principal criterion for the success of an economic unit is plan fulfilment in actual quantitative terms (e.g., tonnes) or, today mostly, in gross value terms such as turnover or overall output. Net value figures - such as the profit left after deduction of costs from gross receipts - play no significant role.

The reform scheme provides for a large measure of decentralization of the planning and decision-making competences hitherto in the hands of the Planning Commission, Council of Ministers and Ministries and their transfer to the enterprises. At the same time it is intended to change from obligatory plans, i.e. from direction of the enterprises by means of orders and directives to indirect control of the economy by means of so-called parameters.

The entire central planning and management apparatus is to be reduced by half to two-thirds. The Planning Commission is to be contracted to a quarter of its present size - about 3,000 staff members. The large number of Industry Ministries - at present about 15 - which is typical of the centralistic system is to be brought down to three or four which, moreover, are to focus increasingly on staff work for the direction of the economy, similar to the Hungarian method. The intermediate level of economic administration - the Industry Associations (corresponding to the Associations of Publicly-owned Enterprises, the VVB, in the GDR) - is to be abolished altogether.

Central Planning to Stay

The cardinal point of the reform scheme is the reordering of the rights of the enterprises. These had hitherto to carry out the plan directives from the central authorities. There are over 200 directives and limits, and most of these are to be abolished. The decentralization of the competences will, however, be pursued at different rates of intensity in the various fields. It will go farthest in areas like employment, wages and investment, and also in production planning, whereas no significant measures of reform are discernible in the field of external economic relations. Here the long-term aim is also to decentralize the decision-making process and thus to do away with import limitations and export directives and to prepare for free convertibility of the zloty into hard currencies,