

**SOME PROBLEMS OF THE POLISH ECONOMY
(1970 - 1980)**

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**A Dissertation submitted in partial fulfilment
for the award of Degree of MASTER OF PHILOSOPHY
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I N T R O D U C T I O N

The Soviet model of growth was adopted by Poland in the postwar period. This type of growth laid emphasis on rapid industrialization, priority in investment to heavy industry and relatively small share of investment to agriculture, consumer goods and light industry. Another feature of this model lay in its strong element of autarkism, the attempted forced collectivization of agriculture (but forced collectivization was not implemented in Poland) and nationalization of industry, and faster growth of investment than of national income. The economy, adopting this model, has many advantages. It can enforce a high degree of mobilization of resources, full utilization, and it can direct the allocation of resources, towards key priorities.

The serious consequences of this type of growth were noticeable especially in its initial phase. The important to note was the "Striking Imbalances" in the growth process and "Disproportions" in the various sectors of the economy. A remarkable dissimilarity appeared between the development of agriculture and that of industry; between quantitative growth of output and quality; production techniques and costs; and between productive and non-productive activities in the economy. These imbalances and disproportions

contributed to a retardation of the long run growth and marked fluctuations in the rate of economic activities. As a result of forced industrialization drive, consumers were made to sacrifice their standard of living endlessly and this resulted in the workers' bloodshed riots in Poznan in June 1956, and a change in leadership in October 1956.

Gomulka came to the power, whose ascendancy led many Poles to hope for a more liberal regimes. Certain reforms were introduced in the economy. Collectivization of agriculture was put off and decollectivization measures were stepped up. The principle of development of heavy industry was temporarily postponed. The concentration of attention on the role of enterprise as the basic cell were the main characteristics of the early reforms. Grains and foodstuffs were imported on western credits in order to improve the standard of living, which had fallen during the industrialisation and collectivisation drive. But all these attempted reforms, however, proved to be abortive.

In fact, these reforms were not enough to improve the overall efficiency of the Polish economy. Again, the same type of growth was put to practice. A new industrialization drive started in 1961, which built

on and extended the industrial structure, created during the 1950's. Gomulka's plan to restructure and modernise the economy was on the basis of domestic accumulation, i.e. forced saving. The main drawback of the 1961-65 FYP was the "Sanguine" attitude of the planners. They optimistically overestimated on almost all fronts. The plan collapsed in the middle because of the tension built and bad harvest in 1962. Within a short time, the leadership started to think in terms of taking strict measures for ensuring greater efficiency. The reform featured a certain return to centralisation of management. Gomulka failed to put into motion his modernization programme because he wanted to combine it with an austerity policy.

And then came the economics of Gierak era. 'Import led growth' and 'consumption led growth'. Combined with the import of capital and technology from the western markets were the underlying characteristics and basic tools for modernisation and growth for the economy under Gierak administration. The logic was that an increase in consumption was necessary to create incentives, without which it would be difficult to expect improvement in labour productivity. Gierak had no alternative except to open the economy to the Western countries for the modernization and growth of the economy. It was facili-

tated with the easy availability of credits in the western markets. The logic behind this strategy was that it would result in an excess of exports over imports, and the debt would be repaid quickly.

Most of the period was characterized by an intensive development of the production potential. In the beginning, the guiding principle was a general expansion and modernisation of the production apparatus. The accomplishment of these objectives was constrained by certain unfavourable internal and external factors. It seems that these internal and external factors have played a significant role for the economic crisis in Poland. The Polish economy faced the problem of energy crisis, recession and inflation and rising rates of interest. Natural factors were particularly adverse in the second half of the seventies. The rate of accumulation was very high throughout the period. It was in favour of capital goods and against consumption goods.

Agriculture sector was not much cared for by the different regimes at different interval, except the decollectivisation of agriculture in 1956. Wrong political priorities and the absence of structures through which they could be corrected also seriously

hamed agriculture. Preference in the allocation of resources was given to socialized sector and efficient private farms were neglected. Despite these less favourable conditions, productivity in the socialized sector was lower than in the private one. State farms did not have proper economic links with the private farms. The supply of meat to the workers was one of the critical and politically sensitive issues. The success of the growth strategy in the early 1970s was in large measure supported by the initial large imports of meat and the good harvests.

This was an illusion in the Polish economy in the first half of the 1970s, but in the second half of the 1970s, it experienced a serious deterioration in economic performance, in spite of the massive accumulation of capital and large scale import of western capital and technology. Decline in income, industrial production, agricultural production, shortages of consumer goods, open inflation, unfavourable balance of payment were the common features of the Polish economy in the late seventies. Recentralization process were again resorted to by the government in the late seventies. All these factors generated a mounting pressure for economic reforms towards a greater reliance on markets and enterprise autonomy along Hungarian lines.

This resulted in the emergence of solidarity as an independent trade union after a legal battle since August 1980. The main objective of the solidarity is to safeguard the worker's interest. In these circumstances, the prospects for economic development are constrained by the persistent stand, taken by solidarity on the one hand, and military crackdown, on the other hand.

The present study is an attempt to find out the basic causes of the Polish economic crisis after 1975. The proposed work is of a introductory nature without going into depth of the economic crisis of such a huge proportions. It attempts a preliminary analysis of internal and external factors that have caused the crisis. The main emphasis has been laid particularly on Giersek's growth strategy and its consequences which have eventually led to the crisis in Poland. An assessment of the outlook for economic recovery has also been attempted because the Polish economy has experienced a massive upsurge in every sector of the economy up to the first half of the 1970's, but in the second half, it experienced a decline in every sector of the economy. An attempt has also been made to find out the main reasons for economic upsurge and crisis, the two distinct periods over a short span of time.

The First Chapter deals with the adoption of the Soviet model of growth in Polish economy, its main features and its consequences, i.e. the problems of overcentralization.

The Second Chapter describes briefly the basic features of economic policy during Gomułka era (1956-1970) and the reasons for the abortive reforms.

In the Third Chapter, I have tried to explain the adoption and consequences of Gierek's policy of modernization and growth, the emergence of solidarity as an independent trade union and prospects of economic recovery in Poland.

The Conclusion has been drawn in Chapter IV.

CHAPTER I

**ADOPTION OF THE SOVIET MODEL AND
ITS CONSEQUENCES**

The Soviet model of growth was adopted by Poland in the post war period.¹ As Oskar Lange remarked that from 1949 to 1954 Polish planners "mechanically copied the methods of building socialism in the Soviet Union".² John Michael Montias observed that as in the case of the transplanatation of Soviet growth strategy, at the threshold of the 1950's the Soviet system of planning and functioning of the economy was unimaginatively accepted and no attempt was made to adapt it to the specific Polish conditions.³ So the Poland's industrialization and modernization was conducted along the Soviet model of growth and development, in the early 1950's because of the very nature of its political transformation. Poland became dependent on the USSR for political and economic assistance. All these circumstances prompted Poland to adopt the similar model that was adopted in the USSR. Not only this, it was a timely need for Poland to adopt this model, as Rudolf Sahro remarked that if it had renounced this

1 For detail analysis of the Soviet model of growth, See E. Dornar, Essays in the Theory of Economic Growth, (New York, 1957), pp.223-261.

2 George R. Feiwel, Poland's Industrialization Policy : A Current Analysis (New York : Praeger, 1971), p.69.

3 C.f. George R. Feiwel, Problems in Polish Economic Planning Continuity, Change and Prospect Volume-II, (New York : Praeger, 1971), p.42 John Michael Montias, Central Planning in Poland (New Haven : Yale University Press, 1962).

initiative, then the industrial breakthrough of Poland would have been delayed, the semi-colonial status of prolonged, and the bourgeois structure re-established.⁴

The main features of this model could well be explained in the words of George R. Feiwel. According to him, this development strategy stressed on rapid industrialization and military expenditure; priority in investment and other resources for heavy industry and with relative small allocations to light industry and agriculture; faster growth of Investment than of national income; autarkic tendencies; and the nationalization of industry and forced collectivization of agriculture.⁵ The development of industry and the creation of conditions for maximizing the rate of growth of industrial production in the short run with special emphasis on specific key industries was the determining factor of the country's development. The mechanism of the functioning of the economy was accompanied by the "institutional arrangements" for a high degree of resource mobilization, allocation of resources towards key priorities and full utilization.

Economic planning was used mainly as a tool of the state's direct intervention in determining the direction

4 A slight language change, Rudolf Buhro, The Alternative in Eastern Europe (London : NLB, 1978), p.337.
5 A slight language change, George R. Feiwel, "A Socialist Model of Economic Development : The Polish and Bulgarian Experience", World Development, Vol.9/10, p.935.

and speed of industrialization. As Robin Okey has rightly pointed out that the central planning agencies controlled the entire economic process, first by calculating "material balances" matching the supply and demand for key economic factors like steel, energy, capital and labour, then by plotting on this basis the exact bulk of given articles which individual enterprises were to produce.⁶ The emphasis was on bulk rather than quality or profitability of output. Capital goods were given primary importance and consumer goods were given secondary importance. George R. Feiwel remarked about the highly centralized nature of the economy that the decisive role played by central decision-making pervaded the entire process of planning as regards both the selection of priorities and methods of constructing the central plan and the choice of strategies and means of implementing them, with highly centralized operational management of current production decisions.⁷

One important characteristic of the Soviet model of growth was its strong element of autarkia. It concentrated on the expansion of industry, especially those

6 Robin Okey, Eastern Europe 1740-1980 : Federalism to Communism (London : Hutchinson Pub. Group, 1982), p.206.

7 George R. Feiwel, Poland's Industrialization Policy : A Current Analysis, Vol.I, pp.71-72 (Praeger, New York, 1971).

branches that produced producer goods. These priority industries were all capital-intensive and material intensive. The development strategy played down agriculture, consumer goods, and the socio-economic infrastructure⁸ (the so-called non-productive sphere). This was a forced industrialization that required a massive, suitable and fast redirection of resources. It was felt that this goal would be best accomplished through centralized disposal and direct intervention. There was no mechanism of adjustment to remove bottlenecks in the system. But central planner could mobilize resources for the stepped-up restructuring of the economy and could react more quickly to some of the bottlenecks, although creating others in the process.⁹ The over centralization - or bureaucratic centralism in Lange's terminology - grew "beyond necessity, propelled by its own inertia and tended to intensify and spread centralized methods of administration and management. Within a lapse of time a social stratum was created with marked interest and points of view".¹⁰

8 Ezhigniew M. Fallenbuehl, "Poland's Economic Crisis", Problems of Communism, March-April 1982, p.3. For a detailed discussion, see E.M. Fallenbuehl, "The Communist Pattern of Industrialization", Soviet Studies (Glasgow), No.4, 1970, pp.451-478.

9 Cf. cit. George R. Feiwel, Poland's industrialization : A Current Analysis, Vol.I, p.72 (Praeger : New York, 1971). Cf. Feiwel, The Soviet quest On a cit., pp.27-28.

10 Cit. by Feiwel, Poland's industrialization policy : A Current Analysis, Vol.I, p.72 (Praeger : New York, 1971).

But contrary to the model, the forced collectivization was not implemented in Poland. On the other hand, collectivization in Poland was not only halted, but reversed in 1956, so that Poland to this day has a substantial private agricultural sector. As D.M. Nutt has rightly pointed out that land was greatly de-collectivized and markets somewhat reactivated.¹¹ The period of adoption of Soviet strategy and institutional arrangements, especially in its initial phase in 1950-53, was marked by profound economic and social transformation and a forced and turbulent industrialisation rush.¹² This was characterized by the high burden of accumulation, the speed with which the rate was attained rather than a gradual process and the biased nature of investment outlays in favour of industrial investment with preference to heavy industry.

During the course of plan implementation, the plan targets in such areas as consumer goods, housing, agriculture, and non-productive services generally remained underfulfilled. On the other hand, a remarkable rates of growth were noticed in producer goods and construction. But, at the same time, employment plans were substantially surpassed, generating purchasing power far in excess of

11 Nutt, D.M., "Industrial Enterprises in Poland, 1973-1980- Economic Policies and Reform"; A Paper presented at the Symposium on The Industrial Enterprises in Eastern Europe Gregynog, Wales, 6-9 Sept. 1980; p.1; Also in Jeffries, (ed.), The Industrial Enterprises in Eastern Europe (Praeger, 1981), p.1.

12 George R. Feiwel, "A Socialist Model of Economic Development : The Polish and Bulgarian Experience", World Development, Vol.9, Nos. 9/10, p.940.

planned rates. Larger purchasing power in turn chased dwindling consumer goods.¹³ Real wages were declining, but employment was growing at a higher rate. Migration of labour force from the agricultural sector to the industrial sector were taking place. It was the so called extensive path of development. The tensions and strains generated by the burden of accumulation penetrated the entire economic system. The implementation of this model resulted in the ruthless sacrifice of workers' immediate standard of living to the achievement of impressive targets of production of heavy industry. It created overemployment of resources, massive demands for materials, investment goods, and labor inputs. Such tendencies resulted in inflationary pressures in the economy, with its adverse effects on economic performance. Eminent economist like Michael Kalecki called attention to the great damage that overinvestment caused to socialist consciousness, work attitudes, and motivation.¹⁴ They pointed out the fact that the system had created a widespread phenomenon of "economic crime" - embezzlement, stealing of collective property, bribery, dishonesty, or what Feivel has called "the rules of the game".¹⁵

13 George R. Feivel, Poland's Industrialization Policy: A Current Analysis (Praeger : New York, 1971), Vol.I, p.75.

14 Ibid., p.77 for a detail discussion on Kalecki's alternative proposal see pp.336-341.

15 Ibid., p.77. Feivel has described in detail in Chapter 7, pp.333-476.

The adoption of this model resulted in the atmosphere of terror affected the economy deeply. As Robin Okey observed that the constant shortages and bottlenecks characteristics of command economies, leading to hoarding of raw materials and misreporting of capacity by enterprises, and the setting of exaggerated targets by planners in order to tease these out. He even went to the extent that planned economies revealed themselves to be quite as arbitrary, if not more so, than the capitalist ones.¹⁶ The same type of views has been expressed by Alec Nove when he remarked that, "it was not only a matter of arbitrariness, but it was the peculiar form that arbitrariness took; the fear of truthful reporting, the concentration of all effort on blind fulfilment of orders, the snuffing out of convenient ideas and of those who might be suspected of advocating them."¹⁷

A noticeable disproportions between the State's actual requirements for grain and other products and the factual production were created. The consequences of the Soviet model of growth could well be explained in the opinion of George R. Feiwel. According to him, such growth strategy gave rise to striking imbalances and incongruities in the growth process and disproportions between the development

16 Robin Okey, Eastern Europe 1740-1990: Feudalism to Communism (Methuen Publishing Group: London, 1982), p.169.

17 Alec Nove, An Economic History of the USSR (London: The Penguin Press, 1969), p.376.

of agriculture and that of industry; among branches of industry (broadly heavy vs. light); between new processing capacity and the supply of raw materials; between the sheer quantitative growth of output and quality, production techniques, and costs; between investments in new factories and the obsolescence of the underprivileged branches; and between productive and non productive activities, with the appalling neglect of the service sector.¹⁸ These disproportions contributed to a retardation in the long run growth rate and marked fluctuations in the rate of economic activity. Lange wrote in 1956 that "these disproportions have grown to such an extent that the national economy is on the verge of collapse".¹⁹

During the first industrialization drive of the early 1950's, then, the combined impact of the over centralized economic system, the development strategy, and the redirection of economic relations put a distinctive stamp on the Polish economy. This distinctive nature of the economy has been well documented by Kornai, J and Martos Bela.²⁰ Kornai

18 George R. Feiwel, "A Socialist Model of Economic Development : The Polish and Bulgarian Experiences", World Development, Vol.9, Nos. 9/10, p.935.

19. Cited by Feiwel, Poland's Industrialization Policy : A Current Analysis, Vol.I, p.77 (New York : Praeger, 1971); Oskar Lange, Ekonomista, No.5, 1964, pp.973-75.

20 Kornai, J., The Economics of Shortage, 2 Volumes, (North Holland : Amsterdam, 1980); Also see Kornai, J and Martos, Bela (eds.), Non Price Control (Budapest: Amsterdam North Holland, 1981).

emphasized that in the traditional management system, with its emphasis on rapid growth rates for the economy as a whole and continued increases in output by each individual enterprises, inevitably generates shortage conditions (labor shortage and general shortage). Prof. Gregory Grosseman has summarized the deficiencies of this mechanism well: If we ask what in Soviet agriculture at Stalin's death caused this deplorable state of affairs, we find, to put it crudely, that nearly everything was wrong, planning, organization, management, the price system, taxation, the physical equipment and facilities, the composition of the labor force, the distribution system, and, above all incentives. The other sectors of the economy had their share of woes too, despite - and at times because of the rapid growth of industry and related branches. To mention a few, overcentralization and overbureaucratization, especially in the form of hypertrophied industrial ministries; cumbersome and often inept planning, which paid virtually no attention to economic efficiency; technological conservatism at most levels ... a bad price structure ... emphasis on quantity at the expense of quality, chronic shortage of industrial supplies and equipment; and so on.²¹

21 Quoted by Harry Schwartz, The Soviet Economy Since Stalin, (London, 1963), p.33; Gregory Grosseman, "The Soviet Economy in the Post-Stalin Decade", in William Peterson (ed.), The Realities of World Communism, p.63 (Prentice Hall, 1963).

One of the consequences of the model was the high operating cost, which made many plants and entire industries unproductive. Although the distorted price system concealed the true picture, it is clear that a few profitable sectors, mainly consumer goods industries, agriculture and coal mining had to subsidize unprofitable sectors. In this way, the amount of capital that the profitable sectors could have generated for their own expansion and modernization was reduced. Fallenbuche remarked that this kind of inefficiency was perhaps the inevitable consequences of imposing a Soviet type economic system and development strategy.²²

A heavy industrial structure along the so called extensive path of development and a relatively high degree of autarky was the outcome of this model. Owing to the above mentioned consequences of this model, a new wave of change for economic reforms were getting momentum in Poland in mid 1950's. And finally, a shift in policy in Poland was characterized by the goal of removing certain disproportions and bottlenecks that had developed through placing greater emphasis on the supply of consumer goods and a new approach to agricultural development; at the same time, raising the expansion rate of certain basic industries.

22 E.M. Fallenbuchi, "Poland's Economic Crisis", Problems of Communism, (March-April, 1982), p.4.

CHAPTER IX

**BASIC FEATURES OF ECONOMIC POLICY 1956-1970
REASONS FOR ABORTIVE REFORMS**

After the adoption of the Soviet model of growth, serious disturbances took place in the Polish economy. The policy of industrialization pursued was not devoid of a measure of success, with heavy industry forming the spearhead of rapid development, but serious disproportions ensued, contributing to a retardation of the long term growth rate and marked fluctuations in the rate of economic activity.¹ Poland experienced a working class unrest in the mid 1950's. Economic reforms became a matter of public debate. These reforms were basically based on three principles. These principle has been described by Robin Okey as a measures of decentralization to enterprises, which henceforth could vary their production within broad limits to suit consumer goods; the introduction of the profit motive as a regulator, with more realistic prices and bonus for successful managers and workers, and a change in industrial financing, transferring part of the state role in investment to enterprise self-funding and to banks acting on economic rather than ideological criteria.²

Within a few years, the negative results of the functioning of the economy appeared in the form of workers'

1 George R. Feiwel, "A Socialist Model of Economic Development : The Polish and Bulgarian Experiences", World Development, Vol.9, Nos.9/10, p.940.

2 Robin Okey, Eastern Europe 1740-1990 : Feudalism to Communism (Hutchinson : London, 1982), p.211.

riots in Poznan in June 1956, and a change in party leadership in October 1956. Gomulka came to the power, whose ascendancy led many Poles to hope for a more liberal regime. Certain reforms were introduced in the economy straightaway. Some bold proposals for systemic modifications were discussed, but no significant and lasting reforms followed, other than the decollectivization of agriculture and some decentralization and rationalization of economic decision making. Grains and foodstuffs were imported on Western credits in order to improve the standard of living, which had fallen during the industrialization and collectivization drive. The rate of investment was reduced, and some investment was redirected toward agriculture, consumer goods industries, and infrastructure.³

The principle of priority of development of heavy industry was temporarily postponed and collectivization, the second principle of the Soviet model of growth, was put off for the time being. The period 1954-1959 has been named as a consumption oriented phase by some Polish economists. Measures were undertaken to increase efficiency of investments by shortening the gestation periods.

³ Fallenbuehl, Z.N., "Poland Economic Crisis",
Problems of Communism, March-April, 1982, p.4.

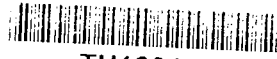
Decisions were made to abandon, postpone, or moderate the pace of certain long-term investment projects.⁴ The projects which was able to complete within a relatively short period was the concentration of investment effort. Precedence also was to be given to modernization and reconstruction of existing establishments rather than the construction of new establishments.⁵

The changes in agricultural policy had a special significance since they took place in conditions where private farms were predominant. As Brus remarked that because of this, economic conditions in the Polish vilage underwent a radical improvement in relation to the preceding years, although the so called new agricultural policy of the PZMP never formally renounced the idea of socialisation of agricultural production, which became perceptible again in practice at a certain time after 1956,⁶ (the privileged position of the State sector and the restrictions on private agriculture in the sphere of mechanisation, the taking over of uncultivated lands, etc). The new agricultural policy inaugurated by Gomułka aimed at progressively reducing the burden of compulsory deliveries; forestalling discriminatory measures retarding the development of agriculture; increasing the supply

4 Feival, George R., Poland's Industrialization Policy: A Current Analysis (New York: Praeger, 1971), p.83.

5 Cf. Ibid., p.83; Also see, United Nations, World Economic Report, 1952-53 (New York: United Nations, 1954), p.44.

6 Brus, W., Socialist Ownership and Political Systems, (London, 1955), p.124.



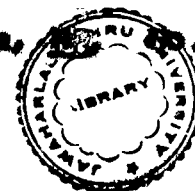
of real resources and improvement of its composition. Marked improvement in agricultural performance was registered after Gomulka came to power.

In 1958-59, Poland embarked on a new wave of industrialization featuring an upsurge in the investment drive and stepped up development of heavy industry.⁷ A policy of accelerating the rate of growth of output of producer goods was resumed. The Polish planners opted for undertaking significant long range investment projects in the raw material base; this is a more difficult and, in the short run, costlier road to development.⁸ In the final analysis, it was the consumer who paid for this costlier mode of development. In broad contours, the history of Polish post war economic development was depicted as follows by Josef Pajestka: Poland's economic policy may be correctly described as a policy of high investments. In fact, investments are the most crucial growth propeller in our economy. A high level of investment characterized our development in the past, in the present, and in plans charting the future. Whenever our policy aimed at accelerating the growth tempo,⁹ the principal instrument to achieve that goal was growth of investment.⁹

7 George R. Feivel, Poland's Industrialization Policy: A Current Analysis, Vol. I (New York : Praeger, 1971), p.116.

8 Ibid., p.118.

9 Cf. Ibid., p.118; Josef Pajestka, Prace 12, 1962, p.69.



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Gomulka's plan of modernizing and industrializing the economy was based on the high rate of domestic accumulation (forced saving). Moreover, after a temporary period of readjustment after 1956, the same development strategy was continued. A new industrialization drive started in 1961, which built on and extended the industrial structure created during the 1950's.¹⁰ But this plan failed badly and by the late 1960's, the economy was again caught in a vicious circle of stagnation.¹¹

The main characteristic of the first reform was the concentration of attention on the enterprises. There was an emphasis on the role of the enterprise as the basic cell where all the essential processes of economic activity are concentrated.¹² The increased attention paid to the enterprise since 1956 could be detected in the attempts to create conditions for enlarged autonomy of enterprises. The first attempts covered the period 1957-59. The reorganization of management was being implemented very inconsistently. By 1959, a certain retrogression in the independence of enterprises could be observed.¹³ The

10 E.M. Fallenbuchi, "Poland's Economic Crisis", Problems of Communism (March-April, 1962), p.4.

11 Ibid., p.4. For details on the situation at the end of the 1960's, see "The Strategy of Development and Giersek's Manoeuvre", in Canadian Slavonic Papers (New York: Praeger, 1973), pp.52-78.

12 George A. Feiwel, Problems in Polish Economic Planning, Vol.II, (Praeger: New York, 1971), p.6.

13 Ibid., p.7.

enterprises tended to continue their old style of work, to avoid risks, and to shun responsibility.¹⁴ At the centre, there was hardly any respect for initiative from below. With the growing imbalances, the Centre imposed a number of restrictions on the enterprises' financial activity.¹⁵

On the one hand, the system seemed logical and internally consistent at face value, because its instruments influenced the enterprises in the same direction, but on the other hand, in practice the functioning of the system disclosed many shortcomings, including continued wastage of materials, avoidance of labour intensive output and high accumulation.

The real investment programme was not being fulfilled during the first year of the 1961-65 FYP. It was apparent in the very beginning that radical improvements of the effectiveness of management could not be expected. According to Feiwel that probably the single most damaging errors of the 1961-65 FYP was the sanguine attitude of the planners.¹⁶ They optimistically over estimated their possibilities on almost all fronts. The plan's lack of realism was apparent in the wide front of priorities.¹⁷

14 Ibid., p.7.

15 Ibid., p.7; Also Jerzy Toczko, ZN May 15, 1959.

16 Feiwel, R. George, "A Socialist Model of Economic Development : The Polish and Bulgarian Experience", World Development, Vol.9, Nos.9/10, 1981, p.942.

17 Ibid.

Owing to the enormous tensions built into the plan and a bad harvest in 1962, the plan collapsed in the middle. In 1963, expenditure on agriculture were increased, investments were retrenched. The 1963 planned rate of growth of industrial output was cut in half. Output assignment for industries relying on imported raw materials were reduced.¹⁸ The year 1964-65 featured a cut in investment, restraints on growth of employment, restrictions on wage increases and increased production of consumer goods, in order to allow a breathing spell before resuming the industrialization rush in 1966-70.¹⁹

The reform featured a certain return to centralization of management. The planners committed several serious blunders in drafting the plan for the second half of the 1960's. No resources were provided for foreign trade, agriculture and shifts in technical progress. The planners committed the mistake by not appreciating the intensity and potency of social and political pressures to raise the level of real wages. They underestimated the need to increase the population's standard of living. The postulated investment activity was already excessive at the planning stage. At the implementation stage, this activity was further expanded,

18 Ibid., p.942.

19 Ibid., p.942.

supported by a relatively good agricultural showing in the first 3 years, the planners euphorically gave in ever increasing investment appetites during the first four years of the plan.²⁰ Even, on the other hand, the plan failed to foresee that a marked expansion of investment activity would lead to an increase in the population's income, employment and effective demand.

The disequilibrium in the consumer's market usually have been considered a cost of economic growth. The peak of the 1966-1970 FYP cycle lasted for almost 4 years was due primarily to the unbroken good record of agriculture from 1965 to 1968; except for the problems of meat supply that the planners had created by their misconceived policy of grain self sufficiency, the supply of foodstuffs to the market in 1966-69 was fairly satisfactory.²¹ While making observation on this plan, Brus pointed out that as for the economic sector, one of the most typical examples of this was the abortive attempt to discuss the proposed five year economic plan for the years 1966-70; its implementation led among other things to the tragic result of December 1970.²² The plan, as well as agricultural policy and foreign trade in agricultural products in particular was concerned, contained concepts which assured great concern as well as

20 Ibid., p.942.

21 Ibid.

22 Włodzimierz Brus; The Economics and Politics of Socialism - Collected Essays, (London, 1973), p.107.

the opposition of certain economists worried by the possible drop in meat production and thus in the people's standard of living.²³

According to Brus, "in a sense, the whole history of the last fifteen ^{years of} (1956-1970) abortive attempts to bring about economic reform in Poland can serve as an example of the destructive influence of the present political system on economic processes. It goes without saying that economic reform cannot be considered as the panacea for all economic difficulties, but even within these limits to put to into operation would doubtless be very beneficial."²⁴ Poland was among the first socialist countries to work out advanced plans for economic reforms. Soon after the October 1956, steps to bring them about were being taken. These plans received the formal approval from the central authorities. Time and again, the central authorities repeatedly asserted their wish to bring them into effect. But the fact remains that nothing concrete was done, chiefly because of the fear that reforms might possibly put some limits to the autocracy and high-handedness of the political authorities. The workers' council which grew up during the 'Polish October' were reduced to a purely formal role and they lost the identity of representing the worker's body in the management of the economy. In 1970, the former leadership of PUNP

23 Ibid., p. loc. cit.

24 Ibid., p. loc. cit.

sought to exploit the ideas of reform in order to conceal a rigid deflationary policy, aiming at a virtual freeze of wages and salaries for a minimum period of two years.²⁵

Within a short time after the inception of the reform measures in 1968, leadership was compelled to think in terms of taking strict measures for ensuring greater efficiency. Even the three year period of reform experiment (1968-71) was sufficient to create doubts about the efficacy of this new economic system. Prof. Kaiyan Das Gupta observed that the gap between the professed and the declared extent of self management and the actual attainment was instrumental in unleashing a countrywide movement of the working class which led ultimately to the fall of Gowulka.²⁶

The reformed system could not function properly unless the economy is shifted into a lower gear to assure a balanced process of development that is free from excessive tensions. An excessive program could cause a deceleration instead of an acceleration in the rate of growth. As a result of excessive widening of the construction front and other similar factors are followed by the dangerous signs of freezing resources, delays in commissioning projects, and increasing of construction costs.²⁷ Hypertensions and strains strike at the general

25 Ibid., p.100.

26 Gupta, K.D., "The Quest for socio-economic rationality in Poland and the crisis", Social Scientist, Sept. 1962, p.21.

27 Feiwel, Problems in Polish Economic Planning, Vol.II, (Praeger : New York, 1971), p.11.

principles of economic calculation. Thus, the state of excessive tension in the economy caused by adopting development targets in excess of realistic possibilities is often the source of two kinds of difficulties: first, it is in itself a cause of dislocations and second, it is an obstacle to the introduction of a set of economic methods and means that could raise the effectiveness of the economy, set unused reserves into motion, and in the last analysis, contribute to a higher rate of growth without excessive tensions.²⁸

Gomulka failed to put into motion his modernization programme because he wanted to combine it with an austerity policy. The much debated, resisted and controversial revision of retail prices that was finally announced on 13 Dec. 1970, aimed at mopping up excess purchasing power and at rationing footcuffs by the purse.²⁹ The main victims of this reform were the lower income groups which were simultaneously adversely affected by the clampdown on increase of employment and freezing of wages. These factors put into motion powerful forces of resistance against the increasing

28 Quoted by Feiwel, *Ibid.*, p.11-12.
 Wlodziemiarski *Prus*, 25, No.45, 1962.
 Michael Kalucki, 25, No.31, 1960 and No.24, 1963.

29 Feiwel, "A Socialist Model of Economic Development: The Polish and Bulgarian Experience", *World Development*, Vol.9, Nos.9/10, p.942.

extraction of surplus product. Gomulka's fall came primarily on the grounds of the economic debacle. By the late 1960's the economy was again caught in a vicious circle of stagnation.

CHAPTER - III

CHAPTER - III

ECONOMICS OF THE GIEREK ERA, 1970 - 1980

A remarkable change occurred in Poland when the shipyard workers of Gdansk mounted a major strike in the winter of 1970 against the government headed by Wladyslaw Gomulka who was running a regime of oppressive orthodoxy under the tightest of economic controls. After the riots of December, 1970 forced a change in the party leadership, Gomulka was out and Edward Gierek came in. The new PUWP first Secretary Gierek made an attempt to achieve economic modernization through a "new development strategy". He was faced with a "protracted stagnation" of living standards and a population in revolt. Real wages and incomes had to be immediately increased. The improvement in the supply of foodstuffs and industrial consumer goods was urgently needed. The price increases were rescinded.

Where Gomulka's economic policies had been based on self-sacrifice and hardships for the sake of economic independence, Gierek tossed all that out to borrow, invest and spend to prime the pump of industrial expansion. A large scale import of capital and technology from the western markets was the underlying characteristics of this strategy.

The argument was that an increase in investment was necessary to restructure and modernize the economy but that a simultaneous increase in consumption was necessary to create incentives, without which it would be difficult to expect improvements in labour productivity. The essence of the strategy was well documented by Philip Hanson in the following words: "The rationale of the strategy was that imports of technology, in both embodied and disembodied form, would play a major part in improving the productivity and technological level of the Polish economy; in contrast to earlier Polish policies, the convertible-currency import bill would be allowed to rise substantially faster than convertible-currency revenues, and a large current account deficit would for a time be financed by borrowing from the West, facilitating an acceleration of investment growth in the medium-term without putting great pressure on consumption; but the modernization of Polish production would meanwhile be transforming Polish capabilities for exports to convertible-currency trade partners, or for import saving, or both; and some combination of hard currency export growth and production that would save hard currency imports would, in due course, contain the growth of external debt and allow the process to continue without financial forcing a halt".¹

1. Philip Hanson., "The End of Import Led Growth? Some observations on Soviet, Polish and Hungarian Experience in the 1970s", Journal of Comparative Economics, vol.6, no.2, June 1982, p.131. The similar views has been expressed by Gosulka in 1978 in CJE.

This was all about the so-called "import led" and "consumption led" growth, and "bombastic formulas" such as "Second Poland" and "intensive and selective development". Gierek had high expectations of his growth strategy. He set up a Party-Government Committee "on the modernisation of the system of functioning of the economy and the state", with terms of reference of "the maintenance of the principles of central planning and socialism".² He hoped to increase the export of some high quality manufactured goods, which would be produced in newly modernised plants with the help of western machines and equipments. The ultimate result would soon be an excess of exports over imports and the debt would be repaid quickly. This, together with a modernised capital stock and increased labour productivity would ensure an intensive pattern of development.

This type of growth strategy went counter to the traditional growth strategy (i.e. Soviet model of growth adopted in Poland after post-war years) in some respects, with some factors alleviating the "accumulation-consumption dilemma". We can easily distinguish the two periods and approaches as George R. Feiwel has done,³ "(1) 1971-1976, expansionary, import led, ebullient growth, accompanied

2. Nuti, D.M., Industrial Enterprises in Poland, 1973-1980, Economic Policies and Reform, p.2, a paper presented at the symposium on the Industrial Enterprise in Eastern Europe, Gregynog, Wales, 6-9 September, 1980. Also in Jefferies (ed.) The Industrial Enterprise in Eastern Europe (Praeger, 1981).

3. Feiwel, George R., "A Socialist Model of Economic

by an abrupt, very large, accelerating and relatively long lasting (1972-75) spurt of investment whose growth far outpaced that of national income, and by rapidly rising wages and personal incomes; and (2) 1977-80, cooling off the overheated economy, accompanied by a damper on the import spree in an effort to control the foreign indebtedness, a retrenchment of investment, and a deceleration of growth rates."

The end of 1971 saw the beginning of a new industrialization rush, accompanied by a boom in investment and large increase in employment. Poland carried out a different policy in the field of allocation of national income produced, and consequently a considerable part of this income was allotted to collective consumption funds, which rendered it possible to have free services in the field of education, culture, health care and partly payable services such as workers' holidays. Moreover, the individual consumption fund was distributed in such a way as to avoid excessive differences in people's income. As a result of this, as George R. Feinmel put it in this way that since 1971 national income distributed began to rise at much faster rates than national income produced and the disparities between the rates widened until the mid-1970s and latter began to recede.⁴

3. .../-
development, the Polish and Bulgarian Experience".
World Development, vol.9, no.9/10, 1981, p.943.

4. Ibid., p.943.

This created condition for the dynamic growth of consumption by the whole society.

A different policy was also pursued in the field of investment. The share of outlays allocated to productive investments, especially in industry was considerably higher in Poland than in the majority of developed capitalist countries, which resulted from the implementation of the programme of the country's industrialisation. In the year 1971-75, Poland assigned 48% of its outlays to these two branches⁵ (industry and construction). The basic objective of this policy was to modernise the economy, to expand the supply of consumer goods and to provide employment opportunities for a large number of new entrants into the labour force. Owing to the allocation of a considerable share of financial means to the expansion of industry, the latter contributed substantially to the generation of national income.⁶

Poland's economic policy paid considerable attention to the intensification of agricultural production.

5. Data were issued by the Cultural ~~Department~~, Information Centre of Poland, New Delhi. cit. in "The Economic Times" (New Delhi), 22 July, 1978, in an article "Polish Economy in the World".

6. Ibid.

As a consequence, a considerable share was allocated to the development of agriculture. Therefore considerable increase could be noted in farm productivity. For example, in the years 1971-75 average wheat yield per hectare increased by 8-5 quintal in comparison with the 1961-65 period and milk yields per cow increased 1.7 times in 1971-75.⁷

Poland tried to participate more and more actively in the international exchange of goods and services although her share in world trade did not fully match as yet the level of her economic development. Poland redirected its foreign trade (especially imports) towards the developed capitalist countries on a much larger scale than the other CMEA countries. "Whereas in 1960 the share of western trade partners in Poland's imports and exports were 29.7 and 29.9% respectively, they receded to 25.8 and 28.4 respectively in 1970, climbing to 34.1 and 30.4 in 1972, and 50.8 and 36.3 in 1974 and moderating to 48.9 and 32% in 1976 and 40.5 and 31.3% in 1978".⁸ From these data, we notice that the share of imports from the West grew very rapidly until the mid 1970s,

7. Ibid.

8. Feiwel, George R., "A Socialist Model of Economic Development: The Polish and Bulgarian Experience", World Development, vol.9, no.9/10, 1981, p.943.

receding somewhat thereafter, while that of exports to the west stagnated.

Until mid-seventies, Poland made substantial development, almost all fronts. Not to speak of industrial ^{on} development, agricultural development, rise in per capita income, increase in real income and consumption but balance of payment was also in favour in spite of its massive imports of capital from hard currency markets. Its trade with the CMEA countries was also in favour. All these growth rates were short sighted. This was nothing but an illusion in the Polish economy in the first half of the seventies. The second half of the seventies began with the deteriorating situation in every sphere of the economy, in spite of the massive accumulation of capital and large scale import of western technology and capital, especially in the first half of the decade. The deterioration in economic performance after mid seventies has been well documented by Nuti.⁹ We will just take abstracts from there and describe briefly.¹⁰

9. Nuti, D.M., "The Polish crisis: Economic Factors and Constraint", The Socialist Register, 1981, pp.105-112.

10. All the data pertaining to decline in economic performance has been taken from Nuti, D.M. "The Polish crisis: Economic Factors and Constraint", The Socialist Register, 1981, pp.105-112.

The deceleration of the growth rate of income was noticeable from an average of 9 per cent per annum in 1970-75 to 6.8 per cent in 1976, 5% in 1977 and 3% in 1978 and -2.3 in 1979. Part of the decline in performance was attributed to a fall in agricultural output and adverse natural conditions. A remarkable decline in industrial production was observed, from an average of over 10 per cent in 1971-75 to 8.3 in 1976, 6.3 in 1977, 3.6 in 1978, a modest 1.9 increase in 1979 and -1.2 in 1980. These declining growth rates in income and industrial production was observed, from an average of over 10 per cent in 1971-75 to 8.3 in 1976, 6.3 in 1977, 3.6 in 1978, a modest 1.9 increase in 1979 and -1.2 in 1980. These declining growth rates in income and industrial production were particularly disappointing in view of the sharp increase in the share of accumulation in national income from an average of 25 per cent under Gomulka to 35 per cent in 1974 and 1975 and the steady growth of fixed capital per man in subsequent years in spite of the downward trend in the share of accumulation in the second half of the 1970s. A noticeable phenomenon of continued trade deficits, especially with western countries led to mounting hard currency indebtedness. Open inflation was prevalent in the economy. Shortages of consumer goods became a salient feature of the economy. There was shortages of supply of raw

materials and shortages of production goods led to a recentralisation of planning process in the latter part of the seventies. The combination of all these factors led to the shortages, tensions and inefficiency in the Polish economy.

Reasons for Economic Crisis:

Now the fundamental question arises that what are the underlying factors that has been responsible for the deteriorating economic slowdown in the Polish economy that is in the grip of serious economic crisis. One school of thought believes that the real causes of Poland's economic crisis lie in the system itself and in longstanding undemocratic structures of political power and economic management. The other school of thought believes that Gierak's growth strategy could have worked out but it was ill-timed, badly executed and overdone. We will take into account different factors contributing to Poland's economic crisis systematically one by one and then put forward our own view on the present stalemate.

To elaborate the nature of the economic crisis in Poland, Fallenbuchl, remarked that "it is necessary to reject the notion that Poland's economic crisis was brought on simply by muddled policies, by the mistakes,

incompetence, and corruption of the leadership and its planners and administrators. Some such explanation has always been the official line after an economic catastrophe. After the collapse of the six-year plan (1950-55) the "Stalinists" were blamed. After Gomulka fell from power in December 1970, his economic policies were criticized. Now it is Gierak and his advisers that are at fault. To be sure, all these leadership groups did in fact greatly contribute to the economic difficulties, through their arbitrary decisions, their unwillingness to listen to criticism, and their sheer incompetence. However, the real roots of the crisis go much deeper than mere failure of leadership. Similarly, solidarity cannot be held responsible for the crisis. The real cause of Poland's economic crisis lie in the system itself".¹¹

So, he held the political system and economic management inherited from the Soviet Union responsible for the economic crisis in Poland. He further says that "there were many flaws in the implementation of this ambitious strategy".¹² The rates of investment

11. Fallenbuchl, Z.M., "Poland Economic Crisis",
Problems of Communism, March-April, 1982, p.2.

12. Ibid., p.5.

were too high, and the investment front were too wide. Increase in personal income were badly needed after a prolonged period of stagnation at very low levels. In industry, imports of investment goods and intermediate goods were excessive. A discriminatory policy was pursued with regard to an efficient private sector that reduced agricultural exports, made imports of grain necessary, and thus contributed to be balance of payment difficulties. In foreign trade, in which the planners tried to insulate the economy from the impact of world wide stagflation contributed to significant difficulties, primarily by increasing price distortions and inefficiency through the economy.¹³

Monty Johnstone and Andreas Westphal has also expressed the similar view.¹⁴ They made an observation that "the causes of this catastrophic situation do not lie primarily in the strikes that have affected the country since August 1980, but in longstanding undemocratic structures of political power "and economic management". The programme provisions for the PZP Congress

13. Cf. Fallenbuchl, Z.M. "Poland Economic Crisis", Problems of Communism, March-April 1982, p.5. "The Impact of External Economic Distribution on Poland since 1971" in E. Neuberger and Tyson, Eds., The Impact of International Economic Distribution on Soviet and East Europe, New York, NY 1980, pp.280-304.

14. Monty Johnstone and Andreas Westphal., "The Polish Crisis: Is there a way Out", Marxism Today, January 1982, p.16.

wrote: "Many of the profound perturbations were undoubtedly caused by incompetent steering of the developing process by economic management at various levels, especially the top level, who had been arbitrarily selected in violation of democratic principles and criteria of professional ability. The procedure of decision making was highly erroneous and in some case culpable. A decisive influence on important state decisions was exerted by various ministries and regional pressure groups often using erroneously prepared scientific studies, and by cliques."¹⁵

Over accumulation and its wasteful nature:

The first and foremost cause of Polish crisis seems to be overaccumulation of capital and its wasteful nature. As Nutti put it, "the prime cause of the Polish crisis seem to be the overambitious and unchecked policies of accumulation followed under Gomulka and accelerated by Gierak especially in his first five years, which brought up the share of accumulation in national income from 25.4% in 1969 to the record level of 35.6% in 1974 and 35.2% in 1975. In the second half of the 'seventies'

15. Cf. Ibid., p.17. Programme Provisions, op.cit., p.3 (slightly modified translation).

the share of accumulation declined slightly, to 30.8% of national income in 1978, but the decline was by and large decided at the time and not planned long beforehand".¹⁶ A large number of new projects in the early 'seventies' had been started but were lacking of resources for completion. This resulted in the "lengthening of gestation" periods and the "freezing" of resources in a form that provided neither means of consumption for the population nor exportable products, frustrating Gierek's policy of modernisation and growth". According to Nuti,¹⁷ capital accumulation in Poland can be said to have been excessive in more than one sense. During the Seventies, capital accumulation in Poland was excessive with respect to the absorption capacity of the economy, particularly in the building industry, in the construction of plants and the installation of the machinery (Kotowicz-Jawor, 1979); as can be seen by the abnormal lengthening of gestation periods that made the projects undertaken much less attractive and wasted - by 'freezing' them - investment resources, with respect to the economy's

16. Nuti, D.M., Industrial Enterprises in Poland, 1973-1980, "Economic Policies and Reforms", a paper presented at the Symposium on the Industrial Enterprise in Eastern Europe, Gregynog, Wales, 6-9 September 1980. Also in Jafferis (ed.) "The Industrial Enterprise in Eastern Europe" (Praeger, 1981).

17. Nuti, D.M., "The Polish Crisis: Economic Factors and Constraint", The Socialist Register, 1981, p.117.

ability to finance the foreign exchange requirements of that accumulation; with respect to the unwillingness of the population to accept the inflationary trends built into the acceleration of investment, with respect to the national plan, with respect to the interests of maintainable consumption; with respect to the central administration's ability to cope with the tensions and shortages generated by the investment drive.

This was accompanied with the inefficient and inappropriate structure of capital accumulation. It was biased in nature. It was in favour of capital goods and against consumption goods. Only 20-25 per cent of industrial investment was devoted to modernisation of existing plant, thus neglecting attractive investment opportunities and leading to the dereliction of existing capital.¹⁸ Because of the nature of new projects, it ∕vast aggravated regional disparities, and made excessive transportation cost of output. The massive acquisition of foreign licenses turned out to be misguided: of 428 licenses (mostly in heavy industries) 20 per cent were never used; and 55 per cent only were realised in the planned period; 10 per cent are now said to be unjustified in view of equivalent domestic alternatives; half of the utilized licences turned out to be very import intensive.¹⁹

18. Ibid., p.119.

19. Ibid.

Agriculture - A Neglected Sector:

The second and the most important cause of Polish crisis seems to be the negligence of agriculture sector. Owing to the Gierek's modernisation drive of the economy, a considerable rise in modernisation and increase of the share of non-agricultural occupations has taken place. Still the share of agriculture remained quiet high because of the continuously dominant role of small private farms. In 1978 the proportion of urban to rural population was 58:42, and the share of population mainly deriving their incomes from non-agricultural occupations was 77% of the total; however, among these 77% are also some groups which are still linked partially to agriculture.²⁰ On the whole the share of agriculture in employment is higher in Poland than in other countries of a similar level of development. This is described as the effect of socio-economic structure of Polish agriculture by Brus.

Even at the peak of Stalinism there was never more than 10% collectivised land in Poland. We have to take into account the "social realities", the resistance of Polish peasants to collectivisation was probably the strongest in Eastern Europe and whatever the abstract assessment of the advantages and disadvantages of collectivisation - any all out attempt to carry it out by force

20. Brus, W., "Lessons of the Polish Summer", Marxism Today, November, 1980, p.7.

would have ended in disaster at least on the Soviet scale. But Brus was of the opinion that collectivization should not be regarded as the only way to modernization of agriculture, and it is the latter which is badly needed in Poland.²¹ The Polish party leadership in the 1970s patently failed to distinguish between the two. According to Monty Johnstone and Andreas Westphel,²² wrong political priorities and the absence of structures through which they could be contested and corrected also seriously harmed agriculture. Instead of allowing and helping private farms to modernize, the 1970s have become the period (faster than before) Creeping PGR-isation (PGR stands for state farms in Polish), a remark made by Wlodzimierz Brus.²³ The day to day policy towards private farming fluctuated, but it never created secure long term prospects, indispensable for any serious financial and psychological commitment to modernisation. As a result, the share of socialised agriculture (state farms in the first place) rose continuouslyⁱⁿ overall gross production from 14% in 1970 to over 22% in 1978; in meat production (weight of slaughtered animals) from 16% to over 35%.²⁴

21. Ibid., p.8.

22. Monty Johnstone and Andreas Westphel., "The Polish Crisis; Is there a Way Out?", Marxism Today, January, 1982, p.17.

23. Brus, W., "Lessons of the Polish Summer", Marxism Today, November 1980, p.8.

24. Ibid.

Officially the PUWP was committed both to the expansion of the socialised sector/agriculture and helping the private farms achieve greater efficiency. The latter today comprise 70% of all agriculture land, half of which belongs to small peasants with less than eight acres. In practice a stop go policy was pursued with regard to help to improve individual peasant production, for which no secure no long term prospects of development was ever opened up.²⁵

Preference was given to state farms in the supply of machinery, fertilisers and spare parts. About two-thirds of investment funds, two-thirds of fertilisers and one tractor for fifty acres were granted to the socialised sector, whilst in the private sector there was one for every hundred acres.²⁶ Despite these less favourable conditions productivity in the socialised sector was lower than in private one. Lower net yields were obtained in the socialised sector, which was primarily due to a disproportionate increase in capital outlay and overheads, and their inefficient organisation. A remarkable problem was that the state farms did not have proper economic

25. Ibid.

26. Monty Johnstone and Andreas Westphal, "The Polish Crisis, Is there any way out?", Marxism Today, January 1982, p. 17.

links with the private farms in their region, as their production targets were laid down solely by the central planning authorities.

Fallenbuchl²⁷ made an assessment that in agriculture, discrimination against the relatively more efficient private sector reduced agricultural exports, made imports of grain necessary, and this contributed to balance of payments difficulties. The supply of meat to the consumer worker was one of the critical and politically sensitive issues. The success of the growth strategy in the early 1970s was in large measure supported by the initial large imports of meat and the good harvests in 1971-73 and the initial effects of the raised purchase prices for meat which encouraged raising of livestock, in contrast to the illfated Gomulka's policy of self-sufficiency in grain production which resulted in a sharp decline in livestock and consequently to meat production.²⁸ The presence of overoptimism was the main shortcoming of the policy makers. And this resulted in the prevention from creating the necessary reserves to mitigate the effects of the easily foreseeable poor harvests of the mid and latter

27. Fallenbuchl, Z.M., "Poland Economic Crisis",
Problems of Communism, March-April 1982, p.5.

28. Feiwel, George R., "A Socialist Model of Economic
Development: The Polish and Bulgarian Experiences",
World Development, vol.9, no.9/10, p.945.

1970s. And George R. Feiwel²⁹ pointed out that "the disastrous agricultural situation of that period was also due, inter alia, to the erosion of the initial price incentives, relative price disincentives for grain production, discriminatory meagre allocation of investment and other inputs to private farming (which supplies the bulk of marketable agricultural products and is relatively more efficient), preferential treatment of the relatively inefficient state farms, and the intensified exit of young people from agriculture". Despite the frequent upward adjustment of procurement prices, the series of bad harvests created critical shortages of meat and grain which necessitated ever increasing imports, aggravating the balance of payment, particularly with the West.

In the words of D.M. Nutt,³⁰ the scarcity of meat has been somewhat overstated meat consumption in Poland increased rapidly from 43 kg per head per year in 1960 to 74 kg in 1980. When the situation came to some sort of crunch, the rise in meat prices was often resorted to resolve these problems. According to Brus,³¹ the

29. Ibid., pp.945-946.

30. D.M. Nutt, "The Polish Crisis, Economic Factors and Constraint", The Socialist Register, 1981, p.123.

31. Brus, W., "Lessons of the Polish Summer", Marxism Today, November 1980, p.8.

seemingly rational increase in prices - from an economic view point - is every time rejected by the Polish population. He further maintains that in Poland, however there is a crisis of confidence - and you don't accept measures in such a situation which don't mean anything but an attempt to get out of crisis at the expense of the population. Nothing else was done, it was only measures which was attempted. The average consumption of meat in Poland has certainly increased. It was manifested in more or less same proportions in the towns as in the countryside. Here Brus made a remark that "so this not, I think the main reason. The main reason is simply the insufficient progress in the modernisation of agriculture."³²

Finally we can say that the neglect of agriculture sector was one of the main reasons for the economic slowdown of the Polish economy. So it is urgently needed that alongside measures for the development of the socialised sector, there is a need much more consistently to seek effective methods of increasing production in the private sector, which the PUWP now recognises as "a durable element of our national economy". This urgently requires the provision of credits for its modernisation.

32. Ibid., p.8.

Import-led Growth Strategy:

This type of strategy could have worked out, in principle, but combined with lack of economic reforms, produced a mounting pressure on the economy that led to economic crisis and collapse. "Mounting debts, declining production, rising prices, food shortages: Poland's economic problems are dire".³³ The balance of payment crisis followed an episode in Polish policy in which extremely rapid capital accumulation was combined with a strategy of so-called import-led growth.³⁴

In fact, this strategy failed. Balance of payments difficulties forced a halt in the growth of machinery imports from the West in the mid-1970s. Even so, the external debt was not effectively controlled.³⁵

The sequence of events was the outcome of a number of circumstances, both exogenous and endogenous.³⁶ The impact of exogenous factors were somewhat underestimated after the criticism and condemnation of Gierek's leadership. Natural factors were particularly adverse in the

33. Nutt, D.M., "Poland's Economic Mess", Marxism Today, March 1982, p.28.

34. Hanson, P., "The End of Import-led Growth? Some Observations on Soviet, Polish and Hungarian Experience in the 1970s", Journal of Comparative Economics, vol.6, no.2, June 1982.

35. Ibid., p.131.

36. Nutt, D.M., has discussed in detail about the internal and external factors in, "The Polish Crisis: Economic Causes and Constraints", Socialist Register 1981, pp. 113-120.

second half of the 1970s and in 1980, with incidence of snow, frost, floods and other natural disasters. Nevertheless, natural factors can only have had a subsidiary role in a crisis of such proportions. The impact of natural factors was amplified by policy mistakes, such as the systematic neglect of investment in agriculture and transport.

International factors played a major role in the Polish economic crisis. Opening of the Polish economy to the west resulted in the problems of energy crisis, continuing world recession and inflation and rising rates of interest in financial markets. Nuti, has discussed in detail about the failure of this strategy owing to the exogenous factors. As he observes that in principle, this kind of policy could have worked, but it was ill-timed, badly executed and overdone.³⁷

Recessionary conditions prevailing in capitalist countries encouraged western companies to seek trade with East European countries and to offer attractive terms, but as a result Poland probably was induced to raise imports over what was strictly required by Gierk's import-led growth strategy. World recession affected adversely some sectors of the economy, for example machine building and metallurgy. Prospects for the

37. Ibid., p.115.

exports of manufactured goods deteriorated in view of the world recession. The industrially developed countries tried to export their inflationary spiral towards their trading partner and they have succeeded to some extent as far as Poland was concerned by way of measuring enterprise performance at international 'transaction prices'.³⁸ Monetarist policies pursued in these countries to deal with inflation led to a three fold increase in interest rates; Polish debt being mostly short and medium terms, the increase was immediately reflected in the mounting burden of debt servicing. A noticeable change occurred as regards to Polish terms of trade, which only registered a minor fluctuation around a stationary trend since 1974, due to coal exports. Poland's economy was affected by the disruption caused by the curtailment of oil supplies from Soviet, Iranian and Iraqi sources. One more thing to notice that the competitiveness of the Polish oil based chemical industry was decreased by the oil price rise.

The combination of all these factors mentioned above resulted in the interaction with internal factors. The only major internal cause which we have mentioned earlier was the unchecked overaccumulation and its waste-

38. Outline regarding the exogenous factors contributing to economic crisis, has been taken from Nuti, D.M., "The Polish Crisis: Economic factors and Constraint", for details see, Socialist Register, 1981, pp.113-120.

ful measure undertaken in Poland throughout the 1970s. Under Gomulka, the rate of accumulation was kept at a high pace. Under Gierek the rate of accumulation was accelerated, reaching a peak of 35.6 of national income in 1974, but after the mid-seventies, the rate was declined to 30% in 1977 and 1978, and then drastically cut to 26.2 per cent of national income in 1979, and further 20.2% in 1980, but the investment cuts in the late 1970s had not been planned beforehand; they were imposed by bottlenecks in construction and installation and by the reduced capacity of the Polish economy.³⁹ Since we have already discussed in detail about the over accumulation and its consequences, we now shift to the other internal causes of the Polish economic crisis.

The other important internal cause of the Polish crisis was the incompetence, and negligence, the corruption of individual decision makers who, were dismissed in large numbers. A report prepared by Nuti,⁴⁰ confirm this point, it says that "in May 1980 directors and vice-directors of 84 enterprises in the building industry were dismissed "for gross neglect of their responsibilities". 61 directors of state and collective enterprises were also dismissed, many more managers and officials have been dismissed since August, 1980."

39. Nuti, D.M., "The Polish Crisis: Economic Factors and Constraints", The Socialist Register, 1981, p.116.

40. Ibid., p.120.

So the party's role should be criticized. The debates before and during its recent congress were critical and self-critical, hard-hitting and conducted extremely democratically, refuting those who saw the party purely as a bureaucratic apparatus incapable of change.⁴¹ However, the high hopes placed in the outcome of the congress have not so far been realised. It has been unable to capture the initiative among the working class, but has appeared confused and divided in face of a situation for which it was totally unprepared. At no stage has it introduced far reaching and coherent proposals for reforming the old power structure, as the Czechoslovak communist party did in its Action Programme of April 1968.⁴²

The 'line of dialogue and agreement' proclaimed by Prime Minister Jaruzelski at its Congress was supported by majority of the party and its leadership, but there is conservative minority working against it. Their views has been expressed frankly and forcibly by Albin Siwak, a member of the party's political Bureau, who said "I do not believe in the party of agreement (with solidarity) and nobody will ever be able to persuade me from doing so."⁴³

41. Monty Johnstone and Andreas Westphal; The Polish Crisis: Is there a way out?, Marxism Today, January 1982, p.14.

42. Ibid.

43. Cf. Ibid., p.15. Morning Star, 16 September, 1981.

So as Philip Hanson⁴⁴ assume that it is natural to suppose that systematic weaknesses played a part in the failure of Poland's experiment in import-led growth. Case study evidence favours this view.⁴⁵ And a number of Polish economists have been highly critical of the planning and implementation of Polish imports of western technology.⁴⁶ A somewhat similar retreat from an import led growth strategy occurred in the European CMEA region as a whole.⁴⁷ Some systemic weaknesses has been held responsible for the failure of Gierak's strategy by Monty Johnstone and Andreas Westphal⁴⁸ when they remarked that "the over-centralised structure for the planning and management of industry favoured grossly misplaced investment decisions and hampered the efficient use of the imported equipment and the linking of production to the needs of society. In addition the planned increases in exports coincided in the mid-70s with the deep economic crisis in the capitalist states".

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44. Hanson, P., "The End of Import Led Growth? Some Observations on Soviet, Polish and Hungarian Experience in the 1970s", Journal of Comparative Economics, vol.6, no.2, June 1982, p.150.
45. For example, Fallenbuch, 1980, 1981, 1982, Hayden, 1976.
46. For example, Monkiewicz 1979 and 1980. Poznań, 1980.
47. Hanson has made a survey on the experience of CMEA countries on the import led growth strategy.
48. Monty Johnstone and Andrea Westphal., "The Polish Crisis: Is there a way Out?", Marxism Today, January 1982, p.17.

But at the same time, the import led growth strategy was pushed accompanied by lack of economic reforms. The "large corporations" of the 1973-75 reform were already in existence at the time of the reform and simply changed their status, others were set up as a result of a process of industrial concentration, merging into a single enterprise units formerly belonging to an industrial concentration.⁴⁹ The expectations that tensions and shortages would be overcome in time for an early introduction of the reform, however, has been badly disappointed by the mounting economic crisis that progressively disrupted the Polish economy and society, bringing the economic machine to a grinding halt in August 1980.⁵⁰ So the combined effect of all these factors (internal and external) resulted in a mounting pressure on the economy leading to a bloodless workers riots in August 1980 and the economy was put on the verge of collapse. Commenting on the volume and depth of Polish economic crisis, Jan Vanous⁵¹ wrote that "it suffers from the growing problems of negative growth,

49. For a detailed discussion on economic reforms regarding industrial enterprises, see Nuti, D.M., "The industrial Enterprises in Poland, 1973-1980 - Economic Policies and Reforms", A paper presented at the symposium on the Industrial Enterprise in Eastern Europe, Greg Ynog, Wales, 6-9-September, 1980. Also in Jeffries (ed.), The Industrial Enterprise in Eastern Europe (New York, Praeger, 1982).

50. Ibid., p.19.

51. Jan Vanous, "East European Economic Slowdown", Problems of Communism, July-August, 1982, pp.1-19.

declining productivity, unavailability of western imports and credit, loss of foreign - western and eastern markets, and an inflationary spiral. Against the background of an unprecedented decline in growth everywhere else in Eastern Europe and of a stagnating Soviet economy unable to assume another burden, the Polish economic collapse, is "beginning to rival the Great Depression of the 1930s".

Emergence of Solidarity:

Solidarity emerged from the 1980 strike movement, initiated among workers at large enterprise in various parts of Poland. The movement reached its historic peak on 31 August 1980 when after long negotiation a settlement was reached at Gdansk, with major economic and political concessions: wage increases, the legalisation of strikes, a new self-management union, and greater civil and political rights.⁵²

The emergence of solidarity in August 1980 was conditioned by the sort of activities initiated by KSS'KOR'. However, for a number of reasons, the part played by KSS'KOR' in shaping the programme of solidarity was very

52. Nuti, D.M., "The Polish Crisis: Economic Factors and Constraints", Socialist Register 1981, p.123.

limited. According to Romaszewski,⁵³ "the success of KOR in the year 1976-1980 were due to the adoption of the principle that aims must remain commensurated with the available means, while at the same time limited aims were pursued with absolute determination".

Poland experienced a worker's movement in August, 1980, more extensive, well organized and more successful than any of the major outbursts of popular protests that had punctuated its political development over the previous quarter century. Under pressure of a massive labour movement, the authorities conceded demands ranging from wage increases through free trade unions to the release of political prisoners and the relaxation of censorship; solidarity has enrolled about 10 million members, including one million party members; it was joined in May 1981 by a 2.5 million strong 'Rural Solidarity' representing private peasants.⁵⁴ For the first time in a communist state, workers' self assertiveness meant beyond violent, fragmented and short lived protest to emerge as a well organized solidarity labour movement. Finally, 1980 saw an unprecedented expansion and politicization of workers' demands.

53. Romaszewski, Zbigniew., "August 1980-December 1981: What next? Polish Affairs, Spring Summer 1982.

54. Data has been compiled from Nuti, the Socialist Register 1981, p.123.

One Polish citizen remarked in this way... "our union originated simply from the needs of our country's common people, from their sufferings and disappointments... our nation rose from the rebellion of Polish society which for more than three decades experienced the breaches of human and civil rights, from the rebellion against civil rights, ideological discrimination and economic exploitation. It was a protest against the existing system of exercising power.

What all of us had in mind were not only living conditions. Although we lived poorly, worked hard and very frequently in vain, history has taught us that there is no bread without freedom. What we had in mind were not only bread, butter and sausage but also justice, democracy, truth, legality, human dignity, freedom of convictions and the repair of the republic. Thus the economic protest also had to be simultaneously a social protest and the social protest had to be simultaneously a moral protest".⁵⁵

Owing to social and moral protest, the events of workers' bloodshed riots 1956, 1970 and the 1968 students and intellectuals' protest, and 1976 and 1980 riots have

55. "Solidarity: A Documentary History", World Affairs, Volume 145, Number I, Summer, 1982.

taken place. It is an organisation combining the features of a trade union and of a great social movement.

According to Alex Pravda,⁵⁶ the events of 1980 were a product of the confluence of three classic crisis: a crisis of distribution, a crisis of legitimacy and a crisis of participation. Workers' discontent can be described in terms of economic performance and the way material wealth was distributed. Their readiness to protest was conditioned by a decline in a legitimacy of a leadership incapable either in managing the economy or of controlling powerful corporate interest. Willingness openly to challenge the regime was increased by mounting frustration with a bureaucratised system of representation and participation.⁵⁷

The events of 1980 can well be attributed to the economic factors. Increase in the price of meat triggered the first wave of strikes, economic issues dominated the strikers' demand and most Poles attributed the crisis to government mishandling the economy.

It seems that this discontent was the outcome of Gierak's growth strategy of 'consumption led growth' in a bid to make consumption the engine of growth and political support.

56. Alex Pravda., "Poland 1980: From Premature Consumerism to Labour Solidarity", Soviet Studies, vol. XXXIV, no.2, April 1982, p.168.

57. Ibid.

Alex Pravda⁵⁸ believe that this consumption, and the consumerism promoted as part of the strategy, were doubly premature because funded largely by western credits, boom development proved imbalanced, generating high income growth, without providing a commensurate rise in the availability of goods and services. This mixed verdict in part reflected the prematurity and imbalances of Gierek's consumerism, which generated economic discontent.

Whatever may be the reason, it is obvious that emergence of solidarity may be attributed to economic factors, because workers cannot sacrifice endlessly at the cost of mismanagement of economy by the authority. They all tended to shift economic decision-making away from the centre to the people as a whole. Whether it was the idea of workers' Self government or that of extending the field of private enterprise, the overriding tendency was to engage individual people in meaningful economic activity.

Observing the role of solidarity, Nutt⁵⁹ remarked that since last August, Solidarity has been playing in

58. Ibid.

59. Nutt, D.M., "The Polish Crisis, Economic Factors and Constraint", The Socialist Register, 1981, pp.124-125. Only the outline of main points has been taken.

different proportions, three conflicting roles: that of a political opposition party, that of a militant type union and that of a genuine socialist type union. Solidarity is putting forward impossible economic demands, such as full pay to strikers, lower retirement age for women to 50 and for men to 55; 3 year maternity leave, massive wage increase, pension increases and wage indexation; or demands which though perhaps overdue are not compatible today with economic recovery, such as increase in social consumption, better housing, free Saturday and a shorter working week - all concessions also won with the Gdansk settlement. The new union seems to have taken the road of economic militancy, close to the operation of a western type union.

According to Pelezynski,⁶⁰ amid economic chaos, political instability and foreign threats, momentous changes are nevertheless taking place in Polish society. It is organised regionally, with specialised branch sections at each level, and with regional associations loosely federated into a national body. Its extremely decentralised and democratic structure contrasts with the Church and the party, and has been source of difficulties.⁶¹ Lech Walesa, the Chairman of the Commission,

60. Pelezynski, Z.A., "Poland: Dangers and Hopes", New Society, December 4, 1980, p.462.

61. Ibid.

and his colleagues in the presidium favoured a moderate resolution, which stressed the willingness of solidarity to negotiate with the government on the issue. But he was resoundingly defeated by the Commission as a whole. The moderate view held by Welesa himself and his advisers have often found it difficult to prevail. Pelczynski⁶² remarked that solidarity emerged from a working class protest movement against the economic situation, and the men and the system responsible for it.

The developments in the party and in solidarity are interconnected. If reformist tendencies in the end prevail in the party, and produce substantial change in the economy, the atmosphere for cooperation with solidarity will greatly improve. In this way a semi-pluralist system will get a chance to grow. But the conditions for serious reforms were created only by the events of the Summer of 1980. Economic reform has to embrace the whole economy, solidarity demand democratic reform and self-management at every administrative level, and a new socio-economic order that would combine the elements of central planning with those of self-management and the demands of the market. It is inevitably necessary for overcoming the economic crisis that partly leadership and

62. Pelczynski, Z.A., "Stalemate and After in Poland", New Society, 5 February, 1981.

Solidarity must open a 'dialogue' and immediately start negotiations taking into considerations the prevailing economic situation of the economy and international climate, so that an accord could be reached at an earliest time.

Prospects for Recovery:

Hon. Clement J. Zablocki,⁶³ making an remark on the prospects for recovery in Poland says that far reaching economic reforms, foreign imports of key raw materials and further debt reschedulings will be required to maintain viable hopes of economic recovery. Economic prospects will remain bleak unless and until the Polish government makes fundamental changes in the economic system.

Fallenbuche⁶⁴ presents an optimistic scenario as follows: A solution to Poland's economic crisis would have depended, of course, not only on the goodwill and cooperation of international financial institution, foreign governments, and foreign banks, but it would also have had to rely on a high sense of responsibility on the part of government and solidarity leaders and above all, on a favourable domestic and international

63. Hon. Clement J. Zablocki., "United States Foreign Policy Towards Poland and Eastern Block Countries", Polish Affairs, no.107-108, Spring Summer 1982, p.26.
64. Fallenbuchi, Z.M., "Poland Economic Crisis", Problems of Communism, March-April 1982, p.14.

political climate. In this scenario, there would have been a further reforms, additional liberalization and opening of the economy, and establishment of a socialist market economy. Such changes could have led to greater overall economic efficiency and repayment of western debts through the expansion of exports rather than through the continued limitation of imports.

At the same time, according to the government programme, several factors could significantly accelerate the pace of recovery, namely, increased output of coal and other raw materials, more favourable conditions for agricultural development, successful implementation of economic reform, closer cooperation with the Socialist countries and more favourable conditions for export expansion and more favourable terms of trade.⁶⁵

It is a fact that the economic situation of the country is more than critical. Nothing done at present promises any way out of the crisis. The deepening crisis will inevitably result in utter pauperisation of the Polish people. Any plans of overcoming the crisis must take as their point of departure two essential postulates: The decision making of Society and the acceptance of state power by society. Without the acceptance of these

65. Cf. Ibid., Rzondowy Programme, p.48.

two purely political postulates even the most sophisticated plans of economic reform are bound to remain in the field of abstraction. After the proper implementation of these two measures, we can talk of the expansion of the agricultural production and efficient use of raw materials, reduce imports, encourage small producer, and improve transport facilities. First, the introduction of economic reforms in the economy is inevitably important and then keeping into consideration the existing situation, particular-sector could be given emphasis.

CHAPTER - IV

CHAPTER - IV

CONCLUSION

The Soviet system of planning and management was implanted in the early 1950s in the Polish economy. This type of system gave priority to heavy and basic industry and relatively low priority to agriculture and light industry owing to the overcentralization nature of this Soviet type system, serious imbalances and disproportions were noticed in the different sectors of the economy. This system was challenged for its failure to live up to the ideals of socialism and for the dehumanizing effect of the industrialization rush, because the proposed economic reforms were not implemented. As we mentioned earlier, the forced collectivization was not implemented in Poland, but reversed in 1956. The implementation of this system resulted in the ruthless sacrifice of workers' immediate standard of living, the atmosphere of terror affected the economy deeply and high operating cost, which made many plants and entire industries unproductive. And this resulted in the worker's bloodshed riots in Poznan in 1956 and a change in leadership.

Gomulka came to the power with the proposal of new economic reforms. Certain reforms were introduced

in the economy straightway. The rate of investment was reduced towards heavy industry and some investment was redirected towards agriculture. Some bold proposals for systemic modifications were discussed, but no significant and lasting reforms followed, other than the decollectivization of agriculture. The policy of high rate of domestic accumulation (forced saving) was followed by Gomulka. Moreover, after a temporary period of readjustment after 1956, the same development strategy was continued. The reform featured a certain return to centralization of managements. But his plan of modernisation and industrializing the economy failed badly and by the late 1960s, the economy was again caught in a vicious circle of stagnation. These economic reforms hardly hit the lower income groups. This led to the powerful forces of resistance against Gomulka's economic policy. And finally Gomulka's fall came not because of other reasons but of the economic debacle.

And then came Gierak with his new growth strategy based on two principle i.e. 'import-led growth' and 'consumption led growth'. A large scale import of capital and technology from the western markets was being made because of the easy availability of western credits. At the beginning of the decade, the guiding principle was a great expansion and modernization of the production apparatus based to a considerable extent on a large scale import of

capital and technology from the western markets was being made because of the easy availability of western credits. At the beginning of the decade, the guiding principle was a great expansion and modernization of the production apparatus based to a considerable extent on a largescale import of machinery, equipment for complete plants and technology as well as a marked increase of the population's income and improvement of social services. In the middle of the decade that is between 1976 and 1980 the course was taken at an overall improvement of efficiency through better utilization of the existing production and the scientific and research potential and qualified personal, through lowering the energy and material cost of production, the improvement of its quality and streamlining the process of planning and management of the economy.

Poland made substantial development on almost all fronts until mid-seventies. A substantial increase in agricultural production, industrial production, rise in per capita income and increase in real income and consumption was noted. Balance of payment was also in favour inspite of its massive imports of capital from hard currency markets. But all these growth rates were short sighted. This was nothing but an illusion in the Polish economy in the first half of the Seventies. The second half of the seventies began with the deteriorating situation in every sphere of the economy. A remarkable decline in

industrial production, a fall in agricultural output, deceleration of the growth rate of income, downward trend in the share of accumulation, continued trade deficits, shortages of supply of raw materials and production goods and unfavourable balance of trade was noted.

The reasons of this economic crisis in every sphere of the economy may be of various nature and magnitude. I have tried to identify these causes of economic crises in detail in Chapter-III. There are basically three causes of Polish economic crisis, namely, (a) overaccumulation and its wasteful nature, (b) negligence of agriculture sector and (c) the strategy of import led growth combined with lack of economic reforms. As mentioned earlier that the prime cause of the Polish crisis seem to be the over-ambitious and unchecked policies of accumulation followed under Gomulka and accelerated by Gierek especially in his first five years, which brought up the share of accumulation in national income from 25.4 per cent in 1969 to 35.2 per cent in 1975. Capital accumulation in Poland was excessive with respect to the absorption capacity of the economy. This capital accumulation was biased in nature because it was in favour of capital goods and against consumption goods. The second and most important cause of Polish crisis seems to be the negligence of agriculture sector. Owing to the Gierek's modernisation drive of the economy, a considerable rise in share of non-

agricultural occupations has taken place. There is consensus in every quarter that agriculture was not given enough room to modernise owing to the neglect of agriculture sector, the balance of payment problem came into being and meat and foodstuffs were purchased from hard currency areas, pushing the economy into a deeper crisis. And that is why the government in the *later* part of the decade paid much attention to the development of agriculture, so that shortages in consumer goods could be improved and striking worker's temptation could be cooled down. The third factor that led to the Polish crisis seems to be the 'import led growth' strategy combined with lack of economic reforms. The balance of payment difficulties followed an episode in Polish policy and forced a halt in the growth of machinery imports from the West in the mid-1970s. In fact, it was a failure of this strategy. The sequence of events was the outcome of a number of circumstances, both internal and external, External factors played a major role in the Polish economic crisis. Opening of the Polish economy to the international market led to the problem of energy crisis, world recession and inflation and rising rates of interest in financial market. Some internal factors also contributed to the failure of the import-led growth strategy.

So the combined effect of all these factors resulted in a mounting pressure on the economy leading to a bloodless

worker's riots in August 1980 and the economy was put on the verge of collapse. Solidarity emerged from the 1980 strike movement, initiated among workers at large enterprise in various parts of Poland. As mentioned earlier in August 1980 after long negotiations a settlement was reached at Gdansk, with major economic and political concessions, wage increases, the legalisation of strikes, a new self-management independent union and greater civil and political rights. Solidarity's emergence was basically an economic factor because workers cannot sacrifice endlessly their standard of living at the cost of industrialization rush.

The prospects for economic recovery, however cannot be achieved by military decree. A need of the compromise which would enjoy a minimum degree of popular consensus necessary to persuade workers is a must. As mentioned earlier, any plans of overcoming the crisis must take as their point of departure two essential things, namely, the decision making of society and the acceptance of state power by society. Without the acceptance of these two purely political postulates even the most sophisticated plan of economic reform are bound to remain in the field of abstraction. So one can say that the policy of compromise between the authority, on the one hand, and solidarity, on the other hand, is inevitably necessary. At the same time, solidarity must realize that Poland is in the grip of deep crisis and

their demand for higher and higher wages cannot be satisfied endlessly. At the same time, the PUWP must realize its past mistakes and leave the path of confrontation and make necessary negotiations with the Solidarity on the just demands of the workers.

The two most important questions struck me most during the course of this study, namely, first, was this inherently 'import led growth' strategy wrong and second, suppose, had there been no recession in the western countries, had the strategy worked out. It is contended that this strategy was basically wrong from its inception in the Polish conditions. A country like Poland can not afford such path of development. They argue that even if no internal factors were there and even if adequate economic reforms were introduced in the economy, then also this strategy could not have worked out. About the second question, it is contended that even if no recessionary conditions in the western countries were there then also, this strategy of 'import led growth' could not have worked out. The answer of these questions remains to be investigated and I leave it for further study.

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