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POLAND'S ECONOMIC CRISIS*

David B. Houston

The focus of this paper is the Polish economy examined at a fairly concrete level. However for the concrete, more quantitative study to make sense, it is necessary to briefly survey Poland's international relations and the Polish "mode of production." When considering the first problem, the question is often raised: How independent is Poland vis a vis the Soviet Union, the U. S. and Western Europe? Answers to this question vary widely: 1. Poland is a dependent state or puppet of Soviet social imperialism and has essentially no autonomy with respect to its economic policies; 2. Poland is the most "bourgeois" of the Eastern European countries and strongly tied to and dependent upon the West, especially the banks, and its economic policies are disciplined by those connections; 3. Poland is a relatively autonomous socialist society with comradely relations with other socialist societies and its economic policies are shaped by these relations. Of course each of these rather extreme characterizations has an element of truth, and the view taken in this paper is somewhat eclectic: Poland though politically and economically dependent on the Soviet Union has relative autonomy with respect to its economic development. In the recent period its development strategy has made it much more dependent on the West but still less than its dependence on the East. Poland's political and military dependence on the Soviet Union is self-evident. But in addition there are strong economic ties in both imports and exports of raw materials and finished goods, as well as loans. In 1983, 37% of Polish imports were from the U.S.S.R. and about 31% of their exports were sent to the Soviet Union[1]. Still we see that the Polish leadership has been able to undertake distinctive economic programs, such as its import-led development strategy of the 70's, which certainly strengthened its ties to the West. Its monetary policy, finance, and economic planning model, while resembling in some degree the Soviet-style economy, all have significant elements of self-determination. Finally, with respect to the West, it is again clear that Poland's debt situation and its desire to join the IMF indicate a growing dynamic of Western dependence.

In order to examine Poland's economic crisis we must also specify the social relations of production in Poland at least in a general way. Are these relations socialist, capitalist, transitional or some new form? Rather than attempt a detailed answer to this complex and difficult question we will simply make a few brief observations[2].

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Part of the answer depends upon whether one emphasizes:

1. The ownership or the control of the means of production;

2. The undemocratic political relations or the role of the party as representing the workers;

3. The presence of wage labor vs. the absence of labor as a commodity;

4. The relevance of the market or of planning in resource allocation;

5. The presence of a ruling class which is not the direct producers.

The Polish economy cannot be easily classified. It has aspects of both socialist and capitalist modes of production. The political (military) power of the ruling stratum is in general sufficient to permit it to control economic relations. Socialism serves as an ideology to rationalize this situation. The labor market is not capitalist in that it does not produce a reserve army of labor or a capitalistically disciplined labor force. The drive for accumulation which is often quantitatively greater than in capitalist economies is qualitatively different in that it concentrates on accumulation of social means of production (productive capital) rather than capital in its general form. The value and price categories do not correspond to those of a capitalist economy. Characteristics of the Polish economy which could be described as socialist are collective or non-private ownership of the means of production, except in agriculture, the presence of an above-average number of public or "free" goods, the existence of subsidies on basic consumption, and the presence of a planning allocation mechanism. Nonsocialist features include the lack of working class participation in planning and management, the large private agricultural sector and the general alienation of labor. Polish workers may not confront capital in the same way as a classical capitalist worker. The social relation may not be capital. But the accumulation of "socialist" capital has not made the working class more powerful but has strengthened the dominance of the party leadership, the government bureaucracy and the managers of enterprise. Thus, while in formal terms the social relations of production cannot be defined as capitalist, the social impact of these relations has a disturbing parallel to that of capitalist economies.

The analysis which follows views Poland as a politically directed planning, accumulation model with a basic two-class structure of party leaders, planners, managers and bureaucrats (ruling class) and direct producers (working class), as well as a historically residual petty-bourgeoise-peasant class. Such a model raises several questions, two of which are relevant to the present study. The first concerns the efficiency of a politically run economy, and the second deals with the contradictory nature of an agricultural sector outside of the main economy.

In a politically run economy a political crisis may have very serious effects on economic life. This is precisely what happened in Poland. With the Party and state bureaucracy under attack by Solidarity for their political and economic failure, the leadership became passive, especially with respect to redirecting the economy out of its crisis. But since Solidarity had no real political power (and hence no economic power) in the sense of directing the whole of society, a vacuum in leadership and direction developed. Thus the political crisis reinforced the

economic crisis. Because the political and economic aspects of the Polish crisis exercise continuous feedback effects upon each other, a complete analysis would require a simultaneous treatment of both aspects. However, since in general people are less familiar with the economic problems in Poland, the emphasis here will be on economics rather than politics[3].

The discussion which follows covers three major aspects in the recent history of the Polish economy: 1. The issue of efficiency and productivity, 2. The development of agriculture, and 3. Import-led growth, the development strategy of the 1970's. The first two could be termed structural as they form a background for the third which is the more immediate cause of the crisis.

One of the most striking features of the Polish economic crisis is its magnitude, which rivals the decline in output suffered in the U.S. in the Great Depression of the 1930's. From 1978 to 1982, according to data published by the Central Statistical Office[4], Polish net material product fell by approximately 26% compared to a 30% decline in the U.S. from 1929 to 1933. In contrast, in the post World War II period, recessions and depressions in the U.S. have generally shown a 1/2% to 2% decline in output. Of course, in Poland the distributional impact of such declines is different, but nonetheless, a loss of output of this size is catastrophic. Further, when it is remembered that the level of per capita income in Poland is probably less than half that of the U.S.[5], it is obvious that the welfare impact of such a decline must be considerable. Perhaps the most surprising aspect of the present deep crisis is that the standard of living in Poland has not declined even further. While intertemporal comparisons are especially difficult in Poland because of the government's manipulation of prices, most data, e.g. net material product in Table 4, indicate that the present standard of living is about equal to that of a decade earlier, the crisis having wiped out all of the interim gains. The state shifting its priorities from accumulation to consumption has cushioned the impact of this great fall in output by cutting investment much more drastically than consumption. From 1978 to 1982 consumption declined 11% in real terms, whereas investment fell 62%. Further, investment accounted for 36% of net material product in 1975 but this proportion was only 22% in 1982[6]. In addition the state through its pricing policies on basic consumption and through its minimum wage and wage distribution policies has attempted to distribute the burden of the crisis over all the population. While the failure and limitations of the Polish economy are substantial, its ability to weather a crisis of this magnitude is impressive. So, we start the analysis with the observation that we are looking at an economy that has the capacity to get into a great deal of serious trouble but also the control to maintain economic order to a surprising degree in the face of that trouble.

EFFICIENCY AND PRODUCTIVITY IN THE POLISH ECONOMY

Western analysts have been particularly critical of the Polish economy on efficiency and productivity grounds, arguing that there are substantial limitations within the economy affecting productive allocation of resources. I would like to examine the question of economic efficiency and productivity by looking at the general setting or the central planning mechanism and the capital or means of production per worker.

To get some idea of the development of productivity, it is possible to construct indicies of real net output per worker in both industry and construction which account for about 34% and 7% of GNP respectively[7].

Table 1
Indices of Labor Productivity

(1970 = 100)

	1960	1965	1970	1975	1978	1980	1981	1982	1983
Industry	61	81	100	147	174	164	140	141	146
Construction	53	74	100	170	210	194	163	155	164

SOURCE: Industry (Workers in State Industry)
RS: 1977 p. 139, 1982 p. 186
MRS: 1984 pp. 131, 139, 142
Construction (Workers in Basic Construction)
MRS: 1977 p. 142, 1983 p. 154.1984 p. 161.

As can be seen, annual labor productivity growth in industry was substantial in the 60's at 5% and increased in the 70's until 1978 to 7%. However, both series show sharp declines after 1978, with the result that productivity today is probably no higher than 10 years ago. However, labor productivity indicies after 1978 are somewhat misleading since Polish economic policy is to maintain full employment even in the face of falling output.

Comparing productivity levels between Poland and the West is even more problematic because of uncertainty concerning the real exchange rate. Using the most conservative exchange rate of 20 zlotys per dollar, 1978 output per worker in manufacturing was $25,300 in the U.S. and $10,000 in Poland[8]. Remembering that this was Poland's best year, we still find productivity only 40% of the U.S. level. Under present conditions, the comparison would be very much worse, if indeed it would be meaningful at all. In summary then, we can see that Polish productivity rose sharply in the 60s and 70s, and then fell equally sharply after 1978, but, in any case, never attained levels comparable to the advanced Western economies.

The level of productivity and efficiency in an economy is fundamentally influenced by the general economic setting, in Poland's case the central planning mechanism. In an excellent paper, Professor Michael Wozniak of the Krakow Academy of Economics has shown why the Polish economic structures have produced such dire results[9]. In the first place the central decision makers tend to emphasize the maximization of the growth of output while ignoring the allocation of resources. In Poland this resulted in a very strong investment program usually at the expense of consumption. This is sometimes justified as following the necessary "law" of faster growth in Department I (means of Production) than in Department II (consumption goods)[10]. This situation is accompanied by relatively limited consumer choice. These rapid accumulation programs were funded first in the 60's by reduced consumption and later in the 70's by foreign borrowings. This macro policy of emphasizing growth and accumulation can lead to a bigger but not necessarily more efficient economy. The central decision makers can see their goals met, but the system does not generate any feedback information about waste, unsatisfied consumer preferences, or uneconomical relations between firms or enterprises. Thus the Polish economy grew until 1978, and only a minority of economic planners were aware of the impending crisis. The extreme centralization of economic decision

making meant that the center produced plans but received little information about the effect and reality of the implementation of those plans. Such centralization without feedback means that the questions of productivity and economic efficiency cannot be and were not investigated and mediated at the planning level. The obvious answer, one that was embraced to varying degrees by all political elements after 1980, was a decentralization of economic decision making.

Polish economic planning also precluded serious attention being paid to productivity and efficiency at the enterprise level. Firms were encouraged to meet and surpass their goals of output. The tendency for expansion was thus reinforced at the enterprise level as managers saw their fortunes correlated with the size of their operation. Cost minimalization was not an effective constraint on production, and in addition, quality was often sacrificed for volume. Costs of materials and labor, determined in the center, were simply passed through: i.e. prices were set to accommodate the costs, and output maximization became the goal of the firm as well as the economy. Thus, efficient use of resources and the level of productivity were not major concerns at the enterprise level. In summary, because of its structure, planning in Poland could not be sensitive to efficiency and productivity. Indeed, the arbitrariness of the center's choices probably provided some disincentives for efficiency. Further, measures of productivity could be distorted by enterprise behavior such as wasting underpriced resources in the drive to maximize output and because of the center's arbitrary pricing policy. The general setting for the efficient allocation of resources and developing rising levels of productivity was lacking in the Polish version of economic planning.

It would be wrong to conclude that an emphasis on growth and industrialization necessarily implies an absence of concern for efficient allocation of resources. It is rather the political domination of economic activity which produces this result. Efficient allocation in an economy the size of Poland requires substantial decentralization of many economic decisions, but political control of the economy requires centralization. In politically dominated centralized economies, crises may result more from inefficiency than, say, overproduction, a falling rate of profit, underconsumption, etc. The response to a crisis of inefficiency is an economic reform. But these reforms which usually call for decentralization of decisions and more attention to costs and/or "profits" are typically short-lived or ineffectually implemented because they are contradictory to the political control of the economy by which the ruling class conducts the accumulation process[11].

One of the most direct and obvious ways to increase worker productivity is to increase capital per worker. Polish planning, with its emphasis on investment, saw this as the primary factor in developing increasing productivity.

Table 2
Index of Capital Per Worker in Industry

(Constant Prices: 1977 1970 = 100)

	1960	1965	1970	1975	1978	1980	1981	1982
Index	68	80	100	141	189	210	218	237
% Change	18	25	41	34	11	4	8	

SOURCE: RS: 1979 pp. 144, 158, RS 1982 pp. 182, 192. MRS: 1984 pp. 139, 145.

As can be seen from Table 2, the increase in capital per worker has been substantial, with workers having more than twice as much capital to work with in 1981 as 1970. Throughout the decade capital per worker rose at an annual rate of 7.7%. It is interesting to compare these figures with the growth in labor productivity in industry in Table 1. In the first half of the decade, productivity rose slightly more rapidly than capital per worker; but from 1975 to 1978, even before the crisis was overtly visible, productivity was growing at a much slower rate (5.8%) than capital per worker (10.3%). In this period even though capital growth accounted for most of the growth in output (workers in industry increased only 1%) it would appear that substantial amounts of the capital were wasted and had only a limited effect on output. It is clear that after 1978 when output began to fall, capital growth was wasted. This is clearly illustrated in Table 3, which shows the output-capital ratio or average productivity of capital to be declining after 1975.

Table 3
Index of Output/Capital in Industry

	1960	1970	1975	1978	1980	1981	1982
Index	100	111	117	104	87	70	65
% Change		11	5	-11	-16	-20	-7

SOURCE: RS 1979 pp. 135, 158; RS 1982 pp. 174, 192.
MRS 1984 p. 132, 145.

At a disaggregated level the results are even more striking. All those sectors which had a high growth of capital show significant declines in capital productivity between 1975 and 1978: in basic metals Q/K fell 27%; nonferrous metals - 25%; machinery - 14%; engineering - 6%, precision instruments - 3%; transportation equipment - 10%; and electronics -7%[12]. These include most of the "modern" industrial sectors.

A final consideration in productivity growth is the quality of labor. Obviously the productivity of the Polish economy depends in part on the education and skills of the work force. While it is not possible to offer any serious quantitative measures, it may still be observed that the Polish workforce is not highly skilled in a general sense when compared to most Western workers. Several factors account for this. First, there has been a large rural to urban migration within Poland since World War II. In 1946 over 2/3 of all Poles lived in rural areas, whereas today 60% are urban. The skills and productivity embodied in a rural life are not often easily adapted to the urban setting, and consequently the ability to work effectively with modern technology is constrained. Poland has generally had a shortage of skilled industrial workers, and enterprises often compete for them with high salaries, housing and other benefits. There is a serious question as to whether the Polish labor force was able to take advantage and utilize fully the new technology imported so rapidly from the West. Thus, the additional productivity implicit in the imported capital may not have been realized.

Recently in order to loosen up the labor market for younger workers, a special early retirement on favorable terms was offered to older workers. The response

was overwhelming and now many skilled positions in factories and offices are unfilled. The problem of efficient allocation of labor is as yet unsolved. The underdevelopment of the Polish labor force is a result of an accumulation model, which emphasizes investment in constant capital but not human capital, and this contributes to the low productivity of the Polish economy[13].

THE AGRICULTURAL PROBLEM

Poland has traditionally been an agricultural nation and was generally self-sufficient with some surplus for export. Today Poland is not self-sufficient and must import substantial amounts of grains and other food products. This unhappy situation is the direct result of the political economic decisions of the Polish leadership[14].

In the immediate post World War II period there were some limited and abortive attempts to collectivize Polish agriculture. But the peasant tradition was strong and their numbers many; and so after 1956, there were no further attempts of collectivization. Government policy until recently has favored the socialized sector and discriminated against the private farmers, but growth in agricultural production was not a high priority. The planners favored heavy industrialization, and the agricultural sector with millions of backward peasants with small ribbon shaped holdings offered dim prospects for rationalized control. The results in Table 4 show a fairly stable output in the 70's and declines in the 80's, with some recovery in 1983. The share of agriculture has remained constant after 1975.

Table 4
Indices, Net Material Product and Net Agricultural Production

(1970 = 100)

	1965	1970	1975	1978	1979	1980	1981	1982	1983
Net Material Prod.	75	100	159	185	181	169	149	140	148
Net Agr. Prod.	107	100	103	110	103	91	95	91	100
Agr.% of GNP	42	34	26	26	26	24	27	27	27

SOURCE: Net Material Product MRS 1984, p. 56. Net Agricultural Production Occasional Paper No. 76, Research Project Opcit p. 21. Agr. Share of GNP Opcit, OP-75, p. 11.

Today about 75% of agricultural land is privately owned. The farms are very small (average size is less than 10 acres), undercapitalized and use archaic methods of production. Most farmers are old, as younger people have migrated to the cities. Given all this, private farms are still more efficient than socialized farming which indicates how poorly that sector is planned. Table 5 shows that in most instances average productivity is higher in the non-socialized sector. The especially higher productivity of capital in the private sector may be the result of its limited use there to date.

Table 5
Productivity of Land, Labor and Capital in
Socialized and Private Agriculture in 1981

	Land Yield/Hectare Soc.	Land Yield/Hectare Priv.	Labor Tons/Worker Soc.	Labor Tons/Worker Priv.	Capital Tons/Mill. Zlotys Soc.	Capital Tons/Mill. Zlotys Priv.
Grains	25	25	3.2	3.4	7.4	13.5
Potatoes	178	190	2.9	9.9	6.8	39.0
Sugar Beets	288	352	2.6	3.2	6.2	12.8

SOURCE: RS 1982 pp. 245, 257, 262.

The agricultural production problem has been compounded by the State's pricing policies and by public attitudes toward these policies. In order to promote a more equal distribution of income and to provide adequate nutrition for all, state controlled food prices have been held at low levels until fairly recently. From 1960 to 1975 controlled food prices rose only 12%. However, these low prices created several problems: 1. The government was running an enormous deficit because it had to pay farmers more than retail prices; 2. Low prices resulted in excess demand, queues, and perhaps excess consumption; 3. Black markets developed; 4. People came to expect low food prices and opposed any increases. Table 6 indicates the pattern of food price increases in the socialized market and in the private market.

Table 6
Food Price Indices 1970 = 100

	1975	1978	1980	1981	1982	1983
Socialized Mkt.	104	120	143	165	431	485
Private Market	137	204	281	435	775	777

SOURCE: MRS 1984 p. 252.

The much more rapid price increases in the private market indicate the inadequacy of the state food price increases. Only in 1982 and 1983 did socialist food prices rise faster than private market prices. At the present time, prices are raised substantially without notice, and this tends to create a buy-now attitude with the result that shortages in the stores are greater than ever. The state's attempt to rationalize food prices is still half-hearted and constrained by the Pole's attitude based on a long tradition of low food prices. Thus almost all food price increases have been accompanied by wage increases (51% in 1982 and 24% in 1983) which negate the impact of prices as a rationing device[15].

The stagnation of Polish agriculture has lead to a large increase in food and food products imports. In 1970 food accounted for 13% of all imports but by 1983 it was 11% of a substantially larger base. In contrast, during the same period food exports fell from 14% to 8% of total exports[16].

The agricultural problem in Poland is severe. It has affected all parts of the economy and population. By ignoring agriculture and discriminating against the private farms which provide the bulk of agricultural production, planners have created an economic chaos which rivals and probably exceeds that of the planned sector. In 1983 the government announced a program of agricultural reform directed primarily at the private sector. The goal is to reach self-sufficiency in food by 1985 by: 1. A 20% increase in the production of farm equipment including 175,000 new tractors, 2. An increase of farm investment to equal 1/3 of total investment over the next 3 years, 3. A new system of prices and taxes presumably providing better incentives and more rational production and consumption, and 4. Improving amenities and services in the rural areas[17]. Aside from whether or not this program can be implemented, it may be flawed in conception. It is doubtful if the agriculture system as presently constituted can efficiently absorb all these new resources. It seems to provide an uncomfortable parallel to the importation in the 70's of advanced western technology into an economy whose structure could realize only partial benefits from these new resources.

IMPORT LED GROWTH: THE DEVELOPMENT STRATEGY OF THE 70'S

After the 1970 worker rebellions over food prices and general political and economic conditions, the new leadership under Gierek realized that it could no longer promote industrial growth at the expense of consumption. They devised the strategy of the 70's which was to import western technology using foreign credits. The increased productivity would raise output and also provide the exportable goods to repay the foreign debt either in kind or in hard currency. In addition, consumption and real wages were to be increased. Politically this approach was attractive since it took the pressure for financing growth off of the general population and consequently took the political pressure off the leadership.

As the plan evolved, imports from the West increased sharply. From 1970-75 imports from non-socialist countries rose by 128% but from 1975-81 they fell by 40%. In 1970 imports from developed capitalist countries constituted 26% of all imports, but by 1975 this proportion was 49% and it remained high through the rest of the decade. However, by 1982 it had fallen back to 28%[18].

The data on imports from non-socialist countries in the more specific "new technology" industrial classification which includes electrical and non-electrical machinery, transportation equipment and instruments show an increase from 1970-75 of 250% with import levels remaining high until 1978. By 1981, however, imports in this group had fallen back to the 1970 level[19]. In addition, the data in the bottom line of Table 7 shows that the new technology intensity of imports peaked in 1975 and returned to previous levels after 1978.

Another form of technology import is the purchase of licenses from the West to produce western goods. The purchase of these licenses rose sharply after 1970 and remained high until 1976 but by 1981 had fallen to zero[20].

Table 7 also shows the course of trade with the developed non-socialist countries. The originally anticipated negative trade balance continued well beyond the time when increased exports should have created a positive balance. Furthermore, the declining negative balances and finally the positive balance in 1982 are the result of decreased imports since exports also declined.

Table 7

Trade with Developed Non-Socialist Countries

	1960	1970	1975	1978	1980	1981	1982
	in millions of exchange zlotys						millions zlotys
Imports	1775	3721	20539	20636	20403	15039	265,000
Exports	1582	4028	10768	13984	17863	13136	309,000
Balance	-193	307	-9771	-6654	-2570	-1903	+44,000
Balance with Socialist Countries	-477	-828	1385	-269	-3392	-7568	-39,000
	.20	.24	.36	.32	.22	.18	.17

*Elect-mach imports from non-socialist countries over total imports from non-socialist countries.

Source: MRS 1983 pp. 202-204. RS 1982 pp. 308.

There are several reasons why this strategy which appeared so promising in the first half of the 70's failed[21]. First as already discussed, the highly centralized Polish planning model did not lend itself to the adaptation of new technology whose goal was increased efficiently. There was no way to know if the new technology was being used efficiency. Another structural problem related to the poor planning of the agricultural sector. The low output levels in agriculture necessitated increased imports and reduced exports, putting additional pressure on the balance of payments. Second, the rate of new technology inflow was too rapid for its successful adaptation. In addition to the sheer magnitude of the problem, the skills and capacities of Poland's labor force as discussed above served to slow down the productive integration of the new capital. As a result, facilities which were supposed to be producing after three years might take five years or longer to come on line. These delays affected both interindustry deliveries and production for export. These problems tended to multiply as the expansion continued. Another problem was that the imports were not targeted properly to produce competitive exports and as a result failed to be self-financing. The recession in the West meant that the demand for Polish exports declined just when they became available. As the economic crisis in Poland advanced, imports for maintenance and repair of the new technology dried up and this had a compounding effect on declining output.

The international financial problems which resulted for Poland are well known. Initially Western bankers with a surplus of petrodollars were eager to lend whatever Poland would borrow. Debt to the West increased 20-fold in the 70's and currently is about $25 billion. The 1979 debt service to hard currency earnings ratio was .94 and by now is greater than 1. The major part of the debt to the West

was renegotiated and deferred for 5 to 10 years; but the burden on Poland's hard currency earnings, which are themselves uncertain, will be enormous.

The failure of the import led/export financed plan has left a number of serious problems in the wake: incomplete projects with mounting costs and losses; inter-industry imbalances resulting in substantial waste; and a foreign debt whose repayment is uncertain. The main cause of this failure is the inefficiency associated with the highly centralized planning mechanism. The failure of the central decision makers to receive or heed sufficient feedback concerning the fundamental structural imbalances developing after 1975 resulted in the continuance of the counterproductive import policy well beyond the collapse beginning in 1978. Though the policy in general may be sensible, its form and magnitude in Poland in the 70's were not. All of these problems were exacerbated by Western governments' and bankers' responses to Poland's political crisis, especially after 1981. The move by the West to attempt to isolate the Polish economy which had been trying to open to the West and was now in a state of crisis could only expand that crisis and force Poland to seek greater support from the East. The balance of trade with socialist countries in Table 7 shows increased dependence after 1978.

PROBLEMS AND REFORMS

Today Poland is confronted with several deep contradictions. Internationally it is dependent on both East and West, though in quite different degrees and ways. Politically it is governed by an elite which is essentially anti-democratic and hopes to remain that way. The general population does not have much confidence or trust in this leadership, suspects it of being too dominated or directed by the Soviets, and strongly wants a more democratic political structure. The state hopes to control the way this democracy is developed. Still the legacy of Solidarity is freer political discussion and possibilities of wider participation and influence in political life.

Economically people want more but there is less to go around. This is exacerbated by the fact that people don't trust the government, so that any program of austerity is seen as a means of control and manipulation. The economy is inefficient in all the ways already described. Because of state manipulations the monetary system has an unreal quality. There is inflation, suppressed and unsuppressed. "Real" wages and prices are not real since one cannot buy goods at the prevailing prices. Zlotys accumulate and depreciate in involuntary savings, and black markets are endemic. Finally the foreign obligations saddle this unhealthy economy with significant additional burdens.

When we look for solutions it is hard to be optimistic. The fundamental, perhaps revolutionary change necessary does not seem to be forthcoming. The present regime is simply another version of all those which preceded it. It will try to avoid the mistakes of Gierek and Gomulka, but it seeks to reestablish and maintain the power of those governments. Given that the prospects for real political reform are limited, it is difficult to see how economic decentralization of any significant degree can be realized. The Polish ruling class maintains economic control through political power. If that political power is not to be dispersed, then the economic structure cannot be greatly altered. Worker's control, for example, would be an intolerable contradiction for such centralized political power.

What then are we to make of the economic reforms passed by the Party at the Ninth Congress of July 1981 and in the process of being implemented since January 1, 1982? The reforms call for a decentralization of economic decision making which would involve enterprises and industrial unions. In the short run, the decision-making powers of the industrial unions will be marginal at best. The authorities are in the embarrassing position of trying to persuade workers to join the new unions. By 1983 out of workforce of 14 million, reportedly 3.2 million have joined. In contrast, Solidarity claimed 90% of the workers. Most workers are skeptical of the independence and validity of the new unions and are taking a wait-and-see attitude.

Enterprises may now have more autonomy than before. They can increase and decrease output; set prices to a limited extent, engage in certain foreign trade if they can receive a license; invest on the basis of bank credit but this too is limited; and choose product lines. It is difficult to evaluate these changes since they have been started in a period of crisis, but the results so far are not encouraging. Some critics say that they are insufficient and that de facto control still rests in the center. Others point out that the enterprise pricing scheme is on a cost plus basis and believe it is too weak to result in an efficient program of resource allocation[22]. It contains too little incentive for cost control.

With regard to the reforms proposed for agriculture, as discussed above, they probably will raise the level of agricultural output, but may not be especially efficient. Given the real shortages in certain lines of food and the substantial dependence on food imports it is hard to take seriously the goal of self sufficiency in food by 1985. The shoring-up of a basically reactionary peasant class can hardly be a long run socialist development strategy. However, at this time, the government and the state agricultural sector are both so discredited that any plan, even a balanced and rational one, to expand agricultural output through this sector would meet substantial public resistance.

Poland's international trade and finance picture is not too bright either. Given the present U.S. anti-Polish policy, it is easy to imagine a shift in Poland's international ties: more trade and borrowing from with the Eastern Block and cautious relations with the West.

The Polish leadership calls for austerity, an end to corruption, and increased worker discipline as necessary for ending the economic crisis. Without confidence in this leadership, the Polish working class views with a kind of sullen hostility this program which it may see as just another scheme to hold a contradictory set of social relations together.

ENDNOTES

[1] Maly Rocznik Statystyczny 1983 Warsaw (MRS), pp. 227, 229.

[2] For a more complete discussion of social relations in the Soviet Union and by implication in the "Soviet Type" economies see The Review of Radical Political Economics, Vol. 13, No. 1, Spring 1981.

[3] Some important studies of the causes and consequences of Poland's economic problems are Fallenbuchl, Zbignew, "The Polish Economy at the Beginning of the 80's," in East European Economic Assessment, Part 1, Joint Economic Comm., U. S. Congress, Washington, DC. and Montias, J. Michael. "Poland: Roots of the Economic Crisis ACES Bulletin 24, No. 3, 1-19, (Fall, 1982).

[4] All data in this paper unless otherwise noted are from various editions of Rocznik Statystyczny, Statistical Yearbook of Poland, Central Statistical Office, Warsaw. MRS 1983, p. XXV.

[5] Occasional Paper No. 75 of Research Project on National Income in East Central Europe, Tables 15A + B, pp. 22-23.

[6] MRS, 1984, pp. XXIX.

[7] Occasional Paper No. 75, opcit., p. 11.

[8] In 1978 exchange rates were 1) Domestic 20 zlotys = $1; 2) Official tourist 33 zlotys = $1, and 3) Black market 100 zlotys = $1. Sources of calculation: Poland, RS 1979, pp. 136, 144; U. S. Economic Report of the President 1984, pp. 232, 263.

[9] Wozniak, Michael G. "The Mechanisms Generating Economic Growth Fluctuations in the C.M. E.A. Countries, and the Crisis in Poland," presented at the Krakow Academy of Economics, June 1983.

[10] Wozniak, op. cit. p. 7. This "law" serves as a rationalization for a heavy investment program. According to Ernest Mandel in Late Capitalism, New Left Books, 1975, pp. 27 and 36, a rising organic composition of capital implies that Department I must grow faster than Department II. This "law of motion of capitalism" has been adopted as a condition of industrial development by some socialist planners.

[11] Alvater, Elmar, "The Primacy of Politics in Post Revolutionary Society," Review of Radical Political Economics, Vol. 13, No. 1, p. 7.

[12] RS 1982 p. 174, 192.

[13] In an interesting recent article (Kemme, David M. and Crame, Keith, "The Polish Economic Collapse: Contributing Factors and Economic Costs," Journal of Comparative Economics Vol. 8, No. 1, March 1984, pp. 25-40) factor growth and productivity are examined with a Cobb-Douglas production function. However, after 1978 the production function was probably not well defined and their results must be evaluated with that possibility in mind.

[14] For a more complete discussion of this problem see Houston, David. "The Polish Food Pricing Question," Working Paper No. 71, Department of Economics, University of Pittsburgh, 1977.

[15] MRS, 1984, p. 98.

[16] Ibid, pp. 225, 226.

[17] Christian Science Monitor, May 26, 1983.

[18] RS 1982, p. 307 and MRS 1984, p. 225. These proportions may be distorted because of special pricing agreements covering trade among the socialist coun-

tries.

[19] <u>RS</u> 1982, pp. 307, 308.

[20] <u>RS</u>, 1981, p. 514; <u>MRS</u>, 1983, p. 258.

[21] Hansen, Phillip, "The End of Import-Led Growth?", <u>Journal of Comparative Economics</u>, June, 1982, pp. 130-147.

[22] Wozniak, op. cit., p. 12.