

POLISH FISCAL SYSTEM

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SYSTEM OF MANAGEMENT OF NATIONAL ECONOMY IN POLAND

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To facilitate a better understanding of the mechanism of the Polish financial system it is necessary to explain as concisely as possible the principles of managing the national economy in the Polish People's Republic.

The socialist economy is based on the socialization of the means of production and planning of the economic development of the country. In this connection the system of management of the economy must be adapted to the principles of the socialist system. Under this system the management of the national economy is carried out by plans, i.e. mapping out and implementation of current tasks as well as the tasks concerning the development of the entire economy. Planning and planned influence on the economy are aimed to determine and maintain correct proportions in the main economic categories such as costs, prices, salaries and wages, savings, investments. The management of the economy is to ensure the maintenance of these proportions in the course of implementation of the planned tasks. Direct planning embraces such fields of the activity of the state in which as the producer of goods, merchandise or services it has the decisive say either as a monopolist of the type of oligopoly or as such representative on the demand-supply market that the other producers, particularly cooperative or individual do not play any important part.

In all fields, however, in which a socialist state deals with private sector producers it is in a position to exert an indirect and planned influ-

ence on them. This influence is effected through supplying them with raw materials, electric power, allocation of premises, land, through the policy of taxation, transportation (tariffs), and prices. In Poland this planned influence encompasses a considerable part of agricultural production (about 85 % of arable land is still in private hands in Poland), small-scale producers, handicraft producers and manufacturing industries. Through the system of contracts being concluded with sugar beet oleagineous plants, hop growers and through the system of purchases from private producers, the state can have a planned influence not only on the directions of production but also on the size of production. The state attains its goals in those fields through prices, special bonuses or through other instruments such as supplying farmers with quality seed, fertilizers or dry sugar beet. Indirect planning embraces a major number of production processes and exchange and covers such fields in which a direct allocation of material goods is possible and purposeful, e.g. in the field of investment and imports of capital goods. Central planning is coordinated by the central authorities concerned. From the point of view of the institutions the central decisions are taken, there are the Planning Commission at the Council of Ministers the Economic Committee of the Council of Ministers, the Council of Ministers and the Parliament (Sejm) which as the legislative organ of the state approves not only the state budget but also such economic plans as the national economic plan (annual) and a 5-year plan. Implementation of the central economic plan for the given period of time is carried out within the framework of plans for the specific branches of national economy (mostly broken down by ministries) as well as within the framework of such aggregate plans as the state budget, the financial balance-sheet of the state, the credit plan, the cash plan, the plan of monetary incomes and expenditures of the population and the plan of the balance of payments. These plans regulate individual processes in the national economy and at the same time they are the reflection and function in the creation and distribution of national income. Finally, they are all the component parts of the balance-sheet of the national economy.

The mechanism of management of the economy works at three stages: at drawing up plans, at taking up decisions and at the implementation of the plans. The stage of drawing up plans requires detailed investigation, studies and mapping out different variants. It also calls for the co-ordination of the draft plan not only between the state central authorities but also between different organs or local and specialized

authorities. Thus at this state of drawing up draft plans such planning organs are engaged as the Planning Commission at the Council of Ministers, planning commissions at praesidia of municipal, district and voivodship people's councils, planning departments of individual government agencies (ministries or other central organs like the State Committee for Physical Culture and Tourism) and industrial branch combines¹. The stage of taking up decisions requires the co-ordination of the draft plans on the level of the central authorities (ministries, banks and local administrative organs), districts, voivodships, etc. The process of decentralization of management of the economy now taking place in Poland is reflected in a gradual transfer of tasks and right of decision in the scope of these tasks from the central organs to an ever lower level of local administrative authorities, the rural settlements² included.

The decentralization process consists not only in transferring tasks "down" the administrative hierarchy but also in allocations of the necessary financial resources to those local authorities. It means that when definite tasks in the field of health service or education are transferred to the local organs of the administrative authorities, the necessary resources are allocated to them from the central budget at the same time.

The decentralization does not only refer to the stage of drawing up the draft plans. Perhaps to much greater extent the decentralization is effective in the course of the implementation of the plan. The degree of decentralization is bigger when the local administrative apparatus is better prepared to an independent execution of tasks transferred to it. For the decentralization of the management of the economy can be effected only when the respective organs of the local administration have adequately qualified staff capable to take independent and rational decisions in specific fields or capable to carry out independent economic activity. Decentralization disregarding these premises could bring about negative effects. In case of a lack of qualified personnel it is much easier to find several specialist to the central state apparatus and manage the economy centrally than to transfer the right of decision "down" to an

1) The industrial branch combine has been used here for Polish "zjednoczenie" which groups individual firms and enterprises making goods of similar or the same line. The term zjednoczenie has been translated in other publications as amalgamation, association, concern, trust, etc. It seems, however, that the term combine gives a better indication of the organization's character.

2) The smallest administrative unit of Poland.

unprepared local apparatus lacking qualified staff. The stage of adopting respective planning documents is relatively easy. It only calls for an efficient and timely work of such organs as the parliament (Sejm), the Council of Ministers, local People's Councils, etc.

It is obvious that the most difficult stage of the implementation of the plan is when there are necessary flexible modifications and adaptations of the plan to the changing domestic economic situation or to the foreign situation (particularly in the field of foreign trade).

The above-said system of management of the economy embraces the general activity of the state. Now let us pass on to the management of the national economy, i.e. to the system of management of state enterprises. In this sphere there are three levels, three tiers of the organizational structure: the productive enterprise, the industrial branch combine and the government body (the chief and central state authority to which individual enterprises are subordinated. For example there may be the Ministry of Heavy Industry but on the otherhand there may be the so-called Committee for Physical Culture and Tourism which responsible for the tourist industry enterprises). In each case a productive enterprise is the basic organizational unit. Each bigger productive enterprise in an independent entity with its specific legal status, individual property under the form of turnover and capital assets. Such an enterprise, apart from its own financial resources received from the state, increased by profits of the enterprise, can avail itself of a bank credit. The financial resources owned by the enterprise together with the bank credits are utilized for the implementation of the planned production targets. The degree of independence of enterprises varies and depends on their line of production and size of output. The biggest Polich iron and steel combine, the Lenin Works near Cracow, for example, has relatively highest degree of independence due to its size and great importance in the national economy. On the other hand, however, this industrial giant also plays a big role in the local economy on account of the large number of workers employed there. The workers must be adequately supplied which increases the expenditure of the local authorities for financing the needs of the workers in the sphere of their collective consumption (health service, education, culture, sports, tourism, etc).

Other big enterprises producing for export, which are growing in number steadily, receive authorizations for entering into direct export deals with their foreign customers. Owing to this they avoid the inter-

mediary of specialized foreign trade enterprises, which as a rule is obligatory. An example of such an enterprise is the "H. Cegielski" (producer of marine engines and other machines produced mainly for export).

This independent activity exemplified by the above-mentioned enterprise, however, does not encompass such problems as employment, salaries and wages, cost of production, prices, choice of buyers, change of the basic profile of production and its assortment. These problems are determined by the superior authorities (that is the specific industrial branch combines, ministries or even the Planning Commission at the Council of Ministers, the State Committee for Prices, the Committee for Labour and Wages or the Council of Ministers). Recently attempts have been made at expanding the scope of freedom of decision of enterprises in those cases in which it is necessary to take into consideration to much greater extent the situation on the market of consumer goods and the needs of the population in this field. This problem is neither easy nor simple to solve. Within the framework of a socialist planned economy it is difficult to accept fluctuations of the level of wages in a state enterprise, which would be subject to the current economic situation of the enterprise because it does not depend only on the enterprise. Consequently the economic situation of an enterprise is not always the result of wrong management. It would be difficult to leave to an enterprise the freedom of dismissing workers or lowering their wages below the wages level in similar enterprises, and all this on reasons completely independent of the workers. It would also be difficult to close down enterprises whose production is unprofitable from the micro-economic point of view, and all their workers either to dismiss or transfer to another type of work or to other places. In this situation it would be difficult to give to enterprises of the same production line the freedom of fixing wages at their discretion, if a planned economy of a socialist state must ensure its worker-citizens a similar level of salaries and wages for a comparable work. It comes from the above that in the Polish system of industrial management in principle a uniform system of salaries and wages in centrally determined by the state for each economic branch. At the same time a wide range of material incentives (bonuses), construction of apartment houses and other ones of non-material character such as distinctions and recognitions are applied too.

Enterprises of the same production branch cooperating between themselves as suppliers-buyers on the basis of co-production are organized into industrial branch combines which constitute sui generis socialist

concerns. The task of an industrial branch combine is to carry out the government economic policy in the given branch of the national economy and see that the enterprises subordinated to it fulfil the production tasks determined for them. An industrial branch combine also controls the enterprises subordinated to it, coordinates their mutual interests, breaks down production orders and tasks allocated to it. Thus the industrial branch combine is not only a managing organ of a branch of the national economy but also an organ of the economic administration because it has its definite "empire" of public authority, i.e. the right of issuing orders and prohibitions characteristic to a public authority. Just here is the difference between the socialist branch combine of state enterprises and a capitalist concern. In the industrial branch combine the elements of administration prevail over the elements of production processes.

The third degree of management of the economy is carried out by government bodies, which as rule are the ministries. To a certain measure the latter perform the functions of capitalist concerns, though even they in numerous instances are authorized to make independent decisions, for example as regards the change of the line of production, closure of enterprises, increase in employment or raising the level of salaries and wages.

In the system of centralized planning the management of the national economy is not tantamount in any case to commanding. It is precisely in the socialist economic system, in the system of socialized means of production, that the management should take into account both the allocation of resources and tasks as well as the complicated market relations.

Although a majority of economic processes can be effected within the framework of the allocation of resources and tasks determined by the state, it must be remembered that in Poland there are also elements of the market economy. They include: individual consumption (households) and private sector, non-socialized sphere of production and turnover. It means the economic activity of individual persons engaged in carrying out material production or rendering services against payment. Consumer's free choice in the sphere of individual consumption is the decisive factor limiting the freedom of decision-making of the state on the market.

The more the national economy changes over from the stage of the economy of scarcity to the stage of the economy of plenty the more important becomes the consumer's choice which necessitates changes of the methods of management of the economy. As the economic situation of the country changes it is necessary to give up previous methods of allocation,

the methods of determining the size of consumer's needs from the "top" and it becomes necessary to change over to the application of much more subtle methods of management of the economy through proper pricing policy (lowering or raising of prices, selling on hire purchase terms, granting consumer credits, etc.). During the first post-war years the demand was so high that all the products delivered to the market, irrespective of their quality, were sold out immediately. That was the time when consumers were lining up in queues. Now consumers may be exquisite and demanding with regard to a number of products and services. A planning state must take into account the fact that stocks of poor quality products or of products which the consumers do not want to buy any more because they are unfashionable, may grow. Thus the state must adapt the production and supply of goods and services to the current needs of the population. It means that the apparatus of the economic administration of the state must improve its to-date market analysis, that it must influence the situation on the market through a set of elaborately adapted measures of financial, credit, pricing and import policies to strengthen the absorberency of the market or to maintain the general or particular equilibrium. With this end in view the apparatus of the economic administration of the state must use effectively the means of advertising and acquisition to popularize the specific products or services.
