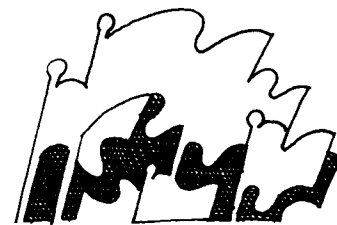


Foreign Labor Developments



Solidarity's proposals for reforming Poland's economy

HORST BRAND

Worker opposition in Eastern Europe is not a new phenomenon. Recall East Germany in 1953, Hungary in 1956, Poland in 1956 and subsequent years, and Czechoslovakia in 1968. Industrial unrest of more limited scope has occurred in Rumania and, according to Roy Medvedev,¹ in the Soviet Union. But in all of these countries, the revolts were short-lived, being quickly suppressed by the armed forces; thus, the political tendencies they might have spawned given time could not bear fruit. In Poland, by contrast, the broad-based workers' movement had the opportunity to mature to a much more advanced stage, characterized by Solidarity, an autonomous movement which superseded the established state-sponsored trade unions.

With the emergence of Solidarity, the workers left behind the more limited strike and protest actions of the early and mid-1970's which had had some favorable effects on the government's price, wage, and production policies, but made little lasting impact. Solidarity emerged from the inter-enterprise strike committee formed in August 1980 at Gdansk and Szczecin. Some of the committee's demands were unprecedented and audacious. It wanted free unions, in accordance with the 87th convention of the International Labour Organization, which had been ratified by Poland; the right to strike, and safety for strike participants and their helpers; freedom of speech, as guaranteed by the Polish constitution; restoration of jobs to employees dismissed for participating in earlier strike actions; liberation of all political prisoners; full publicity for Solidarity; the appointment of managers on the basis of competence; the abolition of privileges for the party apparatus, the police, and the internal security police; and a number of improvements in economic and social services.²

Solidarity lent form, structure, and articulateness to worker protest. By force of circumstance, it evolved into an opposition party, breaking the monopoly of the Polish United Workers Party.³ (Solidarity explicitly recognized that party's "leading role," although this recognition came increasingly under attack from groups within the organization.) Among the tasks Solidarity faced was to formulate alternatives to the government policies and institutions that had led Poland to the brink of economic ruin. Here, another development which had gathered momentum since the mid-1970's became pertinent: some dissident Polish intellectuals, among them noted scholars and experts in economics, history, and other social sciences, either supported Solidarity or generated a climate in which ideas for reforming the Polish polity could flourish. Examples of this support included KOR (Committee for Worker Defense), established in 1976 to free workers from jail; the Experience and Future group, more inclined than KOR to reform the system "from within"; and the Flying University. Some members of these groups became key advisers to Solidarity during the crucial Gdansk negotiations in 1980.

Following is a discussion of some of Solidarity's goals and policies formulated and issued at its October 1981 convention. The discussion is based essentially on two documents which contain the basic thinking of Solidarity: *Position on Social and Economic Reform of the Country*, issued by the Network of Solidarity Organizations in Leading Factories, and *Programs of the Independent Self-Governing Trade Union Solidarity Adopted by the First National Congress of Delegations*, the Solidarity Congress' program resolution.⁴ Solidarity's proposals can be divided into those involving (1) civil liberties and the rule of law; (2) the self-managed enterprise and its relation to the economy; and (3) the improvement of current economic conditions. Only the proposals dealing with self-managed enterprises are discussed in detail in this report.

Autonomous enterprise favored

Solidarity favors the creation of several types of enterprise—"social," state, cooperative, private, and mixed. The social enterprise was to be "the basic element of the national economy [with] full independence,

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autonomy of its workforce, and . . . self-financing." In contrast, state enterprises were to be created "only in exceptional cases, inspired by national interest . . . verified by Parliament." Like the social enterprise, the state enterprise was to be controlled by means of "economic instruments" and had to be self-financing.⁵

Self-financing was conceived to be a condition *sine qua non* of the self-managed enterprise. Self-financing would free enterprises from control of the government; it would be an incentive for efficiency, penalizing the inefficient enterprise. To encourage long-term investment, certain modifications to monetary policy would be necessary, for instance, low-interest loans and compulsory reserve funds. But, the principle of self-finance should be "unconditionally observed," and accordingly, the granting of bank credit should no longer be automatic.

The self-managed enterprise, as conceived by Solidarity, does not resemble in either form or structure the entrepreneurial firm in Western countries. There are fundamental differences in legal status. The self-managed enterprise would be run by its employees and their elected representatives, or an employees' council. The enterprise managers would be appointed by the employees' council, be "subservient" to it, and would be obliged to carry out the council's resolutions. Such subservience was intended not merely to ensure the democratic control of the enterprise, but also to sever the link between enterprise management, on the one hand, and the central administration and party hierarchy, on the other.

The function of an employees' council is not comparable to that of a board of directors in Western countries. The directors' authority is usually nominal and they often have interests in firms other than the one on whose board they sit. The employees' council would determine the direction of the enterprises' development and operation, labor and training policies, the division of profits, and the extent of cooperation with other enterprises and of foreign trade, for example. Profits would indeed "become the main stimulus of economic activity of an enterprise," and the amount of wages above a certain fixed floor would be determined by profits. However, profits could not be derived from monopoly practices, and enterprises would be monitored by a state agency to prevent such practices—to be specified by law—and sanctions would be imposed on violators. Solidarity did not define "profits," and it is not clear whether profits can be generated under the proposed conditions, which include the regulation of prices by the market, bolstered by competitive imports. The advocacy of the market as price regulator (with a few exceptions) was not a matter of ideology. It emerged from experience with Poland's system of rigid prices, which had stymied increases in supplies and, more important, had contributed to fostering bureaucracy.

Decentralization—a major concern

If there is one notion that pervades Solidarity's thinking as reflected in its program, it is decentralization: "The basic principle underlying economic reform is to provide safeguards for independence, self-management, and self-financing of enterprises, which implies the abolishment of the directive-allocative system and the structures associated with it."⁶ The dismantling of the "directive-allocative system" would mean the demise of a vast state bureaucracy, as well as of the patronage base of the ruling party. There would still be a Council of Ministers, whose responsibilities would include formulating economic policies, and to which a staff of economic planners would report. But the state would no longer have ultimate authority; that authority would be transferred to the Sejm—the Polish parliament—which would have its own economic planning staff to avoid a "central planning monopoly." Furthermore, the planning authority of the Council of Ministers would not be inherent but delegated by the Sejm, for according to Solidarity's thinking, "socialized planning should be operated on the principle that the final decision belongs to representative, not executive bodies."⁷

The importance of central planning would be drastically reduced under Solidarity's proposals. Its scope would be restricted to the "indispensable, leaving the remainder to the self-controlling mechanisms" because experience has taught "that planning covering all spheres of social and economic life becomes the way and method for developing a totalitarian system that attempts to predict and control everything."⁸ The central plan "is merely a plan for the government"⁹ and it must not impose decisions on enterprises and regional entities, whose planning is to be "autonomous." Underlying the conception of autonomous planning is the assumption that the enterprise, being subject to various market and social forces, will always plan so as to improve its operations. Yet, such efforts must surely give rise to imbalances, and it is the task of central planning to deal with these imbalances, that is, "to determine basic dynamics and structural proportions," including the allocation of new capital investment.

Solidarity viewed the central administrative system that dominates the Polish economy as shackling the natural energies and competence of the Polish work force. It declared that the "essential matter" is to eliminate "the dictative and distributional mechanism of management, consisting, on the one hand, in establishing tasks and, on the other, establishing means or limits of expenditures . . . [This] mechanism is responsible for decrease in economic effectiveness, lack of balance, negative social effects (falsification of information, bureaucratization, disappearance of self-management)."¹⁰

But what would replace the central administrative

system? Some of Solidarity's pertinent proposals include: direct, legally protected contract relations between suppliers and customers to replace directed distribution; self-financing of enterprises, regulated by taxation and credit, to supersede centrally controlled funding (the supervision of enterprise finances would be confined to ensuring conformance to law); and job assignments, plant layout, establishment of work norms and wage rates, and similar matters set by the self-managed enterprise, not the Ministry of Labor and Wages which no longer would oversee the enterprise staff (this task would fall to specialized institutions, themselves self-managed, which would render purely advisory and training services).

How, in Solidarity's conception, would central planning be implemented? Recall that Solidarity demanded that all administrative bodies charged with resource allocation be eliminated; that economic enterprises plan autonomously; that no administrative links exist between the planning authorities (at the top there would be at least two of them) and enterprises; and that the state budget be the only financial plan of the state.

The key to the answer is Solidarity's proposal that "instruments incoherent with the logic of economic market relations should be replaced by instruments operating via income and demand basis."¹¹ One infers from this viewpoint that the instruments consist largely of taxation and credit. Taxation is a policy instrument, in addition to financing the state budget, ". . . [The] taxes included in the liabilities of an enterprise would regulate the total financial balance in the economy, and also regulate the amount and distribution of income into production and consumption funds."¹² Taxes on enterprise income, furthermore, would be graduated to regulate increases in profits. Taxes on the enterprise's wage expenditures would be assessed so as to eliminate excessive differences in personal incomes between groups of employees.

Credit policy would function as it is designed to function in Western countries, that is, to protect the purchasing power of money and help stabilize the economy. The question of credit policy is much more complex than Solidarity's proposals suggest. Controls over foreign capital investments, for example, are not mentioned in its discussion of credit policy. Also the problem of rampant inflation in the current administered-price system is not satisfactorily discussed. Institutional reforms evidently take precedence over current policy problems. The banking system would be autonomous (although accountable to parliament, as it is not, or to only a tenuous degree, in the United States or in Great Britain). The banking system would cease to be accountable to the Ministry of Finance and, thus, could no longer be used to control enterprise funds. Enterprises would be free to avail themselves of credit, sub-

ject only to criteria of solvency and interest rates.

Abolishment of privileges

Decentralization and the self-managed enterprise directed by a workers' council is one of the axes of Solidarity's program. The abolition of privilege and social inequality is the other. The term "axes" is used deliberately here, for it refers to a coordinate system in which efficiency and equality are not tradeoffs, but are indispensable to each other. That is the sense of Solidarity's program.

The extent of privilege and inequality in Poland has been summarized in the Experience and Future group's *Report on the State of the Republic*.¹³

The seventies were a decade when incomes rose rapidly, albeit most rapidly in the highest income bracket, the end result being a widening of the income differential to a ratio of 1 : 20 Part of society continues to live with lower than the social minimum income, while another segment, consisting of the privileged, has incomes several or even dozens of times the average There exists in Poland a very large group of people who live in poverty, quite often near the subsistence level.

The mere fact of belonging to the Polish United Workers' Party does not automatically yield benefits. Only members of the active political core of the Party, its allied political groupings, and the administrative apparatus enjoy a privileged position in society. Their privileges extend to almost all spheres of life: access to status positions, real incomes, easier shopping, health, education, and foreign travel During the 1970's, these privileges were extended to relatively large groups in society; the decade also witnessed the inheritance of privilege. These groups, which do not share the concerns of the majority, are more interested in supplementing existing privileges and acquiring new ones than they are in improving any aspect of public life."

This situation lay at the root of the rise of Solidarity as a social movement; its program manifests the urge to deal with it.

The abolition of privilege is implicit in the proposed economic reforms. Employees' councils could readily control the pay and other compensation of appointed managers. They could institute personnel policies based on competence and experience rather than party membership. The accountability of government executives to the Sejm could serve to control their emoluments. And the proposed abandonment of the system of allocation and directed distribution would likewise eliminate many jobs to which privileges attach. The abolition of privilege is inseparable from the creation of a more produc-

tive economy. "The union calls for reform. Its purpose is to abolish the privileges of the bureaucracy and to rule out the possibility of their restoration. The reform must bring about the general liberation of industriousness and enterprise."¹⁴

Cost to workers not defined

The reform implies "public costs," but does not define what these costs would include. There is a possibility that jobs and income would be lost and inefficient enterprises would close. No central authority would be established to cope with these problems. The idea of the state as a service state is not considered; it is left implicit at best and usually ignored. For example, Solidarity's program declares that "the Union will resist the growing differences among enterprises and regions." Appropriate tax measures can help do this, but it has been the experience in Western countries that central authority must actively intervene (for example, federally sponsored area redevelopment or some kind of urban aid), however ineffectual such intervention may be. Solidarity would assign this task mainly to territorial bodies, and it would be implemented chiefly by taking over the social welfare activities currently operated by enterprises. A national social fund would shift aid to needy regions. It is not clear (but appears doubtful) whether

the central planning or banking authorities would have sufficient power to influence the flow of investment funds so as to compensate regional imbalances. The ambivalence on this and related points reflect Solidarity's profound distrust of the state as it has experienced it.

Such distrust is apparent in the area of employment as well. Solidarity advocated "the universal right to work," and opposed unemployment.¹⁵ It opposed staff reduction unless "there are social guarantees [such as allowances and retraining,] for people who are temporarily jobless." It did not, however, explicitly obligate the state to ensure full employment, although it foresaw "public costs" for the reforms it demanded. Other than to propose that regional boards form special employment commissions, Solidarity did not assign specific job-creating responsibilities to the state. It may be that it feared the state would create "unproductive" jobs.

THE SUPPRESSION OF SOLIDARITY does not impair the significance of its program. On the contrary, the program articulated the threat Solidarity ultimately posed to the "New Class"¹⁶ and to its monopolistic control over social property. The program corresponded to profound social needs which, of course, will persist and which, if postwar history is any guide, will reassert itself in political action. □

— FOOTNOTES —

¹ See Roy A. Medvedev, *On Socialist Democracy* (New York, Alfred A. Knopf, 1975).

² The list of Solidarity's demands is reproduced in Jadwiga Staniszkis, "The Evolution of Forms of Working Class Protest in Poland: Sociological Reflections on the Gdansk-Szczecin Case, August 1980," *Soviet Studies*, April 1981, pp. 222-23.

³ The Polish United Workers Party represents an amalgamation, compelled in the late-1940's, of the communist Polish Workers Party and the Polish Socialist Party. For a brief survey of the history of this amalgamation, see, Jaime Reynolds, "Communists, Socialists and Workers: Poland, 1944-48," *Soviet Studies*, October 1978, pp. 516-30.

⁴ The writer uses the English translations of these documents. The translation for the *Program* is from the *Daily Report*, Eastern Europe, Nov. 4, 1981, of the U.S. Foreign Broadcast Information Service. The translator of the *Position* paper is unknown.

⁵ Network of Solidarity Organizations in Leading Factories, *Position*

on Social and Economic Reform of the Country, p. 7 ff.

⁶ *Position . . .*, p. 2.

⁷ *Ibid.*, p. 4.

⁸ *Ibid.*

⁹ *Ibid.*

¹⁰ *Ibid.*, p. 5.

¹¹ *Ibid.*

¹² *Ibid.*, p. 11.

¹³ The Experience and Future Group, *Poland Today: The State of the Republic* (Armonk, N.Y., M.E. Sharpe, 1981), pp. 55 and 65.

¹⁴ *Solidarity Congress Program*, p. G-33.

¹⁵ *Program*, p. G-38.

¹⁶ The term originated with Milovan Djilas, the Yugoslav dissident who wrote a prophetic book titled, *The New Class* (New York, Praeger Publishers, 1957).